



CENTRO STUDI SUL FEDERALISMO

research paper

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**NEXT GENERATION AFRICA:
OPPORTUNITIES AND CHALLENGES
OF A NEW INSTRUMENT REALLOCATING
EUROPEAN SDRs TO THE AFRICAN CONTINENT**

January 2022

ISSN: 2038-0623

ISBN: 978-88-96871-96-6

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ABSTRACT

This paper forms part of a broader debate on alternative uses of SDRs following the recent General Allocation of August 2021. We intend to highlight the fundamental aspects that a potential reallocation of resources from European states to Africa might entail, both in terms of supporting the development of the African continent through the definition of a ‘Next Generation Africa’, and in terms of a substantial change in the paradigm of the use of SDRs, but also in terms of political and economic strategy for the EU and the AU as key regional actors in their respective continents and at the international level. The objective of the research is to highlight which actors are most relevant in defining both the mechanism for reallocating SDRs from European states to the African Continent, and in the design, management, and supervision of an ambitious development plan such as ‘Next Generation Africa’. Through this analysis, it will then be possible to define a political strategy capable of bringing this ambitious and far-sighted long-term development project, which both Europe and Africa need, into the heart of the political debate.

Keywords: Africa, Europe, Special Drawing Rights, Development

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*This paper was prepared within the initiatives of the project “For a European Union - African Union Plan on the New Allocation of the IMF’s SDRs”, coordinated by the Centro Studi sul Federalismo (CSF) with the Robert Triffin International Foundation (RTI) and the Centre Studies on European and Global Governance (CesUE), admitted to the funding by the Italian **Ministry of Foreign Affairs and International Cooperation**.*

Further contributions on this topic shall follow in the next months. I would like to grasp this occasion to thank the entire research team for their support and cooperation, but above all for giving me the opportunity to contribute to this research project. The usual disclaimers apply.




**Ministry of Foreign Affairs
and International Cooperation**

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1. Introduction

On the eve of the European Union – African Union Summit, it seems more necessary than ever to address the issue of deepening investments in/for the African continent, especially given the vast availability of resources in Europe following the implementation of the ‘Next Generation EU’ and, in particular, thanks to the recent International Monetary Fund’s (IMF) General Allocation of Special Drawing Rights (SDRs).

This research paper enters into the debate on how to use the resources provided by the IMF through a *General Allocation* of \$650bn in SDRs to the 190 countries belonging to the organisation. It is crucial to remember that the use of this instrument depends on country-specific decisions and strategies. In our opinion, this *General Allocation* is a great opportunity for shaping the future of the relationship between the European and African continents. The main idea is to build a sustainable system that could reallocate a fraction of EU Members States’ SDRs to the African continent and sustain a ‘Next Generation Africa’. A number of criticisms might be made, but it is important to underline that this will be neither a new expression of neo-colonialism, nor a form of Western paternalism. The purpose is to outline a shared pathway, considering the main challenges that the two continents face in the near future, bearing in mind that African vulnerabilities and strengths could become European ones and vice-versa.

As shown by a number of authors,¹ technical problems are a major issue when considering the possibilities of an SDR reallocation from Europe to Africa, especially if they require changes in the statute of the IMF, or an 85% majority from the IMF Executive Board. Despite these technical challenges, the main difficulty the ‘Next Generation Africa’ project may face is in the political will of the main stakeholders involved: the IMF and its most powerful members, Multilateral Development Banks (MDBs), the European Central Bank (ECB) and, in particular, the EU Member States. The freedom for the last group to invest part of their SDRs in an African sustainable development program, which would not immediately benefit EU countries, but act over a longer period, should not be taken for granted. Political reasons, debt conditions and pandemic uncertainties may act as impediments. Nevertheless, European integration history teaches us that if there is a strong conviction on the part of even a small group of willing states, even the most ambitious projects can take shape.

The definition of a set of instruments to provide the basis for ‘Next Generation Africa’ may be born from a first set of willing states as forerunners, subsequent participation in the project will be open to other EU joiners. There is no doubt that the stronger this starting partnership is, the more effective the project will be. In our opinion, it is crucial to identify the most relevant actors

¹ See, for example: (Plant, 2021) and (Andrews, 2021).

involved and, at the same time, start an institutional debate with them about this opportunity. Our aim is not to offer a ready-made policy that must be blindly adopted, but rather to lay the foundations for a constructive meeting that brings together the needs of all parties involved.

