EUROPE - AFRICA RELATIONS IN A MULTI-CRISES WORLD

Turning the page after COVID-19, the EU-AU Summit and the war against Ukraine

January 2023

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This collective volume is the result of a special series of reports on Africa-Europe relations produced by ETTG members with the support of UNDP Africa.
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This report is the outcome of a partnership initiative launched in 2022 by the European Think Tanks Group (ETTG) and the United Nations Development Programme (UNDP) Regional Bureau of Africa. It follows earlier cooperation on AU-EU relations between the two organisations in 2020 and 2021.

Our partnership has aimed to assess the status of Africa-Europe relations in the follow-up of the EU-AU Summit in Brussels (17-18 February 2022). In the meantime, the world, Europe and Africa have gone through turbulent times with the war in Ukraine. This was on top of major problems created by the COVID-19 crisis and a succession of natural disasters as a result of climate change. ETTG policy analysts conducted research and published four policy papers that analyse how these multiple crises have impacted the Africa-European partnership in four key areas: i) climate change and fair energy transition; ii) food security; iii) peace, security and governance and iv) development finance.

The analyses served to inform deliberations during a two-day conference entitled “Assessing the implications of COVID-19 and the war in Ukraine for Africa and Europe-Africa relations” that took place in Brussels on November 30 and December 1, 2022. The four discussion papers are included in this report, along with an introduction, some observations about the current state of the partnership and a concluding section presenting the main findings and takeaways of the seminar.

The ETTG wishes to thank UNDP-Regional Bureau Africa for supporting the partnership, as well as all experts who dedicated their time to carry out the research and take part in the ETTG event in Brussels.

Geert Laporte, ETTG Director
Daniele Fattibene, ETTG Coordinator
Building on the outcomes of the 6th EU-AU Summit and the analytical work conducted by ETTG on different aspects of the AU-EU partnership in 2020-2021, the Regional Bureau Africa (RBA) of UNDP and ETTG expressed a clear desire to continue this fruitful partnership. This is more needed than ever given the enormous challenges Africa and the AU-EU partnership are confronted with. The African continent was still digesting the major economic, social and political impacts of the COVID-19 crisis, and yet it is now faced with the implications of the war in Ukraine. These new threats come on top of persistent major challenges such as increased debt levels, food insecurity, climate change and green transition, unconstitutional changes of government and conflicts. Against that backdrop, this report addresses the state of Africa-Europe relations, almost one year after the 6th EU-AU Summit, providing a number of policy recommendations to African and European decision makers in four key areas of cooperation: climate change and fair energy transition; food security; peace, security and participatory governance; and development finance.

The report is divided into six sections.

Section 1 by Geert Laporte provides some personal reflections on how Africa and Europe should learn to manage different interests and expectations. There are major underlying frustrations and areas of disagreement between Europe and Africa that have come to the surface as a result of the multiple crises of the past years. This should not lead to a standstill or inertia. On the contrary, in a context of slowly changing power relations, there is now a unique opportunity for a more open dialogue on all major issues that divide both continents. More empathy and understanding of the diverging expectations and interest agendas should be the starting point of thorough negotiations. Moving away from traditional North-South dependency relations will be an essential step forward towards better negotiated and mutually satisfactory outcomes at the negotiating table.

Section 2 by Ines Bouacida, Elisabeth Hege, Gabriela Iacobuta, Niels Keijzer and Svea Koch discusses the temperature of Africa-Europe relations on climate change and energy transitions, showing how both partners have a shared interest in providing reliable and clean energy to their citizens. The paper acknowledges the tensions related to the perceived protectionist slant of the European Green Deal, the EU’s “dash for gas” in Africa as part of its strategy to become more independent of Russian imports. Moreover, the authors highlight that during COP27 countries could not agree on concrete measures to reduce emissions and phase down oil and gas consumption, with key questions remaining on i) who will effectively contribute to the newly created loss and damage fund and ii) who will benefit from it. Against this backdrop, the authors highlight that long-term cooperation on hydrogen may benefit both continents. Yet, techno-economic issues remain unsettled, and a framework for cooperation needs to be set up that includes both environmental and social criteria, economic benefits, as well as investments in industrialisation for producer regions. Finally, they claim that Just Energy Transition Partnerships (JETPs) - so far targeting mainly countries with rapidly growing greenhouse gas (GHG) emissions - could focus on access to clean energy and bring important innovations in terms of country ownership and donor coordination.

Section 3 by Fabrizio Botti and Ainhoa Marín shows that although food insecurity had been worsening in Africa well before Russia’s invasion of Ukraine, the war has triggered more attention, spurring international European and African initiatives. The authors claim that the war has raised awareness in both Africa and Europe on the need to first tackle the immediate emergency and humanitarian challenges and second address structural solutions to eradicate food insecurity in Africa. There are multiple internal and external causes and drivers of food insecurity in Africa, such as access to affordable finance, the need to prioritise investments towards effective and lucrative crops, as well as to remove all those intra-African barriers that are slowing down trade.
Section 4 by Lidet Tadesse Shiferaw and Irene Paviotti analyses the political and financial stumbling blocks that are hampering the Africa - Europe partnership on security. The authors suggest that peace and security is an area in which the AU-EU partnership has been particularly effective – despite the political falling outs of recent years. The different responses to the Ukraine crisis by several African countries, for example, highlights their diverging perspectives on the global order. Such differences should not be brushed aside, but rather should be the starting point for an honest and open discussion about some underlying issues that the partnership faces. The analysis shows that the EU is not Africa’s only peace and security partner, as African leaders have been steadily diversifying their partnerships in the past years, including in the peace and security realm. The section suggests that Europe should acknowledge these new partnerships and the African interests that drive them, and step up their commitments and financial support for African-led peace and security operations. However, the authors also acknowledge that the newly created European Peace Facility (EPF) replacing the African Peace Facility has been almost exclusively used so far to support Ukraine’s military response. Clearly this has raised frustrations on the African side and creates new challenges for the Europe - Africa peace and security partnership.

Section 5 by San Bilal, Iliana Olivié and María Santillán O’Shea highlights that the current multi-crises context is gravely affecting the African continent, and that there is a need for the EU to urgently mobilise and expand the range of tools to support African initiatives for greater resilience, and sustainable and inclusive recovery and transformation. The authors acknowledge that some of Africa’s sources of external finance, such as foreign direct investment or trade, are following a downward trend, while debt pressure experienced by several African countries is accentuating. Therefore, they call for boosting the role and impact of African and European public development banks to unleash sustainable and transformative investments. The paper also argues that Africa and Europe should implement trade-inducing initiatives by avoiding new barriers and fully supporting the implementation process of the African Continental Free Trade Area. In addition, the authors suggest that the EU and African countries cooperate to explore innovative and tailored debt solutions together, and call for the EU members to collectively commit to speedily rechannelling 30% of their special drawing rights, through the International Monetary Fund and innovative leveraging mechanisms. Finally, the paper shows the importance of strengthening other sources of African external finance, namely official development assistance, migrants’ remittances and development finance, as well as of fighting against illicit financial flows.

The final section takes stock of the findings of the ETTG seminar organised in Brussels on November 30 and December 1. This hybrid seminar gathered more than 100 experts, practitioners and decision makers to reflect critically on how to rekindle the Africa - Europe partnership and provide it with the right tools and incentives to respond to the new crises. We conclude with some final observations and proposals for the way forward.
SECTION 1

Learning to manage different interests and expectations in the AU-EU Partnership

Geert Laporte

The multiple crises of the past years and recent months such as climate change, COVID-19 and the Russian invasion of Ukraine have exposed long standing underlying tensions and frustrations in the Africa-Europe partnership. The responses given to these crises have severely tested the partnership and confront both parties with an awakening from the illusion of a smooth and unbreakable bond between Africa and Europe. It would be a wrong signal to sweep these issues of discontent under the carpet and to continue with “business as usual”. But the low temperature in the relations between Europe and Africa should not be a cause for doom and gloom, as it rather offers a unique opportunity for a more open and frank dialogue and negotiated solutions on the major issues that tend to divide both continents.

On the diagnosis of the deeper problems and the longer-term key challenges for the future there seems to exist a broad level of agreement between both continents. In general terms, both Europe and Africa share key values and pursue similar economic, security, climate, and sustainable development agendas. Nobody in Europe or Africa would ever disagree over the ultimate aim of a low carbon world with a green and sustainable economy. In both continents it is likely to also find general support for strengthening regional cooperation and cross border trade if this will improve the economic prospects, human development and wellbeing of African and European citizens. On paper it would also be hard to find fundamental disagreement over the Global Agenda 2030, the AU Agenda 2063 or any of the multiple ambitious AU-EU strategic frameworks of the past years.

However, when it comes to agreeing on the remedies and more particularly the pathways with the necessary human and financial resources to reach these commonly agreed long term objectives, the water is still very deep between both sides of the Mediterranean. This is understandable in view of the asymmetrical relationship and the inequality both between and within the two continents, which translate to different positions in view
of whose short-term interests should be served and/ or redistributed while tackling the above challenges and opportunities. When it comes to operationalising ambitious policy agendas divergences tend to outweigh convergences between both groups of countries.

On **climate and energy**, in the absence of a consensus in COP 27 on concrete measures to reduce emissions and phase down oil and gas consumption, the creation of a loss and damage fund was seen as hard fought progress. But as always the devil will be in the detail as the concrete implementation of this fund still needs to be worked out. Many outstanding questions have been postponed to the next COP: who will contribute to this fund? Who will benefit (only LDCs or mainly vulnerable countries)? Where will the resources come from and how will they be used?

On **food security**, in the short term there is an urgent need to address the humanitarian food crisis exacerbated by the war in Ukraine. Europe and Africa must work together with the international community to make sure that the most vulnerable groups receive life saving support. In the longer-term, the two partners need to join forces to accelerate the sustainable transformation of African food systems. On the one hand, African countries need to live up to their longstanding commitments to invest more in agriculture and to make clear choices on which value chains they want to develop to support the local entrepreneurs and farmers. On the other hand, the EU could act in a more coherent way by ensuring that its different bilateral agreements truly facilitate trade and contribute to reducing barriers that are hampering intra-African trade and expose Africa to external food dependency.

On **security and governance** many African governments feel caught between superpowers in the Russia-Ukraine conflict and have tried to remain neutral. African states don’t really want to be pressured to pick a side and get involved in a new Cold War. They want to keep their options open. On the other hand Ukraine is a sovereign country and for some in Europe and Africa it is quite surprising that the AU principle of territorial integrity has not led to a firm condemnation of Russia. Also here, there are underlying frustrations at work including the shift from the African Peace Facility to the European Peace Facility which in just a few months of its existence has been largely disbursed in Ukraine, with few resources left to deal with conflicts on the African continent.

On **development finance** the time is ripe for Europe and Africa to start discussing debt cancellation rather than debt suspension. The multiple crises that have hit the global community in the past years have exposed the most vulnerable countries to huge debt distress. However, since most of the debt is owed to private creditors, the EU needs to work closely with international organisations such as the IMF to convince those creditors to think about innovative approaches. There is also a great need for a stronger role of the private sector to complement public funding resources (e.g. Global Gateway, EFDS+, NDICI, etc). The private sector offers a huge potential for job creation and the enlargement of the fiscal base, and guarantees have proven positive in supporting smallholders and small farming businesses in Africa. However, given the private sector’s risk aversion, aid subsidies are indispensable for tailored financial tools. Finally, Europe and Africa should partner globally to further reduce the costs of transferring international remittances to ensure that such a key source of finance continues steadily and reaches out to the most vulnerable communities. The above examples illustrate that progress in all these domains will only be made through bumpy tracks. But the positive message that can be retained is that we are entering a phase of more frank dialogue between both groups of countries. In part this is due to the fact that Africa can court an increasing number of partners which increases its bargaining power. While Europe might not yet be used to this growing African assertiveness this could create more opportunities in the future for better negotiated and more balanced win-win deals.
Some critical points of attention for future Africa-Europe relations:

1. **Assume joint responsibilities**

   There should no longer be a space for debilitating mutual recriminations and blame games on why things go wrong in key domains of the partnership. Both Africa and Europe have a role to play in bringing about change and should therefore carry their part of the responsibilities. A few examples: in the future it should no longer be the case that the food security of large populations in Africa depends on whether or not Russia grants free passage to the Black Sea to export its grain. In this critical context for so many millions of Africans the question could be raised why only a handful of African countries have complied with the AU 2003 Maputo declaration on agriculture and food security to allocate at least 10% of the national budgetary resources to agriculture and rural development within five years. While the EU can do significantly better on debt relief and living up to the high expectation of the Global Gateway commitments, many African countries could do more to reduce external dependencies by strengthening efforts in mobilising domestic resources, fair taxation and redistribution policies.

2. **Tailor solutions and target the poorest and most vulnerable countries**

   Both continents are not monolithic blocs. Clearly the multiple crises generate many losers but also a few winners. There is not one solution that fits all. For example: for some African countries fossil fuels will continue to play a crucial role in the coming years in their economic development. Others will be in a better position to make the shift towards renewables such as solar, wind and hydrogen.

   Differentiated approaches will be needed. The biggest challenge remains to reach out to the least developed countries and the most vulnerable populations who are the biggest victims of the consequences of COVID-19, the war in Ukraine and the climate crisis.

