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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE EUROPEAN COUNCIL AND THE COUNCIL**

**Communication on a new Africa – Europe Alliance for Sustainable Investment and  
Jobs:  
Taking our partnership for investment and jobs to the next level**

## **Communication on a new Africa – Europe Alliance for Sustainable Investment and Jobs: taking our partnership for investment and jobs to the next level**

In a rapidly changing global landscape, Europe and Africa have much to gain from increased economic and political ties. This document sets out the key strands of action for a strong economic agenda for the EU and its African partners. It seeks to promote a substantial increase of private investment from both Africans and Europeans, boost trade, enhance job creation and contribute to sustainable and inclusive development, promoting standards of modern and sustainable technology, environmental and labour protection, and responsible business conduct. It amounts to an **Alliance for Sustainable Investment and Jobs** as part of the European Union – African Union Partnership.

This Alliance is more than a financial plan. It represents a radical shift in the way we work as partners towards a logic focussed on Africa's economic potential and the mobilisation of the private sector. The Alliance is about unlocking private investment and exploring the huge opportunities that can yield benefits for African and European economies alike, with a specific focus on jobs for youth, responding also to Africa's demographic patterns. It is an economic strategy that puts the respective strengths of Europe and Africa to work, taking the ambition of the External Investment Plan<sup>1</sup> to the next level. Building on concrete actions, the Alliance will support the generation of 10 million jobs in Africa in the next 5 years.

This Alliance is not a stand-alone initiative. It is part of the wider set of EU-Africa relations and strategic frameworks joining Europe and Africa, such as the United Nations 2030 Agenda and its 17 Sustainable Development Goals as a guiding vision for both continents, as well as in the relevant policy frameworks of the African Union (Agenda 2063) and the EU (Global Strategy<sup>2</sup>, European Consensus on Development<sup>3</sup>). It is a key element to deliver on the agreed commitments of the African Union-European Union Abidjan Summit Declaration and is also part of building a strong African pillar in the Post-Cotonou framework and developing partnerships in North Africa under the European Neighbourhood Policy. The principles of partnership, dialogue and ownership will be at the heart of the Alliance. To achieve its full potential the Alliance should mobilise and coordinate EU and Member States' actions and instruments with Africa.

This coherent economic strategy builds on the June 2018 European Council's conclusions that call for the creation of "a new framework enabling a substantial increase of private investment from both Africans and Europeans", as well as on the European Commission's proposals for the next Multi-Annual Financial Framework, and the outcomes of the EU-African Union Commission – to - Commission meetings. It seizes upon the significant decisions of the 10<sup>th</sup> Extraordinary Summit of the African Union in Kigali on 21 March 2018. It also reflects the

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<sup>1</sup> Strengthening European Investments for jobs and growth: Towards a second phase of the European Fund for Strategic Investments and a new European External Investment Plan, COM(2016)581.

<sup>2</sup> [A Global Strategy on Foreign and Security Policy for the European Union](#), 2017.

<sup>3</sup> New European Consensus on Development 'our world, our dignity, our future', OJ C 210 of 30.6.2017.

line of the Meseberg Declaration of 19 June 2018<sup>4</sup> and intends to contribute to the agenda of the 2019 French Presidency of the G7.

A vigorous mobilisation with African partners on investments and jobs is fundamental to address together mobility and migration, promoting a coordinated engagement of countries of origin, transit and destination, in line with the principles of solidarity, partnership, accountability and sharing of responsibility. At the same time, improved common migration and mobility management contributes to overall stability, which favours sustainable investment. The Alliance is an essential part of a strategy combining in a coherent and balanced way the different elements of our joint approach to migration: a shared responsibility for addressing the root causes of irregular migration and forced displacement, effectively managing borders, preventing and fighting migrant smuggling and trafficking of human beings, rescuing and protecting lives, offering paths for legal migration, and ensuring improved cooperation on return, readmission and reintegration of irregular migrants in line with the established principles and international law obligations, as well as agreed arrangements.

As part of this comprehensive approach, legal pathways to the EU should be enhanced in order to offer safe and viable alternatives to dangerous routes and irregular migration. To this effect, in its new Communication on enhancing legal pathways to Europe<sup>5</sup>, the Commission calls for the realisation of an improved EU Blue Card Scheme and for the development of pilot projects on legal migration with selected countries in Africa.