Over the last months, a range of ideas for the reallocation of SDRs has been considered, many of them come from leaders of European and international organisations. The recent article authored by Kristalina Georgieva (Managing Director of the IMF) and Félix Tshisekedi (President of the Democratic Republic of the Congo and Chairman of the African Union) underlines that “to tackle the climate crisis in Africa and put the continent on a new sustainable growth trajectory requires concerted efforts across national governments, the private sector, and the international community”.² Considering the measures promoted by the IMF, the reinforcement of the *Poverty Reduction and Growth Trust* and the institution of the *Resilience and Sustainability Trust* seem to be insufficient to address the challenges of the African continent, especially in the context of high uncertainty due to the pandemic, and considering the chronic weaknesses in the continent’s development.

A statement that seems even more relevant, in the context of this paper, is that of the President of the French Republic Emmanuel Macron who, after announcing the EU-AU Summit next February, said: “We need to recreate an economic and financial New Deal with Africa”.³ If these are the premises on which a consolidation of the Euro-African cooperation is to be built in the next six months, then we need more than ever to give concrete form to verbal intentions through the conception of a solid development project for Africa.

The European Union has repeatedly outlined the strategic role of the African Union since the inauguration of Ursula Von der Leyen’s presidency of the European Commission. To date, no defined initiatives have been put on the table aimed at a concrete reallocation of European SDRs resources to the African continent. A lot of space is left to the political will of the richest countries, but it is fundamental to channel these resources towards the neediest countries for the purpose of long-term sustainable growth. The future strategic role played by Africa has been mainly understood in terms of security and development, neglecting the relevance of a commercial dimension. The emergence of a strong and modernising pan-African market is a precondition for enhancing sustainable development, reinforcing local institutions and governments. These three elements are essential to ensure security and manage migration flows, which seem to be, at the moment, the main interests of the European Union and its members with regard to Africa.

Given what has been already presented here and in a previous analysis by Masini,⁴ an overview seems necessary of the main actors involved in the ‘Next Generation Africa’ project, and of the

² (Georgieva & Tshisekedi, 2021).

³ “Il faut refonder un New Deal économique et financier avec l’Afrique” (author’s translation).

Emmanuel Macron also stated : « Nous devons aller au bout de cette solidarité à l’égard des Africains qui consiste simplement à regarder les chiffres qui sont donnés par la Banque mondiale et le FMI : entre 2020 et 2025 il y a 300 milliards d’euros de besoins de financement pour les économies africaines car elles ont les conséquences du Covid-19 et une véritable explosion démographique à embrasser. (...) Nous devons accompagner dans sa transition énergétique et climatique le continent africain. Nous ne pouvons pas laisser les Etats africains en solution. Leurs défis sont encore plus importants que les nôtres. » (Macron, 2021).

⁴ (Masini, 2021).

mechanism that will operationalise the reallocation of SDRs' quotas from Europe to Africa; in a second instance, the focus will be placed on the relevance of the 'Next Generation Africa' project in the international development assistance context.

2. Actors involved: overview

To follow the suggested approach of our research team, we must avoid seeking changes in the Articles of Agreement of the IMF, and have to strengthen a multilateral approach to European cooperation with Africa, bearing in mind the need to maintain strict monitoring on the utilisation of the resources towards agreed priorities, preferably through a supra-national approach.

As already underlined by several studies about the technicalities of the reallocations of SDRs, one of the main issues is the maintenance of the SDR's reserve asset status and, in the case of EU Member States, the apparent obstacle concerning "*the direct financing of multilateral development banks by national central banks through SDR channelling [that] is not compatible with the monetary financing prohibition*".⁵ As Masini has pointed out,⁶ Lagarde's statement refers to Euro area central banks; their activity of channelling SDRs towards MDBs will be not permitted. Nevertheless, it seems possible that a joint, *ad-hoc*, fund, agreement, or institution may perform this task.

For our purposes, the first step is to define which actors could play a decisive role in the realisation of the 'Next Generation Africa' project. There are three main areas of action in which selected actors operate: (1) in structuring and managing the reallocation mechanism of SDRs from Europe to Africa; (2) in designing and defining the characteristics of the development project funded through the SDR reallocation; and (3) in ensuring monitoring of the utilisation of resources.

Each actor involved in the 'Next Generation Africa' should play the role it is best designed for, although some of them may operate in more than one area of action. Starting from this perspective we have identified three main categories of institutions: (1) Governmental International Organisations with their operational arms; (2) MDBs and multinational banks with a strong development vocation; (3) Governments and National Central Banks.

2.1. Governmental International Organisations with their operational arms

In the first category of institutions, we consider the IMF to be pivotal in this project because, in the context of the 1st area of action, it probably will be necessary to request the status of SDR *prescribed holder*⁷ for at least one Europe-based MDB to channel resources from Europe to

⁵ (Lagarde, 2021).