3. **Forge solid Africa-Europe alliances in the global fora**

   On paper and in public statements there is broad recognition that Africa is the continent of the future. With 54 sovereign countries and a demographic dividend of 2 on every 5 children born in Africa by 2050, 60% of the world’s uncultivated arable land and one third of the world’s mineral reserves, Africa disposes of a huge potential in terms of market opportunities, agricultural production and natural resources. However, it will be challenging to realise this vast economic potential and translate the changing economic power relations into more global political power and a better representation of Africa in the multilateral system. If Europe and Africa are serious about joint action and stronger cooperation in the international fora they should now step up efforts to start realising that ambition. Support for an AU seat at the table in the G-20 and a better representation of Africa in the UN system (Security Council) will be needed to keep up the credibility and legitimacy of the UN system.

4. **Complement financial resources with “smart policies” and better governance**

   Many discussions these days are focusing on money. Financial experts and technocrats have proposed several ways to unleash finance for development to deal with the enormous challenges with which, mainly African countries, are confronted. But the World Bank slogan “billions to trillions” to transform the poorest countries might not be successful in the absence of “smart policies”.

   The debate is not only about the quantity of financial resources but also about the quality of the policies that will be put in place to bring about change. Impact will only be achieved if significant financial resources are complemented with the right policies and solid institutions by a responsible leadership that should be in the driving seat and give a clear direction.
In recent years this governance dimension has been given less attention in the Africa-Europe dialogue. There were many reasons on both sides not to bring up these more delicate governance issues. The EU was very much focused on copying what others are doing in Africa with the Juncker Alliance and the Global Gateway as European answers to the Chinese Belt and Road Initiative. The growing bargaining power of Africa’s leadership and subsequent choices for the most suitable and “less demanding partners” made it hard for the EU to put governance again in the spotlights of the partnership. Also governance problems “at home” with some EU member states, cases of blatant corruption in the European parliament and double standards in the EU’s foreign policies, have seriously undermined Europe’s credibility in Africa.

Governance remains more relevant than ever in tackling the growing complexities of our current world. Better food security and clean energy access for all, improved human development, open societies and a lasting peace and security require responsible leadership and strong institutions on both sides of the partnership to implement solid policies. But to be credible and acceptable governance should be addressed in a fundamentally different way than in the past: more reciprocal with less patronising attitudes and less unilateral conditionalities and double standards.

5. Agree to disagree and negotiate

Last but not least, Europe should give up the ambition to transform Africa the way it would like it to see. Acceptance of major differences in terms of expectations and interests should be the starting point of any negotiation. The EU seems to accept this in its various negotiations with non-like-minded countries such as China or Turkey but when it concerns Africa, there is still a hidden assumption that Africa should accept the EU’s pre-cooked policies and “behave” accordingly. This lack of empathy in certain European circles also explains why the abstention vote by many African countries in the UN General Assembly to condemn the Russian aggression in Ukraine was met with anger and incomprehension on the European side. Europe will have to learn that African countries will pursue their interests whether they like it or not. To do so in an increasingly effective manner Africa is well advised to break with the traditional North-South dependency relationship. Bringing more balance in the partnership is the way forward to achieve more and better outcomes at the negotiating table and a lasting mutually beneficial partnership between Africa and Europe.

“Europe should give up the ambition to transform Africa the way it would like it to see. Acceptance of major differences in terms of expectations and interests should be the starting point of any negotiation.”
Africa and Europe in the aftermath of COP27

How to deliver results in times of crisis?

By Ines Bouacida (IDDRI), Elisabeth Hege (IDDRI), Gabriela Iacobuta (IDOS), Niels Keijzer (IDOS) and Svea Koch (IDOS)

The authors gratefully acknowledge feedback on and inputs by Daniele Malerba (IDOS) and feedback by Daniele Malerba & Geert Laporte (ETTG).

The views expressed in this paper are those of the authors.

KEY MESSAGES

- Africa and the European Union (EU) have a shared interest in providing reliable and clean energy to their citizens, despite this being a rather heated moment of Africa-Europe relations in the area of climate and energy cooperation. Tensions concern the perceived protectionist slant of the European Green Deal, the EU’s “dash for gas” in Africa as part of its strategy to become more independent of Russian imports, and multilateral climate issues, such as at COP27 the balance between climate finance, loss and damage, and climate ambition.

- Hydrogen technologies have been prominent in discussions between the EU and African countries since the 2020 political push for hydrogen in Europe. In theory, cooperation on hydrogen may benefit both continents. Yet, techno-economic issues remain unsettled, and a framework for cooperation needs to be set up that includes both environmental and social criteria, economic benefits, as well as investments in industrialisation for producer regions.

- Just Energy Transition Partnerships (JETPs) have so far been targeted mainly at countries with rapidly growing greenhouse gas (GHG) emissions, such as South Africa and Indonesia. While this is a legitimate focus, it risks leaving out most African countries, in particular the least developed ones. JETPs in Africa could focus on access to clean energy and bring important innovations in terms of country ownership and donor coordination.
INTRODUCTION

Although European and African states successfully cooperated in international climate negotiations in 2011 (Durban) and 2015 (Paris), in recent years, diverging agendas and interests have prevented such collective engagement. Indeed, cooperation on climate change and energy transitions has become a recurring point of conflict in EU-Africa relations. Moreover, the global situation today is significantly different from that of the EU-AU Summit in February 2022.

Both continents have a shared interest in providing reliable and clean energy to their citizens and investing in renewable energies and green transitions. Tensions arise regarding pathways and concrete measures for financing the shift. Russia's invasion of Ukraine further sharpened the energy debate between the EU and Africa, as some European countries have turned to Africa for alternative sources of natural gas. This move has been viewed as hypocritical, considering the EU's push at COP26 to phase out external investment in fossil fuels, including in Africa (though the EU has continued to allow such investment within its own borders). The EU has also expressed disappointment that no further progress was made on phasing out all fossil fuels during the COP27 negotiations. European leaders have portrayed energy diversification as a lever to become less dependent on Russia, while intensifying investments in renewable energies. Some African countries have welcomed the opportunity to get involved, both to improve their own access to energy and to generate export revenues. Yet, other observers warn that Africa’s energy investments could become skewed towards serving external markets, as opposed to primarily strengthening energy access and transition for African citizens.

It would be wrong to portray these parties' different interests and motivations as a rift between the continents, as neither the EU nor Africa is a distinct and uniform bloc on these issues. Within the EU and within Africa there are equally important differences in countries' interests, their “energy mix” and their levels of fossil fuel dependence, as well as in the origin of their energy imports.

One such discussion concerns climate finance and loss and damage (L&D), both of which have been points of controversy between the EU and Africa. On L&D, the EU, which before COP27 rejected the idea of such a dedicated L&D fund, gave up its resistance towards the end of the negotiations and agreed to create a new fund, the details of which are to be sorted out at COP28. Even though this agreement was found last minute, it can be seen as a victory for African countries and the Group of 77, which have demanded a separate facility and urged settlement of these issues.

Meanwhile, Africa’s National Determined Contributions (NDCs) remain severely underfunded, in terms of both planned climate mitigation and adaptation. Africa’s financial needs for energy transitions are far beyond what the EU is able and willing to provide, despite its considerable financial commitments and high-level international cooperation. The EU is the world leader in climate finance provision. It has committed some 35% of its external action funding to climate objectives and 7.5%
to biodiversity objectives under the current 2021-2027 EU budget. This assistance will take the form of both grants and facilitation of wider European investment in Africa. Major EU programmes to stimulate investment in Africa include the Global Gateway Africa-Europe Investment Package, launched at the EU-AU Summit in February, and the EU-Africa Green Energy Initiative, a so-called Team Europe Initiative (TEI), in which the EU, its member states and European development finance institutions combine their various cooperation initiatives with a focus on climate and energy. After being announced at the summit, the EU-Africa Green Energy Initiative was launched at COP27. While the financial volumes to be involved are still unclear, the EU has already announced that Just Energy Transition Partnerships (JETPs) and promotion of green hydrogen will be key priorities.

Against this backdrop, this policy brief analyses policy convergence and divergence between Europe and Africa in the field of climate and energy and identifies areas for further policy debate beyond COP27. Specifically, it examines cooperation efforts and challenges in two areas: hydrogen and JETPs.

**HYDROGEN AS A PILLAR OF EU-AFRICA CLIMATE COOPERATION?**

Considering that fossil fuels should be gradually phased out under the Paris Agreement, developing hydrogen exports might constitute an economic opportunity for current gas, coal or oil exporting countries in Africa, enabling them to maintain their income throughout the transition. While there are reasons to believe that international hydrogen trade could develop, it would likely not resemble international trade in fossil fuels. Hydrogen is unlikely to become as lucrative as fossil fuels, because it comes from an energy conversion rather than extraction. Producer countries, therefore, would not receive a “hydrogen rent”, analogous to the “oil rent” enjoyed by many fossil fuel exporting countries (the difference between oil prices on the international market and the cost of oil production domestically). The economic model for hydrogen exports would be fundamentally different from that for fossil fuels. Additionally, as IRENA research observes, the potential for hydrogen production is not as concentrated as fossil fuel resources, suggesting that the business will be more competitive than fossil fuels, which are geographically quite concentrated.

Hydrogen trade should be considered part of the broader issue of reshaping global value chains for a low-carbon world. While today, industrial production is generally located close to demand centres, in a world where renewable electricity provides a large part of energy supply, it might be more advantageous to locate production close to renewable energy sources, which are difficult to transport. Instead of trading raw materials and energy, supply chains might be broken down into trade of intermediate feedstocks, for example, elemental iron made from the reduction of iron ore using renewable hydrogen in, for example, South Africa instead of Europe. If such shifts in global value chains occur, security of industrial and energy supply to importers also needs to be considered.

Hydrogen technologies have been a prominent topic in discussions between EU and African countries since the 2020 political push for greater consideration of hydrogen’s potential in the energy transition. Indeed, the European Commission and several European countries (Germany, France, the Netherlands and Italy) published strategies for the development of hydrogen towards climate neutrality. These documents present visions for hydrogen development by 2030 and 2050, to achieve decarbonisation objectives especially in industry and in the transport sector. They also define strategies towards reaching these goals. With the war in Ukraine contributing to increases in planned uptake, the European Commission, and a few individual EU countries (e.g., Germany and the Netherlands) have pointed to the possibility of imports to supply enough hydrogen for the energy transition, while others (e.g., Spain and Portugal) would like to become exporters of hydrogen to European counterparts. A third group of countries (e.g., France) is not considering hydrogen cross-border trade. The African countries that have produced hydrogen strategies (Morocco and Egypt) have expressed interest in exporting some of their renewable hydrogen to Europe. To that end, Morocco, Mauritania and Namibia are hosting industrial pilot projects with European companies aimed ultimately at exporting part of their production.

Several European and African countries have signed bilateral memoranda of understanding (MoUs) laying the groundwork for bilateral hydrogen trade. For example, Namibia signed an MoU with Belgium at COP26 and with the EU at COP27 for renewable hydrogen to be produced in Namibia and exported to Europe. Hydrogen partnerships with African countries are an important element of the European Commission’s external energy engagement strategy, which focuses, among other things, on adapting to the “fast-changing... energy landscape [in which]... new commodities such as hydrogen and ammonia will begin to be traded internationally”. The European Bank
for Reconstruction and Development (EBRD) announced at COP27 that it will fund, through a US $80 billion loan, the first green hydrogen facility in Egypt (and in Africa). KfW (German development bank) has launched a platform to fund green hydrogen projects outside Europe as a basis for cooperation with Germany.

In theory, cooperation on hydrogen may benefit both continents. Many African countries have a large renewable energy potential, unlike Europe, suggesting that trade between the two regions would allow for a better global allocation of renewable energy sources. African countries could produce relatively cheap hydrogen for EU industries, while benefiting from external investments in renewables and hydrogen technologies. This, in turn, could accelerate Africa’s industrialisation and deployment of clean energy.

However, techno-economic issues continue to block this theory from becoming reality. As yet, there is no means of long-distance transport of hydrogen, casting doubt on the technical and financial feasibility of global hydrogen routes and whether these could in fact be constructed in time for political ambitions to be met. For distances up to a thousand kilometres, it is supposedly less expensive to transport hydrogen by pipe, as is mostly the case for natural gas today. For longer distance transport, it is possible to transport hydrogen in liquefied form or as ammonia, although these two methods are less technologically mature and relatively more expensive, according to a recent IDDRI study.

Besides the cost of transport and production, the business case for hydrogen imports from Africa to Europe depends on their end use. While hydrogen can technically be used in a large number of applications, it is often more energy- and cost-efficient to use alternatives and will remain so even as hydrogen production costs decrease, in part because it is fundamentally more expensive than electricity. Hydrogen will thus play a key role in decarbonisation only in certain segments of heavy industry, such as biofuels and fuel refining, the chemical industry and steel, as well as in long-distance air and sea transport, in the form of ammonia or synthetic kerosene (see IDDRI study, 2022). For example, for steel manufacturing, there are few alternatives, and the cost of hydrogen would have little effect on the competitiveness of final steel-based products, considering their cost structure. This suggests that the business case for hydrogen from electrolysis is strong, whereas in long-haul trucking, hydrogen is in a tight race with battery-powered vehicles. This strengthens the case for clarifying the EU’s vision on hydrogen end uses, which remains vague for most segments. For example, although the EU’s Sustainable and Smart Mobility Strategy sets goals for hydrogen charging infrastructure, greater clarity about the actual role of hydrogen in road transport will be needed to build adequate industrial supply chains.