As the dynamics of growth, employment and inequalities and the challenges regarding instability, resilience, health and governance vary across Africa's regions and between countries, the Alliance will take into account the diversity across the African continent and the specificities of each country, including the specific challenges of fragile situations and the contractual relations of the Northern African countries through their Association Agreements and their experience of cooperation with the European Union through the European Neighbourhood Policy.

## **1. Boosting strategic investments for job creation and strengthening the role of the private sector**

The private sector holds the largest potential for generating jobs and growth and it is therefore essential to boost responsible private – domestic and foreign – investments in Africa.

### *State of play*

Investments in Africa show an uneven picture, reflecting global uncertainty, with Foreign Direct Investment flows to Africa fluctuating and not showing the strong upward trend required. South Africa, Nigeria, Kenya, Egypt and Morocco attracted collectively 58% of total Foreign Direct Investment in 2016, while less advanced and more fragile countries face

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<sup>4</sup> [Meseberg Declaration](#), 2018.

<sup>5</sup> Enhancing legal pathways to Europe: an indispensable part of a balanced and comprehensive migration policy COM (2018) 635

systemic challenges to attract private investment. If some African countries continue to be commodity-dependent, others have managed to diversify their economies reacting to the low commodity prices. Furthermore, since 2016 we see a further broadening of Foreign Direct Investment beyond the extractive sector<sup>6</sup>.

As regards EU investments in Africa, the EU is Africa's biggest investor, with its Member States holding approximately 40% of Foreign Direct Investment stock worth EUR 291 billion in 2016<sup>7</sup>. Africa's strong economic progress over the last two decades and the inherent potential for the future mean that there is substantial opportunity for doing more. Demographic projections for Africa make it clear that it is also necessary to generate millions of new jobs, especially for youth entering the labour market.

#### *Proposed course of action*

Action #1. ***Support to Africa to crowd in investments*** will be further boosted by using increasingly substantial amounts ***via blending and guarantees*** in order to leverage resources from capital markets with international, European and national financial institutions, to de-risk investments and to facilitate access to finance. The priority goes to value-adding sectors with a high potential for sustainable job creation, notably for women and youth, increasing the opportunities for them to realise their aspirations, including through start-ups. Specific attention will also be paid to situations of fragility. Between 2014 and 2017, the EU has leveraged through blending operations approximately EUR 35 billion. Since the launch of the External Investment Plan and the creation of the European Fund for Sustainable Development<sup>8</sup> in 2017, the EU is mobilising funds expected to leverage EUR 15 billion of investments through blending and over EUR 16 billion under the Guarantee. Between now and 2020, it is on track to deliver on the global External Investment Plan's objective of leveraged investments in Africa and the Neighbourhood worth EUR 44 billion by 2020. Concrete results will include access to electricity for 30 million people and companies, and increased renewable energy capacity by 5 gigawatts. 24,000 people will have access to all-seasons roads through our leveraged investments in transport infrastructure. 3.2 million jobs are expected to be created in Africa just by the investment programmes focussed on small and medium enterprises alone. These are powerful examples of the scale and impact of interventions under the proposed Alliance.

Under the next long-term budget (Multiannual Financial Framework), the EU should further improve its instruments and tools by ensuring a more efficient delivery and by substantially increasing available funding for that purpose.

Action #2. For a surge in private sector investments to have the biggest possible impact, the ***most promising value chains at national and regional level must be identified***. To this end, ***Jobs and Growth Compacts are currently under discussion with most of our African***

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<sup>6</sup> A case in point is Ethiopia, now the second largest recipient of Foreign Direct Investment in Africa with 3.6 billion USD in 2017, mainly in sectors such as light manufacturing, textile and automotive (UNCTAD, 2018).

<sup>7</sup> EUROSTAT, 2018.

<sup>8</sup> Regulation (EU) 2017/1601 of the European Parliament and of the Council of 26 September 2017 establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD

*partners* in order to steer the joint efforts around those value chains with the highest potential for job creation, seizing the opportunities for manufacturing and processing, unlocking the huge potential of the green and blue economy, supporting transition to low-carbon and climate-resilient economies, exploiting the full potential of the digital transformation of the economy, in particular e-commerce and data economy, and tackling the areas requiring reform in order to improve the business enabling environment. The work on the Jobs and Growth Compacts requires also a structured dialogue with the European and African private sector, based on the Sustainable Business for Africa platform set up in the framework of the External Investment Plan. A link with the G20 Compact with Africa will be ensured.