⁶ (Masini, 2021).

⁷ "A *prescribed holder* may acquire and use SDRs in exchange for an equivalent amount of a monetary asset, other than gold, in transactions and operations with any other *prescribed holder* and with any of the IMF's members. However, a *prescribed holder* may not be allocated SDRs issued by the IMF, nor may it be required by the IMF to receive SDRs in exchange for currency." (International Monetary Fund, 2021).

Africa.⁸ At the same time, it would be useful to obtain the IMF's support and access to their expert competencies, for the 2nd and 3rd areas of action mentioned above. In addition to setting the rules on the use of SDRs, the IMF acquired a great deal of experience over time in managing economic policy, supervising the overall macroeconomic performance of member countries and, in particular, in negotiating conditions on lending and loans under the policy of conditionality and consequently in ensuring their monitoring. This knowledge and expertise constitute a key source of information for large-scale investment management. The IMF already possesses well developed systems of guidelines for the dissemination of standards and for 'good practices' – particularly in complex and fragile contexts – these provide crucial knowledge for a successful 'Next Generation Africa' project. We decided to consider alternatives to those instruments provided by the IMF. (i.e. the *Poverty Reduction and Growth Trust* and the forthcoming *Resilience and Sustainability Trust*) for two main reasons. On the one hand this negates obstacles deriving from imposed conditionalities and, consequently, it permits the definition of alternative parameters to those in force, which are still closely linked to the discipline of the 'Washington Consensus' (the effectiveness of which is widely criticised). On the other hand, this allows a specific focus on the African continent to ensure the strengthening of the EU-AU partnership, with a view to responding to specific needs in the African context and, in particular, in that of deepening African continental integration.

The second institution involved in the project and part of the first category is the EU with its own Central Bank, the ECB, that has the ultimately responsible for the allocation/destination of SDRs reserve-assets from euro area Member States, and plays a key role in the process of rechanneling part of the European quotas towards Africa. As the ECB does not permit alternative uses for SDRs, a political change is needed, requiring a common will to modify current rules. The European Commission and the European Council may be able to put pressure on the ECB to make the necessary change. Like the IMF, the main area of activity for the ECB will be the 1st; thus, the primary challenge in this context is to obtain ECB recognition that such investment funds do not violate its monetary financing prohibition. The role that will be played by the European Union is strictly related to the political will of its Member States. If the creation of a system of reallocating SDR quotas for the benefit of Africa were to be promoted by a substantial number of willing and strategically relevant states, then the ECB's positions in this regard might also be less assertive and allow a satisfactory solution – for the creation of the rechanneling mechanism – to be found within the existing treaties and, consequently, motivate the IMF to accept the request to make one or more European multilateral banks prescribed holders. The role of the ECB will also be relevant for the 3rd area of action. We consider the role of the EU to be crucial, especially considering its *Comprehensive Strategy with Africa*, which has been unable to take a more defined form, mainly due to the outbreak of the pandemic crisis. The *EU Comprehensive Strategy with Africa* incorporates five proposed partnerships: green transition and energy access; digital transformation; sustainable growth and jobs; peace and governance; and migration and mobility. Most of these topics mirror the economic and social pillars of the joint plan of action presented by the AU domestically through the 'Agenda 2063', and the related challenges which will form the core of the priorities to be addressed in the 'Next Generation Africa' development project.

⁸ These aspects will be discussed in the following paragraph: 2. *Multilateral Development Banks and Multinational Banks with a strong development vocation.*

The third institution, also related to the 1st category, is the African Union (AU). The AU is crucial in all three areas of action presented above. In structuring and managing the mechanism for the reallocation of SDRs from Europe to Africa, the AU has to provide information and support in the advocacy phase, especially when dealing with the IMF's constraints and with the ECB's hesitations. If the 'Next Generation Africa' were to become a co-produced project with a committed involvement from recipients, and shared responsibilities, the legitimacy of the European countries' request for the definition of an *ad-hoc* instrument devoted to the reallocation of SDRs quotas would be reinforced by support from the 54 member states of the AU. The AU's support in this project fits into the strategic plan for the strengthening of EU-AU relations, and may be seen as a deepening in continental integration, especially in view of the recent establishment of the African Continental Free Trade Area (AfCFTA)⁹. The 'Next Generation Africa', the AfCFTA and the Africa Union's 'Agenda 2063' will complement each other and have the potential to ensure the sustainable development of the African continent. The AU's 'Agenda 2063' is a fifty-year objective and action plan; the program contains seven aspirations on a range of topics linked to development. The most relevant for our purposes is that which intends to create a prosperous Africa based on durable growth and sustainable development to raise standards of living, and enhance the quality of life of African populations. Financing is needed in regional integration and sustainable development; the 'Agenda 2063' promotes a financing strategy that includes: domestic resource mobilisation, intermediation of resources into investments, and access to finance. According to studies,¹⁰ the AU has inadequate financial resources to concretely implement most of the 'Agenda 2063' programs. The 'Next Generation Africa' would make it possible to overcome this limitation, on the condition that a cooperative, non-paternalistic approach is guaranteed to ensure African ownership as enshrined by the 'Agenda 2063' itself.