Whether it is strategic for European countries to support the buildout of supply routes depends on their vision for domestic hydrogen industries. The EU’s hydrogen strategy aims for development of a European hydrogen industry that is competitive at the global level. However, this objective is likely to conflict with the EU’s ambitious imports target, as European hydrogen producers might have difficulty competing with cheaper imports.

Beyond solving such techno-economic issues, other conditions will need to be met for hydrogen to become a lever for EU-Africa climate and development cooperation. As the hydrogen industry slowly ramps up in the next decade and trade partnerships start to form, the priority is to establish an adequate framework for these conditions to be met. It should ensure shared prosperity for the EU and African countries involved, with strict environmental criteria, including carbon content but also water use and quality. Conditions also need to be formulated regarding energy access of local communities, the allocation of revenues from hydrogen and local community engagement.

**STRENGTHENING COOPERATION AROUND COUNTRY-LED JUST ENERGY TRANSITIONS**

The investment needs for sustainable development trajectories in Africa are massive, while the financing capacities of African countries have been dwarfed by a succession of crises. According to the International Energy Agency, 600 million Africans still lack access to electricity, and 970 million Africans lack access to clean cooking. Paradoxically, despite their huge needs and potential, Africa and the Middle East receive only 2% of global investment in renewable energy annually.

In the lead-up to COP27, an initiative called the African Common Position on Energy Access and Just Transition, led by the AU Commission and adopted by the AU Executive Council, set out an approach to respond to Africa’s energy access and transition needs without compromising its developmental priorities. The initiative emphasises the continued deployment of renewable but also non-renewable resources to meet energy needs...
needs on the continent. It also underlines the need to mobilise adequate funding and to establish appropriate regulatory frameworks for the development of large energy markets. The position was presented at the February 2022 EU-AU Summit in Brussels. Some African experts insist on the importance of avoiding development of gas infrastructure in African countries for the sake of supplying Europe’s energy security, as such infrastructure could soon become stranded assets.

Importantly, the reality of each country must be taken into account when seeking pathways to clean energy systems. This was confirmed by a recent comparative study commissioned by the Ukamọ platform. Decisions need to be context specific and not dominated by a single narrative. Among the country-specific variables that must be taken into account are electrification rate, the country-specific cost of renewable energy from different technologies, current fossil fuel generation and net exports of fossil fuels (see Mulugetta et al., 2022). Other important context elements are the cost of capital and of electricity from renewable energy can be more than double in one country than in another, while price differences between renewable and non-renewable energy also differ strongly between countries. Many countries moreover face social, economic and institutional uncertainties that influence the potential to deploy large-scale renewable technology.

At COP26, a JETP was announced between South Africa and a consortium of donor countries, mobilising an initial US $8.5 billion to accelerate and support South Africa on its ambitious NDC pathway. Since then, and in the run-up to COP27, the International Partners Group (IPG) and G7 countries have shown interest in expanding the JETP approach. At the margins of the EU-AU Summit in February, a number of African countries were mentioned as potential candidates. However, as COP27 neared, the focus was narrowed to Indonesia, Vietnam, India and Senegal. A new JETP with Indonesia was announced at COP27 with an even bigger consortium of IPG donors, now including Japan, the United States, Canada, Denmark, the EU, Germany, France, Norway, Italy and the United Kingdom.

The main interest of donor countries in replicating the JETP approach seems to be to target countries that are on a rapidly growing GHG emissions trajectory, leading to an emphasis on economically significant emerging countries. While this is a legitimate focus, it risks leaving out African countries, particularly least developed ones. It is worthwhile to discuss whether a similar type of innovative partnership could be imagined in different African countries. There are several interesting aspects of the JETP approach that could be relevant for improving Africa-EU relations.

African energy transitions need to remain African-led and not donor-led, keeping in mind that the vision for African countries when signing the Paris Agreement was to have clean and sustainable energy systems with universal energy access as the end goal. Towards this objective, COP27 launched the Africa Just and Affordable Energy Transition Initiative (AJAETI), an African-led initiative to secure access to affordable energy for at least 300 million Africans by 2027.

One potential strength of the JETP approach is the ability to base investment negotiations around a country-driven and nationally-owned plan with objectives not limited to the energy sector, but responding to the country’s overall development and industrialisation needs. Concretely, this means focusing the partnerships around delivering access to modern energy, including clean cooking and industry, while mapping a pathway to the country’s long-term decarbonisation objectives and avoiding stranded assets. This suggests that if JETPs or similar partnerships are developed in African contexts, they should have strong links to general national planning. Nonetheless, some ongoing JETP negotiations appear concentrated primarily on concluding a financial package, more or less disconnected from national planning processes.

A second potential strength of the JETP approach is its theory of change: the partnerships are conceived as playing a catalysing role for a step change that unlocks the status quo. This points to the need for a nuanced debate on where a JETP finance push could have the most catalytic effect. Depending on the country context, it could mean investing in underfunded transmission and distribution systems. Or, the focus might be on making clean energies more cost competitive, or in some contexts, on accelerating clean energy access to vulnerable populations.

For JETPs to be a real innovation in development and climate finance, they need to provide an addition in terms of the magnitude, nature and flexibility/modality of development finance, without increasing the debt burden of countries already at risk. This is one of the current criticisms of the
CONCLUSIONS AND AREAS FOR FURTHER POLICY DEBATE

Europe and Africa share interests and objectives for cooperation and joint action in the field of climate and energy. As Europe is looking to diversify its energy imports and Africa represents a high-potential and severely underinvested region, seizing the opportunity to expand cooperation may appear logical. Yet, this is a rather heated moment in Africa-Europe relations in the area of energy cooperation. In particular, African partners perceive confusing signals between the EU’s short-term and long-term climate and energy policies.

Moving forward, the EU should build a strong Africa diplomacy based on partnership, and it should structure discussions with African countries not just around the EU’s need for imports but also Africa’s industrialisation and development needs. On the African side, countries that advocate for gas as a transition fuel should elaborate credible long-term strategies in the UNFCCC context. Documenting and sharing country-specific evidence for navigating the energy transition and sustainable development could be a key input for a structured Africa-EU dialogue and could help to nuance heated debates and feed into timely phased country energy transition and access plans. Country-specific evidence could also help in building and discussing realistic expectations around hydrogen partnerships that equally benefit the producing and the importing country.

It is also critical to identify political economy barriers to just transitions and the main interest groups. Energy transitions may challenge the status quo, so it is critical to understand what players might oppose reforms and design policies in a way that addresses these political economy factors. Particular design aspects to consider include appropriate policy sequencing, information and communication campaigns (as demonstrated by subsidy reforms in the past), as well as stakeholder involvement. Citizens represent one of the main interest groups. Making sure that justice and fairness principles are adhered to will be critical for successful energy transitions.
SECTION 3

Growing food insecurity in Africa
How to avoid a new food crisis?

KEY MESSAGES

• Although food insecurity had been worsening in Africa well before Russia’s invasion of Ukraine, the war is triggering more attention and spurring international and European initiatives. Both Africa and the EU share the concern that actions are needed to support not only emergency responses, but also structural solutions for food insecurity in Africa.

• There is a general consensus that there are multiple causes and drivers of food insecurity, and that access to affordable finance to African countries is key to helping these countries address the economic and food crises. In this context, Team Europe and other international actors are pledging short- and long-term financial contributions.

• Some African discourses point at Europe’s response to Russia’s actions as a factor contributing to higher food and energy prices. This rhetoric suggests, in general, that global players – Europe included – are trying to take advantage of the current food crisis situation, fueling food as a tool of propaganda for both pro-Russian and anti-Russian positions.

• All these challenges need to be addressed through structural and not only emergency solutions, including affordable finance for African countries. Perceptions of a lack of genuine purpose in EU initiatives in the context of EU-Africa cooperation point to the need to reconcile potentially diverging perspectives on priorities and actions, while progressing towards the Sustainable Development Goal on zero-hunger amid global multi-crises.

By Fabrizio Botti (IAI) and Ainhoa Marín (RIE)
The views expressed in this paper are those of the authors.
INTRODUCTION

Food insecurity had been worsening significantly in Africa even before Russia’s invasion of Ukraine. Climate shocks, the COVID-19 pandemic and regional conflicts were disrupting food production and distribution resulting in rising costs for agricultural commodities on the continent. The war in Ukraine exacerbated the situation, pushing food and fertiliser prices even higher.

Key drivers of food insecurity, such as violence and conflict, weather hazards or economic shocks are particularly intense in some African countries. Constraints in African intra-regional trade, poor infrastructure development, institutional weakness, import-dependency and low agricultural productivity are other key issues that require structural solutions. All these challenges need to be framed in the context of EU-Africa relations, reconciling potentially diverging perspectives on priorities and actions, while progressing towards the second Sustainable Development Goal (SDG2) of zero-hunger amid global multi-crises.

OVERVIEW OF TRENDS AND KEY DRIVERS OF FOOD SECURITY AMID GLOBAL CRISIS

Acute food insecurity continues its rapid growth trend at the global level for the fourth consecutive year. According to the recent Mid-Year Update of the Global Report on Food Crises 2022, an estimated 205 million people are expected to face acute food insecurity and to be in need of urgent assistance in 45 countries.1 Severe malnutrition affects 45 million people, including 970,000 expected to face catastrophic conditions in 2022 if no action is taken.2

Accordingly, updated evidence shows that the double-digit percentage rise in populations facing the three most severe phases of acute food insecurity between 2021 and 2022 mostly affects countries located in East Africa, West Africa and the Sahel. Fourteen out of 19 countries classified as early warning hunger hotspots3 by the World Food Programme (WFP) and the Food and Agriculture Organization (FAO) during the outlook period October 2022 to January 2023 are in Africa. Particularly, Ethiopia, Nigeria, South Sudan and Somalia remain at the highest alert level and require the most urgent attention.4 The Democratic Republic of the Congo, the Sahel region, Sudan and Kenya remain as countries/territories of very high concern. Zimbabwe, Malawi and Madagascar are also identified as hunger hotspots in which acute food insecurity is likely to deteriorate further during the outlook period.

The dual impact of the pandemic crisis and Russia’s war against Ukraine is global and reinforces already existing shocks operating at the global, regional, national and household level. Some key drivers of food insecurity are nevertheless particularly harming the African continent and small-scale producers.

Organised violence and conflicts. Intensifying or protracted conflict, organised violence and armed conflict are key drivers of acute food insecurity in the Central African Republic, eastern Democratic Republic of the Congo, Ethiopia, northern Nigeria, Central Sahel, Somalia, South Sudan and Sudan. The number of violent incidents followed a marked increasing trend in the first three quarters of 2022 at the global level (108,399 total such incidents and 139,518 fatalities at the end of September 2022, respectively 34.3% and +11.3% compared to the previous year). In Eastern, Western and Southern African countries, the numbers of violent events and deaths are showing sustained growth even in the last quarter of the year (+18.4% and 2.4% increase in fatalities in Eastern and Southern Africa respectively; +10% rise in events in Western Africa), at odds with global decreasing tendency in the last part of the year. Such evidence is expected to further affect food insecurity considering the reinforcing effect of the food price shock on government capacity to contain violence.5

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3. Ibid. Hunger hotspots are countries or territories that are expected to worsen their acute food insecurity. These 19 countries/territories are either: i) hotspots of highest concern, already with populations in catastrophe (IPC/CH Phase 5), as well as hotspots at risk of deterioration towards catastrophic conditions and hotspots with famine or risk of famine; ii) hotspots at very high concern, with sizeable populations (over 500,000 people) estimated or projected to be in emergency (IPC/CH Phase 4) levels of acute food insecurity or identified as severely food insecure, or hotspots with more than 10% of the analysed population in emergency (IPC/CH Phase 4) or severely food insecure, and at least 50% of the population analysed. In the included countries, life-threatening conditions are expected to further intensify in the outlook period.
4. Ibid.
Weather shocks. Natural-hazard risks, especially drought, flooding and cyclones, affect agricultural production and livelihoods. Weather extremes are among the main drivers of acute food insecurity in Western and Eastern Africa. Extremely poor rainy seasons are affecting some areas of Eastern Africa since late 2020 with substantial effects on food security, particularly in the arid and semi-arid lands of Kenya, southern and central areas of Somalia, and southern and eastern Ethiopia. In the most affected areas of the latter, the rainfall deficits amounted to 70-80%. Sahelian countries (including Burkina Faso, Chad, Mali, Mauritania and the Niger) are also experiencing flooding causing displacement and destruction of cropland and livestock. Below-average rainfall seasons are forecast in Nigeria, Madagascar and Malawi in the second part of 2022, with further deterioration of the food security situation of vulnerable people.