Action #3. Europe and Africa have an interest in working together more seriously on strategic developments and interests. ***The European Commission will bring together African and European public, private and financial operators and academia on a sectoral basis before the end of this year to examine and support strategic developments in critical economic areas*** such as digital solutions, energy, transport and agriculture. The objective is to look at the long-term challenges and strategic interests, by examining how to accelerate impact, boost public and private investments, and best share knowledge and know-how. This would serve to define strategies to promote and prioritise sectoral policy and regulatory reform in African countries and facilitate related EU public and private investments. In May 2018, the EU and the African Union already set up a Task Force for Rural Africa, comprised of African and European experts, to provide advice and recommendations on priorities and the next steps in our cooperation in the field of agriculture, looking inter alia at how to boost public and private investments in African sustainable agriculture, how to facilitate EU responsible private investments, boosting intra-African trade as well as exports from African countries, and identifying the best policies to support African youth working in agriculture, agribusiness and agroindustry. Following the European Union-African Union Commission to-Commission meeting in May 2018, an European Union-African Union digital economy taskforce is being established. Moreover, joint sectoral ministerial meetings between Africa and the EU are being organised and being pursued. The Commission will also lend its support to similar initiatives from Member States contributing to the realisation of this Alliance such the Africa-Europe High-Level Forum organised by Austria in the context of their Presidency of the Council before the end of the year.

#### **West Africa - Supporting entrepreneurs and Small and Medium-Sized Enterprises**

The EU is partnering with Proparco<sup>9</sup> to strengthen the financing and support to entrepreneurs through : (i) a seed-funding mechanism in the form of refundable advances, which will allow the financing of experimental and prototyping phases and to accompany the youngest entrepreneurs in the development of their project; (ii) technical support to assist Micro, Small and Medium-Sized Enterprises to improve their management, marketing, production and governance capacities , and to closely support the local investment funds; (iii) a guarantee covering the first losses of the local investment funds. The leverage created by the EU's EUR

<sup>9</sup> Proparco is a subsidiary of Agence Française de Développement (AFD) focused on private sector development.

15.6 million contribution will allow financing of 50 Micro, Small and Medium-Sized Enterprises representing 5,000 jobs created or maintained. The programme covers Burkina Faso, Niger and Senegal, and be widened to Mauritania, Cameroon, Mali, Ghana and Côte d'Ivoire from 2019.

#### **West Africa - NASIRA Risk-Sharing Facility - Financing for underserved entrepreneurs**

The EU is partnering with the Dutch development bank Financierings-Maatschappij voor Ontwikkelingslanden to address perceived and real risks of lending to entrepreneurs in countries neighbouring the EU and in Sub-Saharan Africa. The project improves access to investment loans by offering local financial institutions portfolio guarantees containing loans to entrepreneurs. It focusses on i) internally displaced people, refugees, returnees, as well as women and young people. Under this programme, EUR 75 million from the External Investment Plan's Guarantee will generate EUR 750 million up to EUR 1 billion investment in 800,000 jobs in Africa.

#### **Morocco - Hybrid solar power plants NOOR Midelt I and NOOR Midelt II**

The EU is helping build the infrastructure for renewable energy to cope with increasing demand for electricity and contributing to the objective of 52% renewable energy by 2030, with a positive impact on competitiveness. The EU is providing a grant of EUR 60 million to leverage funding to help meet the cost of infrastructure. The action is co-financed by Kreditanstalt für Wiederaufbau (lead Agency), Agence Française de Développement and The European Investment Bank from the EU side and by World Bank, African Development Bank and the Clean Technology Fund.