2.2. Multilateral Development Banks and Multinational Banks with a strong development vocation

Multilateral Development Banks (MDBs) core aim is to raise capital; moreover, they have developed a set of specialised skills in the field of project appraisal, and are involved actively in managing and directing the implementation of the projects financed.

For the purposes of this analysis, a primary role will be played by the *European Investment Bank (EIB)* and *European Bank for Reconstruction and Development (EBRD)*, both of which are MDBs. As already shown, the main difficulty is to find a technical solution allowing these MDBs to hold SDRs, and the channelling of these resources to African continent counterparts; but the option of applying for the status of SDR *prescribed holder* could significantly reduce the present technical limits. Leaving aside this technical issue, closely related to the implementation of the reallocation mechanism, the most important role for the implementation of the 'Next Generation Africa' falls to the MDBs.

⁹ "The AfCFTA aims to boost intra-African trade by providing a comprehensive and mutually beneficial trade agreement among the member states, covering trade in goods, services, investment, intellectual property rights and competition policy" (African Continental Free Trade Area, 2021).

¹⁰ For a general overview of these studies see: (Ndizera & Muzee, 2018).

Focusing on the EIB, its core priorities in Africa are vital infrastructure and private sector development; the main purpose of the EIB is to deliver investments to implement EU policies and standards in Africa. Right from the outset the EIB has played a key role in African development, and it offers a wide set of supporting activities.¹¹ Although the EIB has so far never managed a portfolio similar to that which a possible reallocation of European SDRs would generate, there is no doubt about its proven ability to manage medium- to long-term investments on the African continent, precisely in those areas we have selected as fundamental for development. Furthermore, the strengthened partnership with the African Development Bank Group (AfDB)¹² is another element that prompts us to consider the EIB as the ideal actor for the implementation of the ‘Next Generation Africa’ project. Of great importance here is the ‘AfDB-EIB Indicative Joint Action Plan for 2020-22’ which seems, in some ways, to have already outlined the structure and areas of action on which our ‘Next Generation Africa’ would focus. The EIB would be the most appropriate institution for this purpose, especially given the specific competencies required in all three areas of action defined above.

Although its range of action in Africa is limited to Egypt, Tunisia and Morocco, a similar role could be played by the EBRD. The possibility of implementing the ‘Next Generation Africa’ on a sub-regional basis, and the use of existing operational and local-based tools, should not be rejected in advance. The EBRD offers a wide range of financial instruments; its principal forms of direct financing offered are loans, equity and guarantees, and it provides business advisory services. The main sectors in which it is involved are agribusiness, infrastructure, and transport. While in the case of the EIB the activities are seen as a direct ‘emanation’ of European Union policies, in the case of the EBRD there would be no such exclusivity since non-European states are members of this MDB, too. On the one hand, this could be a limitation in terms of freedom of action, but on the other hand, it could be an advantage in terms of further mobilisation of resources. As with the EIB, the EBRD has already set out a detailed set of priorities and strategies for Africa, which are largely linked to those defined both in Europe and in Africa to enhance resilience and development in Africa. Another relevant aspect is the recent *Memorandum of Understanding*¹³ between the EBRD and the AfDB, that intends to promote and reinforce the partnership between these institutions in the geographic and sectorial areas where both of them operate, to unlock investment opportunities and promote sustainable private-sector development. As with the EIB, the EBRD may be considered a primary player thanks to its potentially crucial role in all three areas of action mentioned above.

The strengthened partnerships of the EIB and EBRD with the AfDB demonstrate the strategic role played by MDBs on the African continent. Thus, with regard to the African MDB on which to focus for the realisation of both the SDR reallocation mechanism, and the implementation of the ‘Next Generation Africa’, the profile of the *African Development Bank Group (AfDB)* appears to be the

¹¹ “We lower the cost of strategic investment in Africa because of our efficient capital structure, which brings a favourable cost of funding through our bond issuance. We have a comprehensive product offering for the private sector from targeted long-term finance, de-risking operations, capital markets instruments and loans blended with European Commission funds to make our investments more impactful.” (European Investment Bank, 2021).