Economic shocks. The combined impact of the current multiple global crises with implications for inflation, disruptions in global value chains, including those in the agricultural sector, and restrictive monetary policy responses by Western central banks is causing a contraction in the global economy. Greater effects are suffered by highly indebted countries, through the channel of rising interest rates, and by food- and hydrocarbon-importing countries, given persistent higher than pre-crisis global prices for food, energy and fertiliser.

Most of the countries in the African continent are markedly exposed to both channels. They import most of their basic foods – wheat, palm oil and rice⁶ – and the transfer from global to local food prices is significant. Furthermore, prices of locally provided staples have also risen in some countries, due to higher fertiliser and input costs. The FAO Food Price Index has dropped 23.8 points (14.9%) in October from the peak reached in March as a consequence of the Russian invasion of Ukraine. In spite of its recent declining trend, the Index is still 2.7 points (2.0%) above its value in the corresponding month of last year; and, at the same time, domestic food inflation has been growing in the African countries most vulnerable to food insecurity (namely Ethiopia, Somalia, South Sudan and Zimbabwe) and exceeds the 15% threshold in almost half of African reporting countries.⁷

For 25 African economies at least one-third of the imported wheat comes from Russia or Ukraine, and for 15 of them the dependency rate is greater than 50%. Sub-Saharan African countries experienced a significant increase in staple food prices (+23.9% in the 2020-2022 time interval) and more notably, in the cost of a typical food consumption basket (+8.5%) as a consequence of both external and domestic driving factors.⁸ Firstly, Sub-Saharan African countries are highly vulnerable to global food prices, especially for highly imported staples with a pass-through from global to local food prices estimated close to unity. On the domestic side, staple food price inflation is lower in countries with greater domestic production, even if in some countries the price of locally sourced staples has

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increased sharply owing to the increasing cost of fertilisers, exchange rate fluctuation and local supply disruptions (in 2020-2021, prices of mostly locally produced cassava and maize more than doubled in Nigeria and the former increased by 78% in Ghana). The growing trend in staple food price inflation is mostly affecting poorer households, considering their higher consumption share, or lower access to staple food substitutes. Countries with high indebtedness levels are exposed to increasing credit cost and resulting possible depletion of reserves owing to monetary-tightening measures carried out by central banks in advanced economies to fight inflation. Unintended consequences of such macroeconomic trends may further deteriorate food security and political stability especially in Africa, where two-thirds of the countries involved in the Debt Sustainability Framework for Low-Income Countries are at high risk or are experiencing overall debt distress.¹⁰ Food-import price increases have a greater impact on poor countries that are already in debt distress or at high risk of it, in particular Eritrea, Mauritania, Somalia and Sudan.

### Table 1. Key drivers of food insecurity in African countries (2022)

<table>
<thead>
<tr>
<th>Countries</th>
<th>Key drivers of food insecurity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coastal countries (the Republic of Benin, the Republic of Cabo Verde, the Republic of Guinea)</td>
<td>Rising food inflation, below-average rainfall</td>
</tr>
<tr>
<td>The Federal Republic of Nigeria</td>
<td>Insecurity, macroeconomic challenges, high food prices</td>
</tr>
<tr>
<td>Sahel (Burkina Faso, the Republic of Chad, the Republic of Mali, the Islamic Republic of Mauritania, the Republic of the Niger)</td>
<td>Erratic rainfall, high food prices, conflict, localised flooding</td>
</tr>
<tr>
<td>The Federal Democratic Republic of Ethiopia</td>
<td>Drought, economic crisis, conflict and intercommunal violence</td>
</tr>
<tr>
<td>The Republic of Kenya</td>
<td>Prolonged drought, crop pests, rising food prices</td>
</tr>
<tr>
<td>The Federal Republic of Somalia</td>
<td>Prolonged drought, conflict, high food prices</td>
</tr>
<tr>
<td>The Republic of South Sudan</td>
<td>Flooding, below-average rain, macroeconomic challenges, subnational conflict</td>
</tr>
<tr>
<td>The Republic of Angola</td>
<td>Drought, high food prices</td>
</tr>
<tr>
<td>The Democratic Republic of the Congo</td>
<td>Protracted conflict, high food prices</td>
</tr>
<tr>
<td>The Republic of Madagascar</td>
<td>Drought conditions, cyclones and tropical storms, high prices of staple foods</td>
</tr>
<tr>
<td>The Republic of Mozambique</td>
<td>Conflict in Cabo Delgado, rainfall deficits, recurrent natural shocks</td>
</tr>
<tr>
<td>The Republic of Zimbabwe</td>
<td>Prolonged dry spells, high food and fuel prices</td>
</tr>
<tr>
<td>The Republic of the Sudan</td>
<td>High food prices, below-average harvest, intercommunal violence</td>
</tr>
</tbody>
</table>

Source: Own elaboration from FAO and WFP (2022).


OVERVIEW OF RECENT EU INITIATIVES RELATED TO THE FOOD CRISIS

The Team Europe\(^{11}\) response followed three main strands of action that are relevant for EU-Africa cooperation on the current food crisis. First, in May 2022, the EU launched the so-called EU-Ukraine Solidarity Lanes that aimed at facilitating alternative logistic routes until access to the Black Sea was fully restored\(^{12}\), without imposing sanctions on Russian exports of food to global markets.

Second, in April 2022 the EU launched the International Food and Agriculture Resilience Mission (FARM), in cooperation with the G7 and African Union partners. The proposed mechanism is based on three pillars: (i) avoiding export restrictions in agricultural markets; (ii) supporting the Ukrainian agricultural sector and the exporting of Ukrainian grain via the Solidarity Lanes; and (iii) launch of the Global Business for Food Security Coalition, supported by France, the European Commission, the European Investment Bank, the WFP, the International Fund for Agricultural Development and the Bill and Melinda Gates Foundation.

Third, in June 2022, the EU countries supported a €7.7 billion general commitment for the period 2021-2024 aimed at food security. Moreover, in September, €600 million was allocated to food security in Africa, the Caribbean and the Pacific from decommitted funds from the 10th and 11th European Development Fund. At the fore of the G20 Summit in Bali in November, the EU Commission has announced a new humanitarian aid package for food assistance worth €210 million for 15 countries (of which 9 are African countries), which fulfils the EU’s overall support for global security up to the €8 billion commitment for the period 2021-2024.\(^{13}\) In October 2022, Team Europe pledged to channel Special Drawing Rights to ACP eligible countries in Africa, the Caribbean and the Pacific to respond to the economic and food crisis. This announcement of a EU grant contribution of €100 million is part of the broader €600 million package already announced in September.

On the African side, most of the Regional Economic Communities have already established, along with national initiatives, regional strategies or Action Plans related to food security.\(^{14}\) At the continental level, the African Union (AU) and its Agriculture and Food Security Division coordinate the implementation of AU decisions related to agricultural transformation, in line with the AU target to “eliminate hunger and food insecurity by 2025”. Recently, the AU has established a Russia-Ukraine task force, to gather information and take actions to limit the effects of the conflict.

LONG-TERM SOLUTIONS TO FOOD INSECURITY AND MALNUTRITION IN THE FRAMEWORK OF A RENEWED EU-AFRICA PARTNERSHIP

The nature and extent of the key food insecurity drivers discussed above necessitate systemic solutions to structural barriers to food security and nutrition in Africa and the developing world that go well beyond EU-Africa cooperation. The worsening state of food security and nutrition in 2022 is not only the result of the pandemic crisis and the Russia-Ukraine conflict but also of enduring global challenges such as climate change, and contextual factors like barriers to intra-regional trade (i.e. tariffs, lack of harmonised standards and diverging domestic regulatory measures in the services, investment, competition, intellectual property rights, and digital trade domains), poor infrastructure development, institutional weakness, import-dependency and low agricultural productivity.

For these reasons it is essential that the European Union and the African Union, with their respective member states, promote a collaborative long-term approach in the appropriate international institutions (i.e. the UN ‘Rome-based agencies’ – FAO, WFP and International Fund for Agricultural Development, the World Bank Group, the World Trade Organization) and fora (i.e. the G20, the Finance in Common network of Public Development Banks) aimed at reconciling potentially diverging perspectives on the joint management of food security, climate change and biodiversity issues while progressing towards SDG2 amid global multi-crisis.

Emergency measures in the short term should be limited to targeted subsidies aimed at securing imports of basic agricultural products and to safeguarding food delivery routes to vulnerable countries during the food price emergency. Long-term remedies should point to the following targets:

\(^{11}\) Since 2020, the EU has adopted a new approach based on joint work among EU institutions, member states and their implementing agencies and development finance institutions, called Team Europe.

\(^{12}\) According to the EU Commission, between May and August 2022, 61% of the exports from Ukraine were transported through these lanes including around 10 million tonnes of Ukraine grain and oilseeds.

\(^{13}\) https://ec.europa.eu/commission/presscorner/detail/en/ip_22_6448

• Align the EU’s fragmented trading regimes with African countries (Everything But Arms initiative, Economic Partnership Agreements, Deep and Comprehensive Free Trade Area, Association Agreements, the Generalised System of Preferences, 16 free trade agreements with Sub-Saharan African countries and 4 with North African countries) to the African Continental Free Trade Area (AfCFTA) process;
• Coordinated phase-out of export restrictions and trade remedies on critical agricultural inputs and products in the framework of the World Trade Organization reform or in appropriate open plurilateral initiatives;
• Support the creation of regional supply chains in agriculture and fertiliser industries in order to reduce import dependency and sustain intra-African trade;
• Address global and local food security challenges through appropriate financial resources by complementing public funds and aid with public-private initiatives and development finance tools to mobilise commercial capital through public guarantees (e.g. blended finance) or other innovative financial instruments (e.g. development bonds) such as those aiming at promoting sustainable food systems and agri-value chains, in the framework of the Africa-Europe Global Gateway Investment Package.
• Improve market transparency and coordination by supporting initiatives like the G20’s Agricultural Market Information System for prompt and updated market assessments in support of policy decisions, and policy dialogue and coordination among members through its Rapid Response Forum.

CONCLUSION

Acute food insecurity and malnutrition recently emerged at the global level as a result of the pandemic crisis and the conflict in Ukraine, that combined with existing threats to the achievement of SDG2 such as climate change, conflicts and increasing inequalities. All the major drivers of food insecurity are particularly harming the African continent, especially considering specific contextual factors such as debt distress, import-dependence for staple food and fertilisers, natural-risk hazards and local conflicts.

These interconnected and long-lasting challenges call for structural policy responses to the current crisis by engaging the EU in greater cooperation with Africa as a bloc (i.e. African Union, AfCFTA) rather than with individual countries, and through a new collaborative approach in the appropriate international institutions and fora.

Long-term solutions in the framework of a renewed EU-Africa partnership may reconcile potentially diverging perspectives on the joint management of food insecurity and malnutrition, and strengthen the EU’s position as Africa’s leading political and economic partner at times of unprecedented geopolitical turbulence and competition from other global actors in the continent.

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Peace and security is an area in which the EU-Africa partnership has been particularly effective – despite the political falling outs of recent years. The partners’ different responses to the Ukraine crisis, for example, highlight their differing views on the global order. Such differences should not be brushed aside, but rather should be the starting point for an honest discussion about the issues that the partnership faces.

The EU is not Africa’s only peace and security partner. African leaders have been diversifying their partnerships for a long time now, including in the peace and security realm. This has in some cases limited or even entirely side-lined the effectiveness of Europe’s peace and security operations and role in regional conflicts, especially in the Sahel. To continue to be a relevant actor, Europe should acknowledge these new partnerships and the African interests that drive them, and ensure financial support for African-led peace and security operations.

The creation of the European Peace Facility (EPF), which to date has been used mainly to support Ukraine’s military response, adds to the challenges that the African Union is facing with regard to funding for peace and security operations. African leaders should proactively engage with European counterparts to ensure that their interests are duly considered in decisions affecting the EU-Africa peace and security partnership.

KEY MESSAGES

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THE EU-AFRICA PEACE AND SECURITY PARTNERSHIP IN CONTEXT

The EU-Africa partnership has ebbed and flowed over the years, with the period since 2020 being particularly dynamic. With the Covid-19 pandemic, the response to the war in Ukraine and the subsequent energy crisis in Europe, cleavages have been unearthed in the partnership. Yet, if approached in earnest, these same cleavages offer opportunities to engage in honest dialogue, identify areas of mutual interest and reckon with structural differences – to build a partnership that goes beyond aspirations to actually deliver.

Peace and security and governance are longstanding thematic pillars of the EU-Africa partnership. The legal basis of the EU-Africa peace and security partnership derives from the 1989 Lomé IV Convention. Unlike previous conventions, which emphasised trade relations, the Lomé IV Convention outlined the need for the EU and Africa (as part of the African, Caribbean and Pacific Group of States) to stand for human rights, democratic principles and the rule of law – and it introduced aid conditionality. The agreement was a product of its time. In the late 1980s and early 1990s, various African countries and eastern European states were undergoing a “wave” of democratisation, and aid conditionality was considered an expedient tool for promoting democratisation and disincentivising reversal.