#### **Tunisia - Supporting Start-up ecosystem**

The EU's wide-ranging assistance to Tunisia's economy (which has included 60,000 people receiving microcredits to start or grow a small business) aims to ensure that the country can meet the needs of the growing numbers of young, educated Tunisians ready to enter the workforce. A new programme worth EUR 25 million will support about 1,000 Tunisian start-ups: (i) improve the services available to start-ups and entrepreneurs (such as co-working spaces, incubators, or accelerators); and (ii) support the implementation of an enabling regulatory environment for innovative entrepreneurship and start-ups. Promising start-ups will also receive seed funding. The objective pursued by such an innovative programme is to contribute to Tunisia's economic diversification and to an acceleration of its growth through the creation of new types of businesses with high potentials.

## **2. Investing in people by investing in education and skills**

An economic partnership seeking to boost investments and create jobs must look at matching skills with the demands of the labour market. More investment is needed to provide people, in particular girls and women, with access to education, notably Technical and Vocational Education and Training, as well as digital skills and competences, and to address the mismatch between the skills that young people receive at secondary and tertiary level and

those needed for their working life. This will help equipping youth with relevant skills to build their future, whilst consolidating as well pathways to legal migration.

### *State of play*

Africa has the youngest population of any region of the world and continues to experience strong demographic growth, but its workforce is the least skilled in the world<sup>10</sup>. Enrolment in Technical and Vocational Education and Training across Africa stands today at only 6% of total enrolment in secondary education<sup>11</sup>. Although some degree of skills mismatch is natural and unavoidable in any growing and restructuring economy, many graduates from technical, vocational, and general education in Africa pursue fields for which there is weak labour demand<sup>12</sup>.

The EU is Africa's longstanding partner in the area of education, from early childhood and primary to higher education, including Vocational Education and Training and entrepreneurial learning as well as in research and innovation. Between 2014 and 2020, the EU is supporting bilateral education programmes in Africa with approximately EUR 1.34 billion. Nearly EUR 230 million (17%) of this amount is for Vocational Education and Training. By 2020, 35,000 students and researchers from Africa will have benefitted from Erasmus+, leading to a total number of 105,000 by 2027. By 2020, 750,000 people will also have received Technical and Vocational Education and Training for Skills Development. In addition, through the Emergency Trust Fund for Africa, the EU is massively supporting economic development programmes aimed at addressing skills gaps, at improving employability through vocational training, and at supporting job creation and self-employment opportunities. In the Sahel and the Horn of Africa, these programmes have reached a total of EUR 1.1 billion since 2015. In 2014-2020, the EU is also supporting education in Africa through global initiatives such as the Global Partnership for Education with EUR 475 million.

More investment in education is needed, both from the EU, its Member States and from our African partners in line with the African Union's Continental Education Strategy for Africa (2016-2025).

### *Proposed course of action*

Action #4. The EU will support an important ***African Union skills initiative***<sup>13</sup>, aimed at developing an African continental qualification framework, a facility to enhance private sector involvement in Technical and Vocational Education and Training, supporting labour market and Technical and Vocational Education and Training system diagnostics and piloting mobility of students and staff. Access of higher education and research institutions to

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<sup>10</sup> Africa Pulse (2017), World Bank.

<sup>11</sup> African Union Continental Education Strategy 2016-2025.

<sup>12</sup> Africa Pulse (2017), World Bank.

<sup>13</sup> EUR 27 million from the Pan-African Programme in support of i) the "Skills Initiative for Africa" Financing Facility in cooperation with Kreditanstalt für Wiederaufbau for a total of EUR 14 Million, ii) the "Skills Initiative for Africa" Technical Cooperation in cooperation with Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH for a total of EUR 8 million and iii) pilot "EU-African Union Vocational Education and Training mobility project" for a total of EUR 5 million.

adequate e-infrastructures will be supported<sup>14</sup>. The mobility of students, staff and academics across the African continent will be further facilitated (African “Erasmus”)<sup>15</sup>. The contents of tertiary education programmes and skills acquired by university students will be made more relevant to labour market needs and the harmonisation of higher education across the continent will be supported aiming to ensure the recognition of qualifications within Africa and the EU<sup>16</sup>. The EU will continue to support scholarships and exchange programmes between tertiary education institutions and support knowledge creation in universities to become full actors in the complex processes of innovation on which future economic development and job creation depends through Erasmus+. In total, EU support under the Pan-African programme will increase from EUR 45 million in 2014-2017 to EUR 63 million in 2018-2020, reaching EUR 108 million.

