

State of the Union 2018: Questions and Answers – Towards a new ‘Africa – Europe Alliance for Sustainable Investment and Jobs’



#SOTEU

As part of President **Juncker**'s State of the Union proposals, the Commission has announced a new [‘Africa – Europe Alliance for Sustainable Investment and Jobs’](#) to promote a substantial increase of private investment in Africa, boost trade, enhance job creation and contribute to sustainable and inclusive development. The Communication proposes a ‘Africa – Europe Alliance for Sustainable Investment and Jobs’ as part of a reinforced African Union – European Union Partnership. Consultation and dialogue with African partners will be organised in the coming months to jointly define priorities and take further action.

1. Why is this Communication being proposed now?

This Communication aims to drive a step change in investment in Africa. It builds on the impetus across the two continents for socio-economic transformation. Huge socio-economic opportunities exist for both European and African continents: in private investment, trade, job creation and sustainable and inclusive growth. These opportunities can be harnessed through the proposed Alliance.

The Alliance offers coherent economic co-operation with Africa which builds on the commitment and momentum in the two continents. These include 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 ambitious proposals for the next Multi-Annual Financial Framework.

Moreover, the Communication sits as part of the wider set of Africa-Europe relations and strategic frameworks joining the two continents. Europe is Africa's main partner in foreign investment, trade, security, remittances, development, as well as humanitarian aid. What happens in Africa matters in Europe and vice versa. In a more complex, more contested and more connected world as we see it today, this is more valid than ever.

2. Why should Africa and the EU step up their engagement on investment and the economy?

The Alliance is about unlocking private investment and exploring the huge opportunities that can produce benefits for African and European economies alike. It is an economic partnership that puts the respective strengths of Europe and Africa at work.

The EU is already Africa's biggest investor, with its Member States holding an investment stock of €291 billion in 2016 and representing approximately 40% of Foreign Direct Investment flows to Africa annually. 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 in Africa make it clear that it is also a necessity to generate millions of new jobs, especially for youth entering the labour market.

3. What is the EU currently doing to boost investment and job creation in Africa?

There are a range of actions ongoing by the EU to boost investment and job creation, which will be further harnessed under the Alliance.

One example is through investment programmes and operations blending grants and loans. Between 2014 and 2017, the EU has leveraged through blending operations approximately €35 billion. Since the launch of the [External Investment Plan](#) in 2016 and the subsequent setting up of the European Fund for Sustainable Development in 2017, the EU is committing funds expected to leverage €15 billion of investment through grants and loans blending and over €16 billion under the Guarantee.

Jobs and Growth Compacts are currently under discussion with many African countries in order to steer the joint efforts around value chains with the highest potential for job creation, seizing the opportunities for manufacturing and processing, unlocking the huge potential of the green economy, supporting transition to low-carbon and climate-resilient economies, exploiting the potential of the data economy, and tackling the areas requiring reform in order to improve the business enabling environment.

On the basis of what the EU and African Union [recently launched](#) in the area of agriculture, 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. This will strengthen a common African Union-European Union agenda under these areas identified with high potential for job creation and growth.

4. How big is the EU's current trade relationship with Africa?

The EU is Africa's biggest trading partner, accounting for 36% of Africa's trade in goods, worth €243.5 billion and the EU remains the world's most open market to African exports in particular to manufactured and processed products. The EU currently has trade agreements in place or agreed with 37 African nations.

South Africa, Nigeria, Kenya, Egypt and Morocco attracted collectively 58% of total Foreign Direct Investment in 2016. While 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 the greenfield Foreign Direct Investment beyond the extractive sector.

5. What will the EU do to boost free trade with 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.

Economic Partnership Agreements in particular encourage the creation of regional value chains, through flexible rules of origin and regional preference clauses (they include clauses stating that the treatment of other Economic Partnership Agreements countries should be at least similar to the one granted to the EU).

Aid for Trade measures will be better targeted to support trade facilitation and approximation of technical and quality product standards and other regulatory measures. In turn, this also supports Africa's regional and continental integration agenda. The tariff liberalisation and flexible rules of origin provided under the Economic Partnership Agreements are examples of trade tools that can benefit the African Continental Free Trade Area negotiations.

The EU will also support the wider environment to facilitate trade, such as connectivity, infrastructure, sustainable energy, transport, data economy and information and communication technologies among others.

6. Will you replace existing development cooperation with this new proposal?

It is well recognised by the international community that meeting the Sustainable Development Goals and the Addis Ababa Action Agenda requires the mobilisation of all means of implementation including domestic resources, official development assistance and private sector participation. The External Investment Plan mobilises significant additional investment following the very successful model of the Juncker Plan, implemented within the EU. With an EU contribution of €4.1 billion, the External Investment Plan is on its path to leverage up to €44 billion of investment by 2020.

The EU and its Member States are the first partner in terms of Official Development Assistance, mobilising 55% of the total to Africa. Official Development Assistance is, and will continue to be, an important part of the resources supporting action under the Alliance.

As an illustration, take the area of education and skills. The EU will support an important African Union skills initiative, aimed at developing an African continental qualification framework. The mobility of students, staff and academics across the African continent will be further facilitated (African "Erasmus") and the EU will continue to support scholarships and

exchange programmes between tertiary education institutions. In total, EU support under the Pan-African programme will increase from €45 million in 2014-2017 to €63 million in 2018-2020, reaching €108 million. Similar initiatives will be taken at national level, such as the Med4jobs programme, linking support to the sectors with strong potential for investment and job creation.

The Alliance will take into account the diversity across the African continent and the specificities of each country, including the contractual relations of the Northern African countries through their Association Agreements and their experience of co-operation with the EU through the European Neighbourhood Policy.

7. What are the concrete new measures proposed?

Some of the initiatives include: expanding levels of investment via grants and loans blending and guarantees; identifying new value chains via the Jobs and Growth Compacts, ensuring a link with the [G20 Compact with Africa](#); supporting skills development at African and national levels; developing a strengthened dialogue and cooperation with African partners on the investment climate, including on business and investment climate reforms; strengthening EU-African trade with the long-term perspective of a continent-to-continent free trade agreement building on existing agreements; supporting connectivity intra-African and strategic linkages between the Africa and the EU.

8. What kind of financial resources will support the initiatives?

Initiatives will be backed up with an important package of financial resources under the current Multi-Annual Financial Framework as well as under the [future one](#), once adopted, and which foresees an increase in overall external funding to €123 billion for 2021-2027 (up by 30%). Proposed ring-fenced allocations for Africa increase to at least €32 billion of grants for Sub-Saharan Africa and an expected €7.7 billion for North Africa. This will be further complemented by funding from the thematic pillar, the rapid response and the “cushion” of Neighbourhood, Development and International Cooperation Instrument with a proposed allocation of €89.2 billion. Within this instrument, building on the existing European Fund for Sustainable Development, a guarantee with an increased firepower of up to €60 billion will equip the EU to act globally with Africa as priority region.

In addition, the High Representative with support of the Commission has also proposed to set up the European Peace Facility worth €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.

9. How will the proposal impact the EU's work on migration?

The joint efforts on jobs and growth under the Alliance, by African and European partners, will also contribute to address challenges and opportunities linked to mobility and migration. The efforts will address the root causes of irregular migration and forced displacement, building

resilience, providing jobs and enabling the integration and reintegration of some of the most vulnerable parts of the population. The proposal therefore supports and contributes to the implementation of the [EU Agenda for Migration](#).

For More Information