Today, governance is no longer a prominent topic in the partnership, and the unidirectional application of aid conditionality is rejected. African countries argue that their path to democracy will be different from that of Europe, and that the African governance agenda should be pursued and enforced by African institutions, rather than the EU. Moreover, the EU’s interests and values occasionally clash with those of Africa, and some of the values extolled by Europe are even contested at home. At the same time, the economic rise of non-democratic states has raised questions on the links between democracy and economic development and diversified the ideological market. This has challenged the EU’s credibility in democracy promotion.

On matters of peace and security, however, broad convergences remain. Due to geographic proximity, North Africa is of utmost importance to both the EU and the African Union (AU), while the Horn of Africa and maritime security in the Red Sea are critical to the EU’s global commercial interests. There is a strong track record of peace and security collaboration between the EU and Africa, within the AU framework. For example, the EU is the AU’s largest funder and has been an indispensable partner in financing various peace support operations (PSOs) deployed by the AU and its regional economic communities (RECs). Between 2007 and 2019, the EU dispensed €2.7 billion in support of the AU’s peace and security activities. The lion’s share of that amount went towards stipends for troops deployed in the AU Mission in Somalia (AMISOM). The EU has also provided funds for mediation and preventive diplomacy activities of the AU and its member states, and Europe has often demonstrated a willingness to lend political support as well.

This peace and security collaboration between the EU and the AU is arguably one of the most effective aspects of the broader EU-Africa relationship. However, it is not immune to political dissent, most recently related to the response to the war in Ukraine, which broke out a few days after the EU-AU Summit in February 2022. The management of insecurity in the Sahel is another area that has tested the partnership in the past two years.

UNMET EXPECTATIONS: THE RESPONSE TO THE WAR IN UKRAINE

African countries’ position on Russia’s aggression against Ukraine has been heavily scrutinised. At the United Nations General Assembly (UNGA) vote of 2 March on Resolution ES-11/1, condemning Russia’s war against Ukraine, 28 African countries voted in favour, 1 voted against, 17 abstained and 8 were absent. More countries voted to condemn this Russian aggression than in the 2014 vote on Russia’s Crimea annexation. Yet, most attention has focused on the countries that abstained.

From the African side, Europe’s expectation of unequivocal support was confusing if not offensive. It seemed detached from the fact that African countries, too, have their own political considerations and that the national interests of the continent’s 54 countries vary. Further, the European tendency to explain Africa’s positions not as a product of its countries’ respective national agendas but in connection to Russia’s influence or disinformation campaigns left African countries wondering if their agency would ever be respected if and when their positions do not align with Europe’s.
For Europe, the war was unexpected and outrageous, not only because of the belligerence it represents but also because it is so close to home. It is therefore seen as a war against democracy and European values. African countries’ diverse responses to the war and the inability of African states to match the unilaterality of Europe’s reaction, therefore, felt at odds with the commitments made to defend multilateralism at the EU-AU Summit just a couple of weeks before the war.

For Africa, Europe’s outrage, subsequent sanctions against Russia and expectations of unequivocal support were nothing short of double standards regarding military aggression and negotiated solutions to war. It was seen as Europe asking its African partners to condemn an unjustified war of aggression simply because of its nearness to the EU’s own borders – though the EU has at times taken a controversial approach on issues on the African continent, including in Libya, and in relation to Iraq, Afghanistan and the Israeli-Palestinian conflict. It brought back memories of how the Libyan crisis was managed in 2011, when the AU’s attempts to arrange a negotiated settlement were cut short by a United Nations (UN)-mandated intervention by the North Atlantic Treaty Organization (NATO) – which arguably surpassed its mandate to effect regime change. The stunted attempt at being a peace facilitator in the initial stages of the Libya crisis marginalised the AU even in the aftermath of regime change, leaving the AU with minimal influence over decisions made about Libya to this day.

Moreover, the justified outpouring of solidarity towards Ukrainian refugees clashes with Europe’s attitude towards refugees from Africa, as they are not usually treated with the same care and generosity in Europe. The fact that all of this happened while tensions over vaccine equity and the response to Covid-19 were still in the open stirred intense public and political discourse about whose lives matter. Emotions ran high both in the general public and among European and African diplomats in Brussels and Addis Ababa, as accusations of betrayal and bullying were heard.

The UNGA vote, however, might be cathartic in that it made clear that Europe and Africa have different interpretations of the global order and what the EU-Africa partnership can deliver. While the strength of a partnership is tested by how well it manages differences, doing so requires the partners to discuss critical issues, fighting the temptation to project an overly optimistic vision of the relationship. This is essential to maintain an effective partnership in a multipolar world.

OF FRIENDS AND FOES

As the world changes, the partnership should adapt. One of the surfacing challenges in the EU-Africa peace and security partnership is how to deal with the rising political influence of non-Western partners. While the EU remains a significant trade partner for many African countries, it is not the only one, nor is it always the most preferred. African countries have diversified their partnerships, and most are in a better economic and political negotiating position than they were when the EU-Africa partnership commenced a few decades ago. Yet, competition with external powers, such as Russia, China and Turkey, has incentivised the EU to renew its engagement with Africa, as evidenced in Africa’s prominence in EU external action. Developments within Africa, too, such as the continent’s economic growth, its own self-assertion and interest displayed by non-traditional global actors, are changing
the power balance between the EU and Africa. Europe is recognizing this changing environment. A leaked EU report calls for more honest messaging towards African partners and highlights the need to ban lectures on values in favour of two-way conversations on the importance the EU attaches to certain values.

Such a revised attitude could also help smoothen the challenges that the EU-Africa partnership faces in the realm of peace and security. It would certainly be more constructive with regard to responses to transnational crises in the Sahel and North Africa. Alongside various regional and continental political initiatives on the Sahel, various EU member states have military presence in the Sahel region – namely in Mali and Niger – and the EU has had Common Security and Defence Policy (CSDP) missions in Mali. While the EU remains an important financier of the G5 Sahel force, a number of critical issues have emerged that could rattle the EU-Africa peace and security partnership.

First, the EU’s approach has been significantly militarised, with the security dimension of interrelated crises overtaking all others. The drivers of violence and terrorism, such as poverty, lack of social services, climate change and problematic economic models have received little attention, compared to military troop deployment and training. This may speak to European powers’ sense of being threatened by terrorism at home, and it may benefit local governments, which can rely on stronger military capabilities to maintain regime security or repress dissent.

Second, the value added by this securitisation for the broader population is questionable, and in many instances, has led to public outrage against governments, as happened in Mali and Burkina Faso. Mali has experienced a decade of insecurity, despite the significant military presence of France and other forces, including under the auspices of the EU. In addition to contributing to the positive response by the population to the coup that took place there in 2019, it has also fed resentment towards France and other Western countries with a military presence in the country.

Third, three out of the five G5 Sahel countries have experienced a military takeover in the past several years. This points not only to the security and political fragility of these countries, but also to the possible implications of hypermilitarisation in settings without sufficient checks and balances. This should be of particular relevance to the EU, as the European Peace Facility (EPF) would allow financing of regional forces and lethal weapons in partner countries – an issue we will return to in the next section.

Fourth, the rise of insecurity and terrorism has compelled states to garner political and security support from all regional and global actors willing to provide it. In the Horn of Africa, this pertains to the Gulf States and Turkey, while in the Sahel, Russia has become an interesting ally. Russia’s security presence in Mali and the Central African Republic (CAR) has been a particular source of tension between the two countries and the EU. The EU and its member states allege that Mali and CAR are collaborating with “mercenaries”, namely, a Russian private security company called the Wagner Group. Both Mali and CAR deny this characterisation, saying that their collaboration is with the Russian state and adding that decisions on security partnerships are within their own sovereign authority, even if the effectiveness of this partnership is questionable.

In the case of Mali, back and forth on this, alongside other political and security-related misalignments between Mali and France, as well as the EU, has led to a major diplomatic falling out between Mali and France. While this is just one example, it raises questions about how the two partners should react to each other’s diverse partnerships. There is a growing unease in Europe about the increasing influence of China and Russia in Africa and elsewhere. As the geopolitical tension between the West and China and Russia mount, African countries are concerned that their agency to choose their friends and allies is being undermined. Given that the EU-Africa partnership is not an exclusive one, African countries are wary of being forced to choose sides at a time when their interests are better served by diversifying their relationships.

1. Joint Force of the Group of Five for the Sahel (G5 Sahel) is a force established by Burkina Faso, Chad, Mali, Mauritania, and Niger in 2017
2. The Multinational Joint Task Force (MNJTF) is a joint force by Lake Chad basin states – Cameroon, Chad, Niger and Nigeria – to address terrorism, namely by the Boko Haram group - around the Lack Chad basin.
WHEN THE TECHNICAL BECOMES POLITICAL

The other remarkable development – short of a challenge – in the EU-Africa partnership is the sustainability of the EU’s financial support to the AU and the African Peace and Security Architecture (APSA). In the past, the EU provided funding to AU peace and security efforts through the African Peace Facility (APF). Those funds were used for a host of activities, ranging from emergency response to emerging crises to peace enforcement through PSOs. The funding allowed the AU to sustain operations such as AMISOM for over a decade, while also providing resources for missions such as the Multinational Joint Task Force (MNJTF) and the G5 Sahel, which are not AU-led but are nonetheless deployed with AU approval.

While the EU’s support to the APSA was appreciated by the AU, the need has far outstripped the provided resources. Pockets of regional terrorism in the Sahel and the Lake Chad basin continue to demand tremendous financial investment, whereas the EU, understandably, would like to reduce the AU’s overreliance on it. The EU has been working on securing predictable funding for peace and security, especially since 2016, when an institutional reform process was launched to enhance the AU’s own financial autonomy and increase member states’ contribution to the AU’s operational, programme, and peace and security costs. The reform process proposes reviving the AU’s African Peace Fund, and introducing a 0.2% tax on selected imports to allow member states to pay their dues to the AU and make contributions to the African Peace Fund. The AU has also doubled down on diplomatic efforts to secure funding from the UN for AU-led operations that may be deployed on behalf of and at the decision of the UN Security Council (UNSC).

As of June 2022, the African Peace Fund was endowed with US $295,000, and it remains unclear if it will achieve its adapted target of collecting $400,000 by 2023. The AU’s negotiations with the UN, too, have been slow. The UNSC rejected a 2018 AU-backed resolution that would have committed the UN to finance 75% of the costs of UNSC-mandated AU-led PSOs. The AU, therefore, remains largely dependent on external partners, of which the EU is the most significant.

In 2021, the EU merged the African Peace Facility (APF) and other instruments to create the European Peace Facility (EPF), a financial instrument with global reach, and thus beyond only Africa. The EPF, moreover, is an instrument through which the EU can provide funds directly to partners and regional coalitions abroad. In Africa, this means that the EU does not need to go through the AU to provide funds. In addition, the EPF is the first-ever instrument allowing the EU to finance the purchase of lethal weaponry for partners (in addition to non-lethal apparatuses).

Yet, the EPF’s provisions around the transfer of funds to partners without direct involvement of the AU risk side-lining the continental Union. While other provisions, such as the 2018 Memorandum of Understanding between the AU and the EU on Peace and Security and Governance, assert the EU’s commitment to consult with the AU in case of usage of EPF funds in Africa, as a matter of principle, the memorandum’s provisions do not guarantee it. Moreover, the possibility of provision of lethal weaponry ought to raise questions around the future role of the EU in Africa, not only because such transactions can easily make the EU a political actor in the domestic affairs of partners, but also because of the lessons learnt from recent coups in the Sahel.

Beyond these structural issues underlying the EPF, a more recent concern is the fast depletion of the fund for support to Ukraine. Of the €5.62 billion budget of the EPF for 2021-2027, €3.1 billion had already been pledged to Ukraine by October 2022. This has left the AU wondering if the EU will continue its financial assistance to the continent at the same scale as in previous years. The EU has committed some funds for the AU but in far smaller amounts than generally needed. While this should compel the AU to expedite its efforts towards financial autonomy and restart its negotiations with the UN, it may also add to the much-documented EU-Africa tension in regard to the response to the war in Ukraine.

A FEW WAYS FORWARD

Africa and Europe – and the world – have been confronted with major emergencies in recent years, from Covid-19 to the war in Ukraine, and energy and food crises. These developments have unearthed cleavages in the partnership, but have also brought opportunities for collaboration. Renewed interest in collaboration on vaccine manufacturing, energy production and infrastructure development are examples in this regard.

To let go of the tensions and grievances of the past, three entry points and lessons are identified below, to enable the partners to better achieve their respective objectives and joint visions of the partnership.
1. Accepting diverging interests as necessary for a partnership

The measure of a successful partnership is not how often positions align but rather how quickly differences are managed or respected. For Africa and Europe, this means identifying areas where shared interests compel joint responses and acting on them. Specifically, honest and critical discussions are required regarding peace and security, use of EPF funds in Africa, and the response to insecurity in the Sahel and Libya, as well as on the promotion of the democratic governance agenda in general. For the EU, acknowledging and respecting the agency of African states, especially when their choices deviate from the EU’s, will be critical.