Action #5. Improved support *at national level* will match skills to strategic development choices for each country<sup>17</sup>, taking inspiration from successful initiatives in North Africa such as the Med4jobs programme<sup>18</sup>. Support will be linked as much as possible to the sectors with strong potential for investment and job creation. It will therefore be on the agenda of the discussions regarding the Jobs and Growth Compacts as well as addressed in the sectoral strategic meetings with private sector, academia and financial operators (as proposed in Action 3). Under the next Multiannual Financial Framework, a significant effort should be made to further strengthen the EU’s engagement in this area, in full coherence with the foreseen boost to leverage private investments for job creation. The EU will ensure that such increased investment is also more strategically targeted, with a focus on the sectors with the highest potential for job creation, taking into account the sizeable importance of the informal sector in the African economy with a view to improving its typically low productivity rates.

### **The Gambia - Youth Empowerment Scheme**

The EU is partnering with the International Trade Centre and the Government of The Gambia to support job creation and entrepreneurship for Gambian youth. This EUR 11 million programme provides skills-building training and support to young entrepreneurs and trade promotion organisations. The aim is that by 2021, 7,000 youths should complete technical or vocational training programme or an apprenticeship, and that at least 8,000 should benefit from entrepreneurship services – such as business advisory support and access to finance.

### **Mediterranean Initiative for Jobs benefiting North African countries**

<sup>14</sup> EUR 30 million in 2018-2020 from the Pan African Programme, in addition to EUR 20 million allocated during 2014-2017.

<sup>15</sup> EUR 20 million in 2018-2020 from the Pan African Programme, in addition to EUR 20 million allocated during 2014-2017

<sup>16</sup> EUR 13 million in 2018-2020 from the Pan African Programme, in addition to EUR 5 million allocated during 2014-2017.

<sup>17</sup> EUR 40 million in 2018-2020 foreseen for Botswana, Gabon, Ghana, Guinea-Bissau and Mauritius.

<sup>18</sup> The programme addresses the mismatch between skills and labour market needs, by fostering entrepreneurship, intermediating between labour supply and demand, and by enabling Micro, Small and Medium-sized Enterprises through the promotion of incubators and coaching programmes.

The Mediterranean Initiative for Jobs (Med4Jobs), developed between the EU and the Union for the Mediterranean covers both the supply and demand side of the labour market, by targeting three core issues: (i) Employability, by identifying and scaling-up across the region successful training experiences that address the mismatch between skills and labour market needs; (ii) Job intermediation, by replicating successful job facilitation and intermediation experiences; (iii) Business Environment, by developing an enabling business environment for Small and Medium-sized Enterprises, such as coaching programmes or support for creative industries.

### **Guinea - Support Programme to the socio-economic integration of young people**

The EUR 65 million INTEGRA programme, on which the EU partners with the Belgian Development Agency, Gesellschaft für Internationale Zusammenarbeit and the International Trade Centre, intends to create 11,000 jobs, and to involve 14,000 youth in vocational trainings to improve their employability and their integration on the job market. 7,420 promising Micro, Small and Medium-sized Enterprises will be supported and seven financial institutions offering products adapted to the Micro, Small and Medium-sized Enterprises and young entrepreneurs will be strengthened.

### **3. Strengthening business environment and investment climate**

Boosting private sector investment requires peace, security and stability, and an enabling investment climate and business environment, including macro-economic stability and open financial systems for increased private sector credit. It encompasses also adequate actions to address broader critical governance issues, such as strength of government institutions, rule of law, transparency and accountability, as well as corruption and illicit financial flows.

#### *State of play*

The investment climate in Africa has been generally improving, with significant national differences, but investor surveys<sup>19</sup> also clearly indicate that much more is needed in this area to improve Africa's capacity to compete worldwide in attracting investment capital. Since 2009, Foreign Direct Investment inflows to Africa have systematically accounted for less than 5% of total foreign direct investment inflows worldwide. Rule of law, an independent judiciary, and predictability of taxation, as well as peace and stability are all key factors influencing both domestic and foreign investors' decisions. The cost of setting up a business is thought to be around three times higher in fragile states, significantly discouraging private investment<sup>20</sup>.