¹² The AfDB Group is an Africa-based Multilateral Development Bank. As we will see later, the AfDB Group is a key player in this analysis and its relationships with Europe-based MDBs are fundamental.

¹³ (Zgheib, 2021).

most suitable given what we have already said about its consolidated collaboration with the EIB and EBRD, but also given its strongly regional character and its proximity to the African Union, its continental relevance and its status of *Prescribed Holder*. The AfDB comprises three entities: the *African Development Bank (ADB)*, the *African Development Fund (ADF)*, and the *Nigeria Trust Fund (NTF)*. In this analysis, the focus will be on the first two entities. Given the specific competences of the ADB and the ADF, the former would potentially be able to deal with the management of loans, and the latter with grants coming from the recognised SDR reallocation facility. As they are already prescribed holders, any technical obstacles in the management of SDR resources appear to be less critical than for the European MDBs mentioned above. Even if many criticisms¹⁴ have been levelled at the AfDB, both in terms of the effectiveness of its actions and its organisation, the AfDB enjoys a good reputation among African countries and regional institutions, and this is a decisive factor. Though somewhat dated as an action plan, the *'African Development Bank's Strategy for 2013–2022'* remains a key document in appreciating the potential role of the AfDB in the context of a development plan for Africa. It has two main objectives: to achieve growth that is more inclusive, and to ensure that inclusive growth is sustainable, too. Furthermore, in 2015, the AfDB outlined five development priorities for the institution which can be considered as an update of the 2013 strategy. The commonly called *'High5s'* priorities are: Light up and Power Africa; Feed Africa; Industrialise Africa; Integrate Africa; and Improve the Quality of Life for the People of Africa. The AfDB is one of the main catalysts for convening and connecting the right players in the African development context, enhancing regional cooperation and integration, and even guaranteeing public-private partnerships. It presents itself as *"the voice for Africa in the development community"*¹⁵ and has embraced the objective of scaling up its activities by leveraging and crowding-in financial resources, and moving from *"billions to trillions"*¹⁶; the opportunity presented by the *'Next Generation Africa'* could fit in with these stated goals. As for the two European MDBs discussed above, the AfDB Group has to be considered a prime actor in all three areas of action under discussion. Its contribution to lobbying activities for the implementation of both the SDRs reallocation tool, and the *'Next Generation Africa'* project is fundamental. Being an MDB, its operational and organisational vocation in the African context is an essential aspect for the implementation and monitoring of the investment plan. The AfDB Group will undoubtedly be under scrutiny as an institution that will have to put itself to the test, and exploit its potential to the best of its ability.

The fourth element included in the second category is multinational banks with a strong development vocation. The role of these banks could be in some ways parallel and complementary to the previous project presented above that wants to channel resources through MDBs. The idea is that European States can directly finance multinational banks through additional loans and capital allocations denominated in SDRs. The ideal vehicle for this alternative

¹⁴ See for example: (Humphrey, 2014) & (Birdsall, 2018).

¹⁵ *"As a pan-African development finance institution, the Bank has a unique role as the voice for Africa in the development community. With national and regional leaders, the Bank will further develop its voice for Africa on development issues, sharing its views and experience. It will also confidently present the African voice at multilateral forums on development, financial architecture, commodities, trade and other issues relevant to African economic and development interests."* (African Development Bank (AfDB), 2013).

¹⁶ (African Development Bank Group, 2021).