Although the war in Ukraine has become a major fault line between the partners, the thread running through all of these issues and the main lesson that needs to be learnt is that respect for differences is as important as enhancing common agendas. The same applies to accepting each other’s partners. The EU-Africa partnership is not an exclusive relationship. While African countries are diversifying their partnerships, the EU has remained wary of the increasing influence of China and Russia. The EU’s geopolitical competition with these actors and the ideological differences between them has put a strain on the EU-Africa partnership. For African countries, each partner brings its own value, in which non-Western partners seem to focus less on the promotion of values, responding to expressed needs and delivering on their promises. The EU can take a position on how to partner with African countries, but neither party will achieve its objectives by coercing or imposing its agenda on the other.

2. Securing finance for peace and security is good, but addressing structural issues is better

While the EU’s financial support to the APSA has been appreciated and indispensable, the partnership should not be limited to it. The power asymmetries that this type of support reinforces should also be recognised.

Capitalising on the lessons and relationships accrued through more than a decade of partnership, the EU and Africa have the potential to elevate their peace and security partnership. In the current geopolitical context, the EU-Africa partnership can achieve more by providing an avenue for political collaboration on structural matters, such as the UNSC reform, and on thematic issues, such as climate security. This will not be easy, as the EU, like the AU, does not always succeed in reining in its member states. With the UN reform agenda back on the table, the two continents have an opportunity to work together as much as their overlapping interests allow.

To achieve its potential, furthermore, the EU-Africa partnership must benefit not only the EU but also Africa and its citizens, as their interests too often seem forgotten. In the peace and security sphere, this means funding African-led operations, but also recognising the legitimacy of Africa’s international positions and collaborating on global agendas.

3. Africa needs to proactively engage with the EU

While Europe’s attitude towards Africa needs to be reviewed in line with the realities on the continent, the AU also needs to take proactive steps, not only to ensure that its own agenda is well placed in the partnership but also to influence EU decisions that affect it. For example, the AU has not actively engaged with the EU on the application and rollout of the EPF. This might be attributed to the lack of unity among the AU member states, as the national interests of countries which stand to benefit from direct assistance from the EU might clash with the collective interest of ensuring that the AU remains the primary and overarching coordinator of peace and security efforts in Africa.

The AU needs to identify specific agenda points beyond the “Silencing the Guns” campaign and “Agenda 2063” in order to drive the agenda of the partnership. Even if AU member states are not always able to speak in one voice, they ought to be clear on certain positions and defend them. In regard to the EPF, African leaders should proactively approach EU policymakers to secure financing for African support missions, while at the same time diversifying their funding sources. Moreover, the AU should continue to discuss avenues through which it will be consulted on the use of the EPF in Africa.
SECTION 5

Financing sustainability
How to mobilise more and better development finance in times of scarcity?

By San Bilal (ECDPM), Iliana Olivié (RIE) and María Santillán O’Shea (RIE)

The views expressed in this paper are those of the authors.

KEY MESSAGES

• The current multi-crisis context is gravely affecting the African continent (and especially Sub-Saharan Africa), and the EU must critically mobilise and expand the range of tools to support African initiatives for greater resilience, and sustainable and inclusive recovery and transformation.

• Some of Africa’s sources of external finance, such as foreign direct investment or trade, are following a downward trend, and debt pressure experienced by African countries is accentuating. It is thus crucial to boost the role and impact of African and European public development banks to mobilise sustainable and transformative investment. Africa and Europe should implement trade-inducing initiatives such as avoiding new barriers or supporting the African Continental Free Trade Area negotiation and implementation process. They should cooperate to explore innovative and tailored debt solutions together. This can include adopting common positions in multilateral fora and contemplating different debt-swap mechanisms. The European Union should collectively commit to speedily rechannelling 30% of their special drawing rights, through the International Monetary Fund and innovative leveraging mechanisms.

• Other sources of African external finance, namely official development assistance, migrants’ remittances and development finance, should be strengthened, and their development impact leveraged. This can be achieved through stronger cooperation and a renewed commitment also by European actors to understand the current state of affairs, engage with all actors involved and contemplate appropriate solutions. Such a cooperative mindset can also contribute towards the fight against illicit financial flows.
A SNAPSHOT OF GLOBAL FINANCE TO DEVELOPING COUNTRIES AND AFRICA

The global multi-crises, ranging from the climate emergency and COVID-19 pandemic to Russia’s war in Ukraine, and their ripple impacts, have disproportionately affected developing countries, and in particular those in Sub-Saharan Africa. The European Union (EU), along with its member states, as a key partner to Africa, a major global economic and geostrategic actor, and the main international aid provider, stands at the forefront of the international response to support Africa’s resilience and recovery from crises, as well as its longer-term sustainable, green and inclusive development. Yet, the question is to which extent the framework and initiatives for EU-Africa relations are still fit for purpose, in particular in terms of mobilisation of resources for Africa’s resilience and sustainable development, or must be adapted to better respond to the new era of poly-crises.

The Addis Ababa Agenda Action (AAAA) approved in 2015 aims at identifying and maximising all possible forms of development finance in order to cover the implementation of the Sustainable Development Goals (SDGs). This includes domestic resources (such as fiscal revenues) but also external funds that may come in the form of exports, external debt, foreign direct investment (FDI), international migrants’ remittances or official development assistance (ODA). Although these different sources respond to diverse economic dynamics and stakeholders (from remittances involving purely personal decisions to ODA responding entirely to State policies), all of them might play a role in sustainable development and can be shaped (to different extents) via a coherent approach to development on the part of the international community.

By the time the AAAA was adopted, FDI and remittances were the two main sources of external finance for the Global South, followed by ODA, debt and net exports (Figure 1). Since then, and until the eruption of the COVID-19 pandemic, FDI inflows steadily declined and net exports became negative, while external debt stagnated overall until 2020. Now more developing countries are experiencing debt vulnerabilities, with a record number of them in debt distress or at high risk of debt distress. Meanwhile, migrants’ remittances kept on increasing, and ODA sustained its upward trend.

The main sources of external finance in Sub-Saharan Africa (and their evolution in recent years) are fairly different: the contribution of external trade is structurally negative, FDI has been decreasing in absolute terms since the adoption of the 2030 Agenda, and only ODA and international remittances have managed to preserve a parallel and upward trend until the eruption of the pandemic (Figure 2).

Figure 1. Diverse sources of external finance in low- and middle-income countries (in billions of current US dollars)

Source: World Bank (World Development Indicators online) for data on remittances, debt, FDI and exports, and OECD (OECD.Stat) for data on ODA. Data retrieved 27 October 2022.
The EU is a relevant economic partner of the African region. As for trade, according to the European Commission’s (EC) figures, the EU actually contributes to the African structural trade deficit as Africa’s trade balance was at −€8 billion in 2019. This is partly explained by the fact that, while the EU mostly exports manufactured goods to Africa, it imports primary goods from this same region. Moreover, geographically, EU trade is concentrated in North Africa, with this trade volume more than doubling that of the second regional destination, Western Africa.

According to the United Nations Conference of Trade and Development (UNCTAD), European investors remain by far the largest holders of foreign assets in Africa, led by the United Kingdom (holding an FDI stock of US$65 billion) and France (US$60 billion). In addition, African inward FDI plays a relevant role in economic activity, amounting to roughly 8% of the region’s gross fixed capital formation (GFCF) – above this same rate in both developed and Asian countries where FDI / GFCF stand at 6%. Although the effects of FDI on sustainable development are not systematic and therefore should not be taken for granted, these flows can play a key role in structural change, the provision of goods and services, employment creation and balance-of-payments equilibrium. In this sense, it should be noted that Africa is, according to UNCTAD, the region receiving the lowest share of world FDI, with an important proportion of such share invested in traditional (extractive) sectors.

In general terms, migrants’ remittances proved to be unexpectedly resilient during the pandemic. However, as shown in Figure 2, according to World Bank data, remittances to Africa decreased in 2020. Here again, Africa receives a fairly low share of this type of global finance: Sub-Saharan Africa received 6% of the world’s remittances in 2020 according to the World Bank. And Europe is a relevant origin of such flows. The remittances corridor linking, on the one hand, the United Kingdom and the EU and, on the other, Sub-Saharan countries, has been identified as one of the three main corridors in the region.

Regarding aid, the EU (including both EU institutions and member states) is the largest donor globally and in Africa – the member states and EU institutions together provided 67 billion euros in Official Development Assistance in 2020, over 35% of which went to African countries. Although a large share of European ODA is distributed in East European and North African neighbour countries, recently launched EU development tools (Global Europe, Team Europe, Global Gateway) are partly aimed at dealing more effectively with African challenges.

![Figure 2. Diverse sources of external finance in Sub-Saharan Africa (in billions of current US dollars)](image-url)

Source: World Bank (World Development Indicators online) for data on remittances, FDI and exports, and OECD (OECD.Stat) for data on ODA. Data retrieved 27 October 2022.
Lastly, the funds that Africa loses in the form of illicit financial flows (IFFs) pose a serious setback for the financing of sustainable development in the continent. The fiscal pressure derived from the COVID-19 pandemic and the alterations to the financial system provoked by Russia’s war in Ukraine call for the EU to engage more effectively with African partners to try to counter this reality.

FOREIGN DIRECT INVESTMENT

The COVID-19 pandemic provoked a sudden stop in FDI flows globally. According to UNCTAD, FDI flows, which had been decreasing since the mid-2010s, dropped dramatically. However, they rebounded the following year, with total inflows at 1,582 billion US dollars, the highest figure since 2017 and 64% more than the previous year. But this recovery was unevenly distributed across regions. Africa’s FDI inflows reached 83 billion US dollars in 2021, which although it represents a 256% increase with respect to the previous year, is nonetheless the result of one single major operation in South Africa. Therefore, all in all, FDI inflows in Africa remained at low levels.

UNCTAD expects global FDI trends to stagnate, at best, in the course of 2022. This is due to several factors. Russia’s war in Ukraine is having a significant impact on European economies (which are major FDI investors and recipients) and provoking inflationary pressures that are resulting in increasing interest rates. The latter may ultimately anchor EU investment locally, trading off outward FDI. Also, the former ‘COVID zero’ strategy in China led to extended periods of lockdown that cooled all sorts of economic activities, including investments abroad. These economic trends can have a deep impact on FDI outflows to Africa since, as mentioned above, EU countries and China are major investors in Sub-Saharan economies.

Given the current situation of FDI flows to Africa and the expectations for the near future, EU development finance institutions (DFIs) can play a major role, particularly now that reimbursable aid is experiencing a new momentum, given the extraordinary financial needs associated with implementation of the 2030 Agenda. Investments made, backed, guaranteed or leveraged by EU DFIs are particularly fit for purpose: they can fill the void left by market mechanisms alone, and can also shape FDI projects towards development-oriented solutions, balancing the African FDI portfolio towards non-extractive activities.

EU DFIs form a complex network of agencies and banks with major coordination challenges, both among them and with cooperation agencies. If such challenges are correctly addressed, following the Team Europe spirit, and aligned with the ambitious Global Gateway strategy, potential benefits for African economies might be substantial.

DEBT

The multi crises have led to increasing debt globally. But while the stock of debt is higher in advanced economies, the cost of borrowing is about three times higher in developing countries (Figures 3 and 4). As a result, recent crises have further exposed the debt vulnerabilities of many...
developing countries, with 54 countries – accounting for nearly 60% of the poorest economies and 28 of the top 50 most climate-vulnerable nations – in debt distress or at high risk of it. This concerns 19 of the 35 low-income countries in Sub-Saharan Africa.

The current multilateral system has so far not been able to propose comprehensive remedies.

The Debt Service Suspension Initiative (DSSI) has proved too limited and unattractive to many indebted countries, who also fear sending the wrong signal to creditors by requesting debt service suspension. Prudential measures for debt management should be actively pursued, thereby preventing future debt crises, as suggested by the IMF. More effort should also be made to adopt systemic yet tailor-made solutions to the rising debt vulnerabilities of Africa and other developing countries. Such endeavours towards structural debt management reforms must encompass all major credits – that is, not only Paris Club members but also China and private creditors. This is possible, as illustrated by the debt restructuring efforts in Zambia, for instance.

Europe and Africa should cooperate on identifying innovative debt solutions while stimulating inclusive and sustainable investment and development endeavours and jointly promoting them at the international level. In particular, they could:

Figure 5. Proportion of countries in debt distress, or at high risk of debt distress

Note: Percent of DSSI (Debt Service Suspension Initiative) countries with LIC DSAs (low-income countries debt sustainability analyses).
Source: IMF, based on LIC DSA database.
• Adopt common positions on debt management and restructuring at the G7, G20, V20, IMF, and other relevant international fora.
• Jointly pursue debt-for-climate, debt-for-nature and debt-for-SDGs swap mechanisms, promoting the conversion of debt into climate, nature-based, blue, social and sustainable investments, through mechanisms such as the United Nations Economic Commission for Africa (UNECA) proposal to establish a Sustainable Sovereign Debt Hub, linking debt to climate-resilient key performance indicators, using green, social, sustainability and sustainability-linked (GSSS) bonds, the Liquidity and Sustainability Facility (a UNECA-sponsored finance mechanism aimed at improving the liquidity of African sovereign debt) and the adoption of Brady bond-like structures.