#### *Proposed course of action*

Action #6. Under the Alliance for Sustainable Investment and Jobs, the Commission proposes to develop *a strengthened dialogue and cooperation with African partners on the investment climate, including investment protection where appropriate*. This will be backed

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<sup>19</sup> Inter alia World Bank Doing Business Report 2017.

<sup>20</sup> European Political Strategy Centre strategic note, The Makings of an African Century (2017).

up by continued support to policy reforms that improve the business environment and to the institutional and technical capacities of African institutions, including through digital solutions, to ensure strong public finance management, including transparency of public procurement and expenditure and the fight against corruption and fraud, improved accountability as well as respect for the Rule of Law and access to Justice. The enhanced use of EU instruments of Twinning and Technical Assistance and Information Exchange will support efficient, transparent and accountable public administrations. Efforts will also be stepped up to support partners on domestic resource mobilisation, including the fight against Illicit Financial Flows<sup>21</sup>, which are responsible for at least USD 50 billion<sup>22</sup> leaving the continent annually, largely surpassing the total amount of annual Official Development Assistance. These issues are raised in EU dialogues with the partner countries, notably in the context of budget support and of political dialogue; they will also be addressed in the private sector dialogues under the External Investment Plan as well as in EU Business Fora and the strategic sectoral discussions with private sector, academia and financial operators. The link with the G20 Compact with Africa will be ensured. In 2016, the EU and EU Member States' support to improving the business climate in Africa amounted to EUR 200 million<sup>23</sup>, of which EU support represented EUR 50 million. For the period 2018 to 2020, *a significant increase of EU support* to business and investment climate reforms in Africa is envisaged under Pillar 3 of the External Investment Plan, moving to EUR 300-350 million on average per year, in addition to dedicated actions geared at improving governance and ensuring peace and stability. This should further increase in the period 2021 to 2027 under the next Multi-Annual Financial Framework.

#### **Benin - Fighting corruption through budget support**

The EU has concluded with the Government of Benin a Good Governance and Development Contract for budget support worth EUR 114 million in 2016. The aim is to promote good economic and financial governance by strengthening the transparent management of public finances, creating a credible system to fight corruption based on the independence of the judiciary, and improving the business climate. Payments under this contract will be done on the basis of progress of reforms in these areas.

#### **Côte d'Ivoire - Trade and regional integration support programme**

This EUR 16 million programme supports the modernisation of trade and investment related regulations and institutions, as well as trade facilitation. This has contributed to Côte d'Ivoire's improved ranking in the "Doing business" classification, moving up from 167 in 2010 to 142 in 2016. Exports have increased as well as the share of Côte d'Ivoire in world exports, which has positively impacted on its ability to take advantage of the new Economic Partnership Agreement. Import delays have improved from 864 hours in 2011 to 125 hours in

<sup>21</sup> Unrecorded capital flows derived from corruption, criminal activity, tax evasion and laundered commercial transactions.

<sup>22</sup> [Report of the High Level Panel on Illicit Financial Flows from Africa](#), 2014.

<sup>23</sup> Organisation for Economic Co-operation and Development, 2018.

2016. It has been the first programme of this size in favour of Ivorian competitiveness and has enabled Ivorian companies to expand their business and create jobs. This was complemented by a budget support programme to improve transparency in the judiciary system and in public procurement, as two other key elements of the investment climate, and a regular dialogue with both authorities and private sector on impactful policy reforms.

#### **Egypt - EU facility for inclusive job and growth creation**

The EU is supporting a series of measures to improve the environment for business creation and economic development, facilitate access to finance for Micro, Small and Medium-sized Enterprises and develop their role in key value chains, in order to stimulate the economy and create jobs, particularly for youth. This EUR 75 million intervention is expected to leverage around EUR 400 million. It aims to (i) lower the administrative burden on Micro, Small and Medium-sized Enterprises, and strengthen the protection of intellectual property rights; (ii) to facilitate Micro, Small and Medium-sized Enterprises' access to long term finance and know-how; support enterprise growth and competitiveness; facilitate business linkages to foster value chain development; encourage innovation among Micro, Small and Medium-sized Enterprises, including young entrepreneurs.