opportunity might be the African Export-Import Bank,¹⁷ that is already involved in the design of the Pan-African Payment and Settlement System (PAPSS),¹⁸ in collaboration with the AfCFTA Secretariat. The choice of using this specific bank as an instrument for the implementation of the ‘Next Generation Africa’ is also due to its strategic geographical location in Egypt, its established expertise in the sector, and finally, the four strategic pillars¹⁹ that guide its work. From our standpoint, embedded in the idea of integration between the actors potentially involved in the implementation of the ‘Next Generation Africa’, multinational banks with a strong development vocation respond to the strategic necessity of financing inter-African trade and, in particular, to use SDRs to finance the probably negative balance of the relevant transactions; it could be a repeat of the process that led to the union of payments in Europe. More specifically, European countries first and foremost, (and if wished, African countries as well), could use part of their SDR quotas to strengthen the capital of the African Export-Import Bank (which could acquire the status of ‘Third Party Holder’ as provided for in the IMF rules). By doing so, it would be possible to create the conditions to constitute a first nucleus of African countries whose financial transactions resulting from intra-African trade are settled in SDR, without having to have recourse to reserves of convertible currencies (such as the euro, dollar, renminbi, or pound). This would be a process similar to that adopted by European countries post-WWII with the ‘Union of Payments’ that made it possible to counter the *dollar shortage*, at least for intra-European trade. It should be emphasised that in this process the African Export-Import Bank could be joined by other multinational banks, strengthening the plan and its chances of success. This would be especially likely if African states were to import knowledge and technology from Europe. Even in this case, there are technical difficulties that would have to be resolved both within the IMF and within the ECB. Multinational banks with a strong development vocation, and in particular the African Export-Import Bank, could play a decisive role in designing and managing the characteristics of the ‘Next Generation Africa’ project, and in ensuring the monitoring of resource utilisation.

As we have seen, the heart of the action for the implementation of ‘Next Generation Africa’ lies in the second category of institutions, in particular through the involvement of MDBs. There is no doubt that the intrinsic characteristics of these institutions make them ideal partners for the implementation of development projects and that, to date, their potential is grossly underexploited. For this very reason, it seems to us more than ever necessary to seize the opportunity represented by the recent and very large allocation of SDRs, to increase the legitimacy of these institutions, and ensure their optimal operability – especially in the context of a vulnerable continent such as Africa. It is evident – given the structures of the institutions

¹⁷ “Our Vision: To be the Trade Finance Bank for Africa. Mission Statement: To stimulate a consistent expansion, diversification and development of African trade, while operating as a first class, profit-oriented, socially responsible financial institution and a center of excellence in African trade matters.” (African Export-Import Bank, 2021).

¹⁸ It is a “Financial Market Infrastructure to enable instant, cross-border payments in local currencies between African markets. By simplifying cross-border transactions and reducing the dependency on hard currencies for these transactions, PAPSS is set to boost intra-African trade significantly and underpin the implementation of the African Continental Free Trade Area (AfCFTA).” (African Export-Import’s Bank, 2021).

¹⁹ “Promote Intra-African Trade, Facilitate Industrialization and Export Development, Strengthen Trade Finance Leadership and Improve Financial Performance and Soundness.” (African Export-Import Bank, 2021).

presented in the first two categories – that states, their Governments and Central Banks play a major role, both highly political and strategic in nature.

2.3. Governments and National Central Banks

Governments and National Central Banks would primarily participate in structuring and managing the mechanism of SDR reallocations from Europe to Africa; they would ensure the availability of SDR resources according to their financial needs and dispositions with respect to national, international, and notably European Law. Furthermore, European Governments will need to put pressure on relevant supranational institutions through lobbying, declarations of intent, requests for evaluations and proposals for reform that would allow the concrete realisation of an instrument that would channel quotas of SDRs from Europe to Africa, in one of the various ways presented so far. As repeatedly pointed out, the technical obstacles are basically surmountable through a strong and concrete political will.

In respect of the activities of designing and managing the characteristics of the development project funded through the SDR reallocation, and actions aimed at ensuring the monitoring of the utilisation of these resources, these are sectors in which the Central Banks will not operate directly, but in which Governments will have a fundamental role in the phases of negotiation, the definition of objectives, and considering conditionalities; a secondary role could also be played in the field of monitoring. Governments will have to rely on the cooperation structures they already have (Ministries and Development Agencies), as well as acting as intermediaries between the potential national providers of goods and services, that could benefit from the establishment of such a bold development project for the African continent, and that would certainly also benefit a vast number of national actors, both public and private.

European states must recognise the strategic nature of a long-term development project for the African continent; with this awareness and a clear agenda for action, it is highly likely that the technical limits will be overcome. The structure of the international organisations (IMF and EU) to which governments – in this case both European and African – must turn their attention does not guarantee democratic decision-making, but is based on more or less institutionalised systems of veto. This peculiarity calls for strong cooperation between the various members involved in the project, and a strong and unequivocal position to generate change. As we shall see in the next few pages, this change could be radical in many ways.

African sub-regional organisations have been deliberately left out of the analysis, as their contribution was considered somewhat superfluous at an early design stage. There is no doubt that at a later stage, these actors could play a major role in the implementation of ‘Next Generation Africa’, given their specific context-related skills and knowledge, the range of existing operational tools at their disposal, and the legitimacy they hold. At a later stage, it will also certainly be necessary to focus on these actors in terms of both opportunities and challenges to ensure the success of the ‘Next Generation Africa’ project.