EU member states should also make collective commitments to rechannel at least 20%, or even 30% of their special drawing rights (SDRs) issued by the IMF in August 2021, following the example of France, Germany, Italy, the Netherlands and Spain, and along G20 commitments. They could do so through the IMF Poverty Reduction and Growth Trust (PRGT) and the new Resilience and Sustainability Trust, as well as through direct transfer of SDRs – or their equivalent – to multilateral development banks such as the African Development Bank, and possibly through alternative (African, or joint African-European) mechanisms. The EU and its member states should also collectively provide accompanying grant contributions, in particular to the PRGT’s subsidy reserve account. On processes, Europe and Africa could work together towards common solutions and speed up the effective implementation and disbursement of SDRs through existing channels.

**DEVELOPMENT FINANCE**

The climate, COVID-19, Russia’s war in Ukraine, food and energy crises, combined with inflationary pressures, dollar appreciation and tighter fiscal and monetary policies, have significantly reduced the capacity of many African countries to stimulate productive and structural investments. The much tighter budgetary and fiscal constraints of EU member states and the strategic imperative to support Ukraine also limit the capacity of Europe to significantly increase its aid support to African countries to face these crises. External financial flows have also declined as a result of the COVID-19 pandemic (Figure 6), while the needs have increased, estimated by the African Development Bank at about US$432 billion in additional resources needed for the period 2020–2022.

Mobilising development finance for inclusive and sustainable investment at scale, for greater impact, is therefore critical for Africa’s capacity to weather the storm of crises and for the recovery, resilience and sustainable long-term development of the continent. Financial institutions for development, and in particular multilateral development banks (MDBs), have responded overall in a counter-cyclical manner to the COVID-19 crisis, many of them expanding the volume of their financial operations in consequence, including compared to the global financial crisis (Table 1). But the capacity of these financial institutions to respond to multiple crises is put to the test while they also have to significantly increase their climate action, notably for climate adaptation and resilience.

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**Figure 6. External financial flows to Africa, 2015–2020**

Source: African Development Bank
The following priorities should be considered:

- Adjusting development finance institutions and framework to respond to crises. DFIs and, more broadly, development finance, such as the European Fund for Sustainable Development Plus (EFSD+), are geared towards longer-term sustainable investments. They often appear ill-equipped to address multiple crises where agile, flexible, fast, coordinated counter-cyclical responses are needed in the face of higher risks and uncertainty.
- Pursuing active women-economic empowerment and gender-sensitive approaches to development finance (for example, along the 2X Challenge), essential for both stimulating the recovery and ensuring longer-term inclusive development.
- Supporting an ambitious reform agenda for MDBs to release their potential. In these turbulent times, MDBs can unleash their firepower by various means, including recalibrating their capital adequacy and hybrid capital funds for the rechanneling of SDRs. The World Bank Group should also adopt a more ambitious climate action plan, in coordination with other MDBs.
- Mobilising more effectively development finance at scale, through de-risking mechanisms, blended finance and greater coordination among local and international development actors, for:
  - climate adaptation and resilience, just energy transition, loss and damage, biodiversity and nature protection.
  - upstream project pipeline development.
- Providing mechanisms for (concessional) finance in local currency.
- Promoting more structured collaborations and partnerships between African and European DFIs and Public Development Banks (PDBs), possibly articulated around key geographic, sectoral or thematic issues, such as: boosting climate adaptation, addressing food security and sustainable food systems, pharma and health products, key transport corridors, access to finance for Micro, Small and Medium-sized Enterprises (MSMEs), trade finance and the implementation of the African Continental Free Trade Area (AfCFTA).
- Adopting tailored and coordinated approaches for stronger engagement of DFIs and PDBs, alongside other development actors, in poorer countries and more fragile and conflict-affected contexts, focused on enhanced risk appetite for higher impact investment, and accepting lower leverage ratio.
- Supporting reliable (public and private) initiatives on carbon credit mechanisms for green and sustainable investments supported by DFIs and PDBs.

## REMITTANCES

International remittances proved to be a stronger anti-cyclical source of financing for many developing countries than initially expected during the COVID-19 pandemic. While this global trend was not necessarily mirrored in Sub-Saharan Africa, where remittance inflows declined in 2020 by 8.1% compared to the previous year, 2021 saw again an increase in international remittances received across the continent (of 14.1% in Sub-Saharan Africa and 7.6% in the Middle East and North Africa region). This is partly explained by stronger needs experienced...
The EU, as a key partner to Africa, a major global economic and geostrategic actor, and the main international aid provider, stands at the forefront of the international response to support Africa’s resilience and recovery from crises, as well as its longer-term sustainable, green and inclusive development. Yet, the question is to which extent the framework and initiatives for EU- Africa relations are still fit for purpose, in particular in terms of mobilisation of resources for Africa’s resilience and sustainable development, or must be adapted to better respond to the new era of poly-crises.

by recipients, by fiscal stimulus packages in many Global North countries and by an inevitable shift from informal to digital (formal) transfer channels during lockdowns.

Russia’s war in Ukraine is taking a toll on remittance flows in 2022. The upward trend has started to slow down, although remittance flows still surpass FDI and ODA. While the direct effects of the war on remittance sending are more pronounced in other regions (Europe and Central Asia), the supply issues with and rising prices of oil, wheat, fertilisers and energy, coupled with the inflationary pressure, are boosting a greater need for remittances in import-dependent countries in Africa.

Remittance-related knowledge and responses tend to be dispersed, so the EU should aim to coordinate its efforts to improve response efficiency, both internally – among Directorates-General within the Commission, EU institutions, member states, European banking and financial actors – and with other relevant partners like the World Bank and the International Fund for Agricultural Development (IFAD). For instance, in light of the crucial need for better data on remittances, the EU’s contribution to the World Bank’s recently launched International Working Group to Improve Data on Remittance Flows can be leveraged and strengthened.

The EU needs to understand the new challenges to reducing remitting costs, such as a potential diversification in payment systems since Russia’s exclusion from SWIFT, that build on pre-existing challenges: insufficient physical and digital infrastructure, inadequate financial regulatory environments and infrastructure, monopolistic behaviours and informality. EU development cooperation, financial actors and authorities should further coordinate with their African counterparts to tackle financial and digital inclusion, prevailing lack of trust in banking services, banking literacy and local policies for an adequate investment environment, all of which currently hinder (safe) remitting and its potential derivatives.

On the sender side, it is important to expand and deepen engagement with remittance senders in the EU by, for instance, ensuring their familiarity with the available formal remittance services and access to all cost-related information (where France already has some experience) to incentivise secure formal remitting and track its development impact.

**ILLEGAL FINANCIAL FLOWS**

Illicit financial flows (IFFs) could amount to 10% of the world’s economy. More specifically, according to UNCTAD, Africa could be losing approximately 88.6 billion dollars per year in IFFs. This amounts to 3.7% of its GDP, half the finance gap for achieving the SDGs in the African region. IFFs not only drain development finance from the Global South by diverting private investment and eroding the tax base (and hence the fiscal margin of manoeuvre and the possibilities for public investment). They also imply corruption, illicit or even illegal activities (such as terrorism, organised crime or drug trafficking), posing additional challenges to sustainable development.

The COVID-19 pandemic, and the additional fiscal pressures that come with it, amplify the case for fighting IFFs. In addition, Russia’s war in Ukraine, and the different measures for freezing Russian funds abroad, have created a new momentum in this fight.

Additional efforts on the part of EU and African parties could focus on at least two fronts.
One major obstacle in the fight against IFFs is the lack of reliable data. Without accurate information, EU and African authorities lack the very basic tool for a consistent and effective political response. Since leveraging better information on the issue requires all parties to be involved, both the EU and African countries could actively collaborate in ongoing initiatives for measuring illicit flows, such as the pilot programme launched by the UN and implemented in 14 countries, 12 of which are African (Angola, Benin, Burkina Faso, Egypt, Gabon, Ghana, Namibia, Nigeria, Mozambique, Senegal, South Africa and Zambia).

According to the UN, significant steps have been undertaken in the specific domain of asset recovery. The Stolen Asset Recovery Initiative run by the World Bank and the United Nations Office on Drugs and Crime found a marked increase between 2017 and 2021 in cases where funds stolen by corruption were traced and recovered. Since 2010, 9.7 billion dollars in corruption proceeds have been either frozen, seized or confiscated in their destination country or returned to the country where they were stolen. However, there is an important gap between frozen or confiscated assets and those that can be effectively repatriated to their home economies.

**TRADE**

The recent crises, including the COVID-19 pandemic and Russia’s war in Ukraine, have exposed the vulnerabilities of global value chains and reliance on international trade. The pandemic has led many countries to adopt protectionist barriers and apply export restrictions as a result of lockdowns and to have access to key (such as health) products. Strategic autonomy considerations and distortive market interventions have been given further impetus with the geo-economic fragmentation and polarised world resulting from Russia’s war against Ukraine. Notions of re-shoring, near-shoring and friend-shoring, and value chain fragmentation have tended to replace multilateralist rhetoric and calls for better integrated global value chains.

At the same time, the impact of Russia’s war in Ukraine has also exposed the trade vulnerabilities of many developing, and in particular African, countries to the dwindling and higher priced food and fertiliser imports from Ukraine and Russia. Beyond the direct trade effects, rising food and energy prices, combined with higher inflation, the appreciation of the dollar and tighter fiscal and monetary policies, have further reduced the ability of many African countries to benefit from international trade. Higher uncertainties and pressures on access to trade finance have also reduced trading opportunities.

African and European initiatives to prevent the imposition of new barriers to trade, and to promote trade facilitation and finance, have a key role in fostering trade and investment within Africa and with the EU. In this respect, speeding up the conclusion of remaining negotiations of the AfCFTA and boosting its implementation should be a priority for both the African Union and the EU. Linking this continental trade and structural AfCFTA agenda with investment and development finance support should be a priority. Trade finance and local currency financing should, in particular, become part of the EU’s arsenal of support to Africa. By doing so, greater synergies between Africa’s own integration agenda and Africa-EU trade and investment relations could be unleashed. The EU should also effectively help African countries green their trade and investment, and address the increasing climate-related, sustainability, deforestation, due diligence and human rights requirements imposed by the EU on its trading partners, to ensure that they do not de facto lose access to the EU market. This is particularly important for MSMEs and poorer countries, which may not have the capacity to comply with higher EU regulatory and sustainability requirements.

The EU and Africa could also set up better coordination mechanisms to jointly address the impact of multi-crises and higher uncertainties on their trade and investment relations and to adopt common positions at the multilateral and plurilateral levels, based on joint interests.

**PARTNERS IN TIMES OF MULTI-CRISES**

It is in times of crisis and need that you find out who your real friends are. With the permanent poly-crises of our times, further heightened by Russia’s war in Ukraine, the saying applies both ways to Africa and Europe, calling for a truly equal partnership. Yet, the global crises lead to divergent recovery paths on the two continents. Mobilising resources at scale to face multi-crises is a common challenge, felt far more acutely in Africa. This calls for joint approaches to boost development finance and investment for a sustainable and inclusive recovery and greater resilience. It requires building on existing initiatives and mechanisms, as well as engaging in ambitious, innovative approaches, to more effectively and efficiently mobilise and leverage African, European and international resources and adopt more conducive approaches to sustainable, resilient, inclusive and gender-focused recovery. It also means adopting approaches and mechanisms able to promptly address repeated and compounded crises. The Africa-EU relationship should therefore be adjusted to enhance its capacity to respond to crises in addition to identifying longer-term objectives.
Findings and takeaways of the ETTG Seminar

The below summaries present the main observations, reflections and suggestions put forward during the seminar on the 1st of December, following the order of the programme. These were prepared by the secretariat in consultation with the teams who prepared the policy briefs that served as key inputs for the respective sessions.

BEYOND COP27: WHAT IS THE TEMPERATURE OF EUROPE - AFRICA RELATIONS?

COP27 brought two important victories on the finance front, both for African countries and climate vulnerable countries: the creation of a loss and damage fund and the call to reform international financial institutions. However, the real discussions on the details start now and important questions remain on which states and organisations will contribute to this new Facility, where the money will come from and which countries will be (all vulnerable countries or only Least Developed Countries?). As key stakeholders in this discussion, Africa and Europe should find a common understanding on how these resources will be used and whether they can be linked to debt relief, a major issue for African countries.

Moreover, the COP registered fewer, if any, advances to reduce emissions, and missed sending a global call to phase down oil and gas consumption. This outcome was disappointing, because as Vice-President of the European Commission, Frans Timmermans noted, mitigation and loss and damage are “two sides of the same coin”. At the EU-AU Summit in February 2022, discussions on climate and energy have polarised around the question of gas since European development institutions changed policy in 2021 to move away from fossil fuels while some African countries insisted on the need of gas as a transition fuel. Despite these divergences, climate and energy are seen as potential silver linings in the Africa-Europe dialogue where there is great potential for collaboration. The 2023 Swedish Presidency of the Council of the European Union will put a strong effort to make sure that Africa and Europe can “really work together” as strong allies in the multilateral arena on climate security. Some avenues for stronger Africa-Europe cooperation could be explored:
1. Africa and Europe are not monolithic blocs on contentious issues concerning climate and energy and it is necessary to make the diversity of voices visible and have a nuanced country by country debate. A convincing climate and energy diplomacy in Africa should focus on discussing concrete investment plans that deliver energy access, development, industrialization and decent jobs;

2. The starting points of future cooperation should build on regional initiatives where Africa is playing a leading role such as the African Single Electricity Market launched by the AU in 2021, or the Africa Just and Affordable Energy Transition Initiative (AJAETI) led by Egypt during COP27. Other examples in this regard include country-driven Energy transition plans and national hydrogen strategies;

3. While hydrogen generates a lot of enthusiasm, it is important to assess how it can benefit Europe - Africa relations. On the one hand, there is a strong political push for hydrogen in Europe, including for hydrogen imports. On the other hand, African countries that have produced hydrogen strategies (e.g. Morocco, Egypt) have expressed interest in exporting some of their renewable hydrogen to Europe, with industrial pilot projects launched in Morocco, Mauritania and Namibia in partnerships with European companies. Yet, hydrogen is unlikely to become as lucrative as fossil fuels, because it comes from an energy conversion rather than extraction. Finally, hydrogen trade should be considered part of a broader strategy of reshaping global value chains for a low-carbon world. It might be more advantageous to also locate industrial production, for example of steel, close to these renewable energy sources, as hydrogen is difficult and costly to transport which would also benefit local development and job creation.