#### **Ethiopia – supporting dialogue on the business environment**

The EU has provided the start-up funding for the EU Business Forum in Ethiopia, which supports the dialogue on business climate between different government agencies and EU investors and has held regular discussions with the Ethiopian Investment Commission since 2015. The issues raised (on the basis of a business barometer conducted in 2014 and updated in 2016) included tax administration and administrative burden, business registration/licensing and visa issuance, logistics and Forex availability. Some of these topics have also been raised at higher level in the context of the political dialogue. It has contributed to progress on the investment climate and a channel of communication between the government and the business community. The EU Business Forum in Ethiopia is now self-financed.

### **4. Tapping the full potential of economic integration and trade**

Investments in value-adding and labour intensive sectors also requires markets for the products and services. Advancing the economic integration process at regional and continental level in Africa and boosting trade relations with the EU are therefore essential components of a coherent economic strategy.

#### *State of play*

*Intra*-African trade remains very low despite significant growth potential; in 2000, it was at 10%, in 2014 at 16% according to data<sup>24</sup> from the United Nations Conference on Trade and Development, African trade *with* the EU is significant: the EU is Africa's biggest trading partner, accounting for 37% of African exports in goods worth EUR 110 billion and 35% of African imports in 2017 worth EUR 133 billion and the EU remains the most open market

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<sup>24</sup> UNCTAD, Africa Economic Outlook 2017.

and the main destination of African manufactured goods. Africa is also the largest recipient of EU Aid for Trade in the world, amounting to EUR 4.8 billion commitments in 2015. Yet, overall EU trade figures with Africa are comparable to EU trade with Switzerland, which amply demonstrates that there should be significant growth potential for EU – Africa trade<sup>25</sup> in both directions.

#### *Proposed course of action*

Action #7. With the launch of the African Continental Free Trade Area in March 2018, the launch of the Single African Air Transport Market and the signing of the Protocol on the Free Movement of Persons, African aspirations for further economic integration are clearly spelled out. The EU will lend its full support to the African Continental Free Trade Area. Support to the ***African Continental Free Trade Area negotiations*** should increase from EUR 7 million (2014-2017) to EUR 50 million (2018-2020), funding institutional support as well as technical support to the various phases of the negotiations (on issues such as Technical Barriers to Trade, Sanitary and Phytosanitary measures, Intellectual Property Rights including Geographic Indications, investment, competition, e-commerce), including support for data gathering and data analysis.

Action #8. Strengthening trade between the EU and Africa. Building on the African Continental Free Trade Area implementation, the long-term perspective is to create a comprehensive ***continent-to-continent free trade agreement between the EU and Africa***. To prepare this, Economic Partnership Agreements, Free Trade Agreements including the Deep and Comprehensive Free Trade Areas on offer to the countries of North Africa, and other trade regimes with the EU should be exploited to the greatest extent, as building blocks to the benefit of the African Continental Free Trade Area. The ambition is to further increase African exports and to attract investment, including into manufacturing and processing sectors, and to encourage the creation of regional value chains through flexible rules of origin. In support of this, the Alliance will further strengthen and better target Aid for Trade measures in support of trade facilitation and approximation of technical and quality product standards and other regulatory measures.

Action #9. Economic integration and the development of value chains that are linked to the regional, continental and global set-up also require ***connectivity***, both intra-African as well as strategic linkages between the EU and Africa. Infrastructure investments underpin the ability of African countries to fully capitalise on job and growth creation opportunities<sup>26</sup>. The Alliance will look at supporting the policy frameworks and the core enabling infrastructure, including broadband and e-infrastructures. Particular attention will go to sectors including sustainable energy, transport, data economy, information and communications technologies, circular economy, sustainable use of natural resources, waste and water management and blue

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<sup>25</sup> Total EU trade with Africa only represents 7.5% of overall extra-EU trade, roughly the size of EU trade with Switzerland. South Africa and Northern African countries account for almost two thirds of this (European Commission, Eurostat, Comext, Client and Supplier Countries of the EU28 in Merchandise Trade (value %), 2016, [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_122530.04.2018.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_122530.04.2018.pdf), excluding intra-EU trade:

<sup>26</sup> Africa Economic Outlook 2018, African Development Bank.

growth; this could include offering partnerships with EU industry, in particular where it is world leader. This will be linked up with the support provided to investments through blending and the guarantee.