3. The relevance of the ‘Next Generation Africa’ project

‘Next Generation Africa’ will surely be the most ambitious European investment development project, and will become the most relevant instrument implemented within the framework of the ‘Comprehensive Strategy with Africa’ presented in March 2020 by the European Commission. As discussed by Masini in his 2nd Scenario,²⁰ the objective is to raise up to €250 bn through the financial markets for the implementation of the project, thanks to an initial investment in SDRs corresponding to €50bn. The exceptional scale of this project would far exceed all the resources allocated to the entire ‘Neighbourhood, Development and International Cooperation Instrument’ (NDICI), and the sum of the development effort of all EU Member States in Africa. While a number of projects and programs already target the African continent within in the framework of the European Union and its related institutions, the aim of the ‘Next Generation Africa’ is to provide further financial support to those projects trying to strengthen the role of MDBs, especially the AfDB Group, reducing the bottom-up approach that has been the main form of development policies when addressing southern countries’ needs. The main five priorities presented above²¹ – energy independence, digital infrastructure, health, green transition, and education – broadly correspond to key issues and fields of cooperation that have been identified on both sides of the Mediterranean.

There is no doubt that there is a need to strengthen what has been presented so far in the partnership between European and African institutions. In particular, it seems necessary to integrate what has already been considered with identified priorities on the African continent at the local level, in terms of groups that have difficult access to the resources necessary for their development, and whose claims suffer from insufficient political representation. In the light of these considerations, it seems essential to ensure that the instruments promoted by the ‘Next Generation Africa’ include both large-scale and general projects (infrastructure, communication systems, etc.) and small-scale, highly context-related and people-centred projects (microcredit access, professional education, etc.).

The importance of this project can also be seen in a different context from those relating to the economic and social development of the African continent, and the exceptional mobilisation of resources that it would involve. The African Union would have the role of ensuring, as we have seen, support and control at every stage of the project. This acquisition of responsibility would lead to the affirmation of the AU as the partner of reference in the international arena for affairs relating to the continent. Moreover, it would allow the deepening of continental integration, needed to ensure the full realisation of the common market, and also to mitigate the risks related to the political and financial stability of member states, as well as to strengthen the political legitimacy of the AU itself.

The ‘Next Generation Africa’ project is intended to contribute to an expansion process of the framework of global partnerships that has arisen in response to the increasing complexity of development assistance architecture, and the emergence of new challenges and actors in the African continent. This ambitious development project will be added to the framework of the

²⁰ (Masini, 2021).

²¹ Ibid.

*Global Partnership for Effective Development Co-operation*²². In fact, the approach that will be promoted through this project reflects the change in the paradigm of international development assistance presented in the Busan Declaration as ‘*cooperation for effective development*’. The main idea is to reinforce partnerships between donors and recipients of assistance, as well as to consider the need to involve civil society and private businesses in the promotion of African sustainable development.

From our perspective, a great deal of joint work in defining the instruments and objectives to be achieved has already been done within the European Union, the African Union and the MDBs described here. Particularly noteworthy is the document issued by the EIB in which the principles, modalities and instruments that would allow a solid ‘*cooperation for effective development*’ with Africa are defined in detail, and substantially.²³ Even though the ambitions and areas of intervention of the ‘*Next Generation Africa*’ may go beyond those characterising the work of the EIB, these ethical-organisational elements should also find a place in the case of such an audacious project. In the light of this, there is a clear need to use the EIB as a bridgehead for the implementation of the ‘*Next Generation Africa*’ project, both in the light of the existing partnership with the AfDB, which it also proposes to strengthen, and given its consolidated management and monitoring capacities in the field of development in Africa, without neglecting its European-exclusive character that would facilitate the implementation of a strategy in line with EU guidelines. In this regard, it seems appropriate to draw attention to the document ‘*AfDB-EIB Indicative Joint Action Plan for 2020-22*’. This is fundamental, it both defines the potential relationships between two of the main actors that will be involved in the concrete implementation of the ‘*Next Generation Africa*’, and identifies the current relevance of the debate on the need to mobilise additional resources for the African sustainable development through strategic actors such as (but not limited to) the AfDB and the EIB.

Through the use of MDBs, it will be possible to ensure that services are adapted to the real needs of the population and economic actors that will benefit from the resources mobilised by the ‘*Next Generation Africa*’. The services offered can potentially be ‘*tailor-made*’ and differentiated according to contexts, and should allow for a more effective use of funds and a reduction in risks, as well as allowing for a more virtuous allocation of resources.