4. Both at COP26 and COP27, the EU and other international donors agreed to support country plans or partnerships, such as the Just Energy Transition Partnerships (JETPs) with several developing countries like South Africa and Indonesia and new partnerships are forthcoming with Vietnam and Senegal. Whether JETPs will be game changers depends on how LDCs will benefit from them and how they will be able to improve some long standing development and climate finance issues such as lack of donor coordination and country ownership.

HEALING TOGETHER THE GLOBAL FOOD SYSTEM

The global food system is in crisis. Across 53 countries, almost 200 million people suffer from acute hunger and in some regions like the Horn of Africa 48 million people are in urgent need of humanitarian food assistance, whereas 26 million people in the Sahel are going hungry due to severe droughts. The current food security crisis is not a new one, as COVID-19 and the war in Ukraine have only added a new layer in a failing global food system that, although being able to perfectly sustain itself, is dominated by inequality. The COVID19 has spurred more inequality, increasing the concentration of wealth and farmlands in the hands of few people and very large agri-food corporations, with 1% of the farmers owning 65% of the farmland in the world. Against this backdrop, vulnerable communities in LDCs are extremely fragile and need immediate and long-term solutions to thrive.

The war in Ukraine has shown maybe for the first time in decades, that Africa is highly food dependent. In spite of disposing of 60% of the global arable land, Sub Saharan African countries import more than 60 billion $ of food commodities every year and this exposes them to market prices’ spikes and market restrictions. Both Africa and Europe have important responsibilities to share. As for Africa, the multiple crises have shown that the current regional settings (e.g. RECs) have not generated more intra-African trade, failing to remove barriers and increasing foreign and domestic investments. Regarding the African policies environment, some concrete proposals pointed to the need to implement policies of food reserves at regional and also at national level, and to move these reserves to the ground (farm) level. Also, as farmers in Sub-Saharan Africa are particularly vulnerable because they mostly rely on rain-fed agriculture, investments in water for irrigation at the community level are especially needed.

In this context, investing in transformative and sustainable agri-food systems in Africa does not look good in all cases, with local Governments still investing in non profitable food chains that hinder development and do not allow successful and competitive local enterprises to emerge. In addition, there is still a lack of a clear and strategic vision of what African countries need to make their agri-food systems more sustainable and profitable. In this sense, African countries need to fully harness the potential of AfCFTA, by removing all the technical barriers.
that do not allow for market integration. The continent cannot wait until 2063 to realise these transformations and needs to strategically prioritise its needs and work with international partners to achieve these targets.

On the other hand, the EU should increase its financial support to meet urgent humanitarian needs and create a frank dialogue with African partners to design and implement smart and tailor made food policies. In this sense some CSOs are calling for a revision of the current MFF, which does not include markers on sustainable agriculture and nutrition like its predecessors. EU policies need to be tailored-made and Africa-driven as well as compatible with the programmes that other international partners (or competitors) are carrying out on the field and that may lead to divergent outcomes. The EU has a key role to play in this regard, as it has to work with local partners and the African Union to identify fewer strategic and competitive food value chains on which to invest. This is not an easy task, as it is very time-consuming and brings high transaction costs, but it is essential to de-risk agricultural investments and attract the private sector and make sure that farmers receive direct support from international donors.

Europe and Africa are thus called to boost their partnership on food security by working on both short-term and long-term initiatives. In the short term, the two continents should

- **Deliver More Food Assistance and Humanitarian Aid**, including anticipatory actions for future shocks. The current humanitarian aid architecture is completely unable to cope with the new crises alone. This would require other big international financial actors like the IMF and the WB to chip in and support these initiatives;

- **Increase African Investments in Sustainable Agriculture** to make them shocks resistant, by allocating 10% of budgetary resources to agriculture in line with the commitments of the Maputo declarations. So far only 4 African countries have met this target and this reduces the possibility to bring transformation in the food chain.

- **Work More Closely with African Farmers Organisations and Local Partners**, and specifically take into consideration small farmers that may not be able to capitalise the impact that EU policies have on the continent.
In the long term, Europe and Africa have several pathways to follow:

**INVEST MORE IN EARLY WARNING MECHANISMS.** In this sense, the G7-WB sponsored Global Alliance for Food Security, can provide a useful dashboard with early warning mechanisms and tools to anticipate future needs;

**FOCUS ON THE KEY DRIVERS OF FOOD INSECURITY.** e.g., in improving drought tolerance, and support on-going research on crop varieties and selection moves from the research centres to the ground. Also capacity building of the farmers is needed to scale up this research;

**MAKE THE AFCFTA A REALITY.** In this sense, the EU should increase its policy coherence, making sure that its different bilateral agreements truly facilitate trade and reduce barriers and empower local transport logistics. This is essential to support those African enterprises that are already competitive and have the highest returns on investment;

**CREATE THE ENABLING ENVIRONMENT FOR DIGITAL SOLUTIONS TO CHANGE FARMERS’ LIVELIHOODS.** Although the digital divide has decreased in several African countries, remote and rural areas are still excluded from the great opportunities provided by digitalisation such as artificial intelligence, blockchains and this makes it harder for them to be proactive actors of this transformative agenda. Europe and Africa need to work together to support investments that create the right ecosystem where digital tools can be true gamechangers.

**EUROPE AND AFRICA COULD LAUNCH A TAXING MECHANISM THAT DRAWS ON THE MODEL OF THE WINDFALL TAX ON ENERGY PROFITS** and allows to use the extra-profits to improve social security and address inequalities through better social protection schemes and mechanisms;

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**STEMMING CONFLICTS AND BOLSTERING GOVERNANCE**

African countries are facing several complex political transitions including a demographic transition with some governments unable to manage the population booms and demographic growth. Added to this is the economic transition in which African states are not growing as fast as their populations, creating distortions. Some countries are also facing a transition in terms of the regime type, tethering between fully authoritarian or democratic regimes thereby creating space for conflicts or violence to emerge. Furthermore, although the digital transition creates new space to generate a lot of positive growth it also creates space for criminal cyber activity thus necessitating effective regulatory frameworks. Understanding the nature of these transitions is vital, in order to address both the underlying causes of conflict and tailor support to the diverse needs of African states.

Despite the ongoing crises, the AU-EU peace and security partnership is viewed as one of the effective partnerships. At the Commission-to Commission meeting in November 2022, the partners held the first senior officials meeting on peace and security, under the framework of the 2018 Memorandum of Understanding between the Africa Union and the European Union on Peace, Security and Governance, signifying their commitment to addressing conflicts and rising authoritarianism on the African continent. The EU is a strong supporter of AU peace support operations, but cooperation needs to go beyond this to include governance-related challenges on the continent to stem the rising coups seen in West Africa, despite the AU’s stance against unconstitutional changes of government. Against this backdrop, there are some avenues for stronger Africa-Europe cooperation on peace, security and governance:
STRENGTHEN COOPERATION IN ADDRESSING THE UNDERLYING CAUSES OF CONFLICT 
including those related to governance, human rights and respect of the rule of law as well as early conflict prevention and peace mediation. Cooperation should also be extended to emerging areas such as cybersecurity matters, counterterrorism, counter extremism and on disarmament, demobilisation and reintegreation (DDR) and post conflict reconstruction and development (PCRD).

REVITALISE THE VALUES AGENDA WITH A STRONGER FOCUS ON SHARED CONCERNS.
This will require strategic engagement and frank dialogue to identify areas of synergy and open discussions even in areas of divergence, in order to work towards common solutions.

Although the European Council agreed to increase the budget of the European Peace Facility (EPF), concerns remain from the African side that these resources will be almost entirely disbursed to military support Ukraine, instead of providing financial support to peace and security operations in Africa, as the African Peace Facility was doing in the past. **WHILE THE EU SHOULD TAKE NOTE OF THE AU’S CONCERNS, BOTH THE AU AND EU SHOULD AVOID REDUCING THE PARTNERSHIP TO FUNDING AND RATHER FOCUS ON HOW TO BUILD RESILIENCE SUSTAINABLY.** The AU member states on their part should strengthen their commitments towards self-financing and fully endowing the AU Peace Fund.

THE UN REMAINS A KEY ACTOR IN PEACE AND SECURITY AND FOCUS SHOULD BE ON STRENGTHENING THE TRILATERAL UN-AU-EU COOPERATION. An example is the support for the AU Human Rights Compliance Framework as part of the tripartite cooperation, launched in November 2022. Beyond this is the need for reinforced cooperation at the global fora, including on UNSC reforms.

FINANCING DEVELOPMENT: LIMITED FUNDS TO MEET MASSIVE NEEDS
African countries are dealing with deep development challenges - many of which are structural and the result of multiple crises. Such crises materialise in different forms and pose diverse economic development challenges. Firstly, the continent is struggling with fiscal stress, with 19 out of 35 African countries now in debt distress. Secondly, the much-needed development of the African pharmaceutical industry (both for public health purposes and for economic reasons) is hampered by the current waiver system. Thirdly, Africa’s food dependency has increased as a result of the concentration of decreased exports of Ukraine wheat to European destinations. The war has also had a negative impact on the African tourism sector, with decreasing arrivals. Finally, Africa’s integration into world financial markets is still very much adverse, affecting the nature and volume of foreign direct investment (FDI), intra-Continental trade or its integration in value chains.

Different situations require adapted financial tools. For instance, crises require stabilisation funds - such as concessional aid or humanitarian assistance - rather than guarantees or refundable aid. Yet, all these challenges are exacerbated by a big macroeconomic dilemma - while recovery programs require fiscal expansion (e.g. providing food support for vulnerable households), debt distress calls for fiscal contraction. Against this backdrop, although increased finance for development is strongly needed, short-term support packages risk absorbing an increasing share of funding (via humanitarian aid), diverting such funds from long-term development actions. For these reasons, there is great need for a stronger role of the private sector to complement the (limited) resources to be mobilised by public funding (e.g. Global Gateway, EFSD+, NDICI, etc). The private sector offers a huge potential for job creation and the enlargement of the fiscal base, and guarantees have proven positive in supporting smallholders and small farming businesses in Africa. However, given the private sector’s risk aversion, aid subsidies are indispensable for tailored
financial tools. Hence, the EU can play a key role in liaising with member state implementing national aid agencies and development finance institutions (DFIs) to ensure that they are more strategically embedded in funding programmes in developing countries.

Therefore, some key areas of cooperation could be exploited:

**THE EU AND AU SHOULD INITIATE A DIALOGUE ON DEBT CANCELLATION RATHER THAN ON DEBT SUSPENSION.** Since most of the debt is owed to private creditors, these actors might not be interested in debt relief negotiations. The EU needs to work closely with international organisations such as the IMF to have those creditors on board and to think about innovative approaches.

**THERE IS A CLEAR NEED TO INCREASE AND DIVERSIFY AFRICAN EXPORTS TO THE EU,** promoting diversified and added-value productive capacities, such as for example in the case of the pharmaceutical sector in Senegal and Rwanda. In addition, it is essential to strike a deal on what intermediate and final consumption goods EU markets could eventually demand from Africa—beyond raw materials and basic goods. Such market intelligence should be the basis of tailored, mutually beneficial trade deals.

**DEVELOPMENT FINANCE SHOULD SUPPORT, SPECIFICALLY, COMPANIES—EITHER DIRECTLY OR THROUGH THE BANKING SYSTEM—CAPABLE OF EXPORT-ORIENTED ADDED-VALUE GOODS.** This would also help move development finance away from its hyper-specialisation in the financial sector that might divert funds from other industries and result in financialised economies.

**SINCE FDI CAN DEEPEN THE LOW ADDED-VALUE SPECIALISATION OF AFRICAN ECONOMIES,** **CLEARER STANDARDISATION AND REGULATION ARE NEEDED** to boost development-oriented FDI flows to Africa.

**EUROPE AND AFRICA SHOULD PARTNER GLOBALLY TO FURTHER REDUCE THE COSTS OF TRANSFERRING INTERNATIONAL REMITTANCES** to ensure that such a key source of finance continues steadily and reaches out to the most vulnerable communities.
This collective volume is the result of a special series of reports on Africa-Europe relations produced by ETTG members with the support of UNDP Africa.

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