### **EU Aid for Trade for Africa**

The EU and its Member States are the leading global Aid for Trade provider with EUR 13.2 billion in commitments (29% of the global Aid for Trade figures), of which Africa continues to receive the largest share, i.e. EUR 4.8 billion in 2015 (36% of EU collective Aid for Trade). Africa is the first recipient of grants with respect to other regions whose type of flows is more diverse (grants, loans and equity). This includes the EU's Trade Related Assistance (including trade policy and regulation, trade promotion and facilitation, and other trade-related needs) as well as wider Aid for Trade categories, such as trade-related infrastructure (physical infrastructure including transport and storage, communication, energy generation and supply), building productive capacities (trade development and productive sectors such as agriculture, fisheries, forestry, industry, mineral resources and mining), trade-related adjustments (contribution to government budgets in countries implementing trade policy reforms).

### **Madagascar - Economic Partnership Agreement Implementation Plan**

Under the Madagascar National Economic Partnership Agreement Implementation Plan, Malagasy companies in the textile sector have drawn benefits from the Economic Partnership Agreement with the EU and the support associated to it (up to EUR 10 million). For example, the Malagasy textile company EPSILON has seized the opportunities from the duty- and quota-free access to the EU market with more beneficial rules of origin, allowing for single transformation and the opportunity to source raw materials from all over the world. The Plan rapidly increased its worldwide recognition thanks to its compliance with EU and international standards, collaborating with leading brands to promote Corporate Social Responsibility in industry. The company was established in 1999 with 100 employees. Today, it counts 2000. 75% of its workers hold bank accounts; 100% of employees' children are in school; 50% of employees are homeowners; 98% of managers come from internal promotion.

## **5. Ways and means**

Action #10. For the Alliance to be successful, constant dialogue between European and African partners, increased involvement with the private sector and close consultation with civil society are needed. The Alliance also needs to be backed up with *an important package of financial resources*. The EU and its Member States already are Africa's first partner representing, in 2016, 55% of all Official Development Assistance to Africa, amounting to EUR 23 billion.

The Commission’s proposal for the future Multi-Annual Financial Framework of the EU foresees an ambitious Neighbourhood, Development and International Cooperation Instrument<sup>27</sup> worth EUR 89.2 billion for 2021-2027, with Africa and the Neighbourhood as its priorities. At least EUR 32 billion of grants for Sub-Sahara Africa and an expected EUR 7.7 billion for North Africa will be further complemented by additional funding from the thematic pillar, the rapid response and the “cushion” of the Instrument. Building on the External Investment Plan and its European Fund for Sustainable Development, the instrument also foresees a substantial increase in the use of blending and guarantees, to leverage sizable amount of funds from the public and the private sector. Under the proposed new external investment architecture<sup>28</sup>, with an increased firepower of the External Action Guarantee of EUR 60 billion globally, Africa will be a priority region. The High Representative with support of the Commission has also proposed to set up the European Peace Facility<sup>29</sup> worth EUR 10.5 billion for 2021-2027, which will further enhance our work with Africa in ensuring peace, security and stability across the African continent, which are crucial for economic development.

### Summary of actions

#1	Boosting strategic investments via blending and guarantees
#2	Supporting the opportunities for manufacturing and processing at national and regional level via the Jobs and Growth Compacts
#3	Establishing sectoral groups of African and European public, private and financial operators and academia, under the lead of a Commissioner, to provide expertise, advice and recommendations
#4	Supporting education and development of skills at continental level
#5	Supporting skills development at national level to match skills to strategic development choices for each country
#6	Strengthening the dialogue, cooperation and support on the investment and business climate
#7	Supporting the Africa Continental Free Trade Area
#8	Strengthening intra-African and EU-African trade in the long-term perspective of a continent-to-continent free trade agreement
#9	Supporting connectivity both intra-African and between the EU and Africa
#10	Mobilising a substantial package of financial resources

<sup>27</sup> COM(2018) 460 final, 14 June 2018.

<sup>28</sup> The Commission has adopted today a Communication Towards a more efficient financial architecture for investments outside the European Union (COM (2018) 644) setting-out ideas on rendering the current system even more effective.

<sup>29</sup> See [factsheet](#) on the European Peace Facility.