The proposal presented here for a ‘*Next Generation Africa*’ aims to go beyond what is already present in the scope of development plans and, in particular, aims to offer alternative solutions to those proposed by the IMF and the WB. The most important innovation in this sense is the substantial reduction in the structural reform element in the aspects of conditionality, which tends to strongly characterise the instruments made available by the IMF and the WB. Although the objective of promoting ‘*good governance*’ of the resources made available remains, the intention is to offer funding channels and resources that are also accessible to the most fragile and poorest countries, without indissolubly linking investments and structural reforms, but rather

²² The Global Partnership for Effective Development Co-operation (GPEDC) is: “*the primary multi-stakeholder vehicle for driving development effectiveness, to maximize the effectiveness of all forms of co-operation for development for the shared benefits of people, planet, prosperity and peace*” (Global Partnership for Effective Development Co-operation, 2020).

²³ (European Investment Bank, 2021).

promoting an approach based on project conditionality. This approach would allow for a process of accountability that would be partially disconnected from the political vicissitudes and financial conditions of individual countries (as the responsible actors would range from the public to the private sector on both a local and international scale). This method would also strengthen the role of African regional institutions and other local actors involved: a virtuous process based on trust and the achievement of defined objectives.

It is expected that, in addition to seeing a substantial boost in the economy, and an improvement in living conditions on the African Continent, ideal conditions for maintaining the political and financial stability of individual countries will be created, which are essential elements to guarantee the sustainability of the process of social and economic development on the Continent. From a European perspective, the benefits have the potential to translate into better and more coordinated management of migratory flows, greater border security and access to a market in full development that will certainly have to acquire technologies, knowledge and resources from the Old Continent in order to carve out a primary role on the international stage.

4. Final recommendations

In conclusion, we propose a brief description of how the ‘Next Generation Africa’ project might conceivably be shaped. This is only one of the possible forms in which the project of an ambitious investment plan for Africa could come to life, the alternatives are multiple; the following attempt aims at considering aspects related to economics, politics and integration processes at work in Africa and Europe.

The realisation of the ‘Next Generation Africa’ would, in our opinion, require an *ad-hoc* fund/institution that could be the expression of the common will of the EU (or a section of its member states) and the AU. This would be a body that would be responsible for the management of the mobilised resources (both in terms of grants and loans), coming from the European countries as a portion of their respective shares of SDRs from the last IMF General Allocation, and that would guarantee the implementation of a ‘Next Generation Africa’ project. This instrument would operate directly on the African continent through the MDBs (EIB, EBRD and AfDB Group) – without excluding the possibility of using other instruments and institutions already operating in the context – to implement the ‘Next Generation Africa’ and ensure its monitoring. This instrument needs to be based on a co-produced strategy – preferably and primarily encompassing the needs and priorities identified at the African level (ex. Agenda 2063) – but which can also meet the needs highlighted by the EU in its relations with the African continent. The institutionalisation of this *ad-hoc* fund/institution should take the form of a treaty that unequivocally commits the EU, the AU and the main actors identified here to the achievement of well-defined objectives and the implementation of projects. This would create a form of international cooperation that goes beyond the limits of a blind conditionality approach and focuses on a genuine long-term perspective.

Despite the undeniable opportunity that ‘Next Generation Africa’ represents, difficulties and obstacles remain in its implementation that should not be underestimated. First and foremost is the question of obtaining the status of ‘Prescribed Holder’ by the EIB and EBRD, and maintaining

the reserve-assets character of the SDRs resources committed to the project. Many studies have pointed out that bad leadership, corruption, poor infrastructure, unemployment, lack of access to healthcare, and conflicts constitute major obstacles to the realisation of the development process in Africa. Furthermore, there are elements that call for caution, especially with regard to the African actors presented here, since it has been repeatedly established that they were unable to effectively manage their partnerships because of shortages in terms of financial, technical and coordination capacity. Nevertheless, such an ambitious investment programme for development would also entail strengthening the organisational and management capacities of these actors.

It remains a question of political will, if the instruments for implementation do not yet exist, they can always be created.

The set of prerogatives presented here for *'Next Generation Africa'* raises a number of important political questions. It would be interesting to try to predict the reactions of other international actors if the project were somehow embraced in these terms by Africa and Europe; particularly considering what the potential positions and strategies of, for example, the USA and China. Furthermore, another aspect that will have to be taken into account is the potential for criticism from non-target countries, especially in the light of existing forms of partnership put in place by the European Union, in particular those under the Post-Cotonou Agreement between the EU and the ACP. These aspects need to be carefully analysed in the future.

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