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research paper

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**NEXT GENERATION AFRICA:
ECONOMIC IMPACT AND MUTUAL BENEFITS
FROM A STRATEGIC EU-AFRICA PARTNERSHIP**

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ABSTRACT

This paper contributes from an economic point of view to the idea of a Next Generation Africa financed by the EU's allocation of SDRs. The first part considers the macroeconomic framework for African countries at an aggregate level, especially after the outbreak of the pandemic. The second part provides an approximate estimate of the impact of Next Generation Africa on aggregate economic growth and on the financing needs of the African continent's basic infrastructure. Other long-term dimensions of a strategic partnership with Africa are also discussed. The paper strongly confirms the need and opportunity, on both sides of the partnership, for Next Generation Africa.

Keywords: Africa, Europe, Special Drawing Rights, Development, Fiscal Multiplier

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**Ministry of Foreign Affairs
and International Cooperation**

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1. Introduction

In a rapidly changing global context, the EU is looking ever more closely at cooperative relations with Africa, with the awareness that the two Continents have much to gain from closer cooperation. At the 2007 Africa–EU Summit in Lisbon, with the launch of the Joint Africa–EU Strategy (JAES), a change of pace took place, which set out the intention of both partners to move beyond a donor-recipient relationship towards a long-term cooperative relationship on jointly identified, mutual and complementary interests. Although, more than a decade later, the Strategy has not produced the expected results, the narrative of wanting to overcome the traditional partnership based on development aid is still very much alive. However, two relevant facts should be considered to shape the future of economic relations with Africa.

First, new impetus from Europe, both at institutional and national levels, has recently emerged.

In 2017, the German Federal Ministry for Economic Cooperation and Development published on the occasion of the Germany Presidency of the G20, the cornerstones of a “Marshall Plan with Africa”, where the reference to the famous American financial plan for post-war European reconstruction helped to clarify the enormous effort required for African development¹. Furthermore, the term “with” (instead of “for”) Africa underlines the desired symmetrical nature of the partnership. At the EU level, closer partnership was promoted in 2018, with the launch of the “Africa–Europe Alliance”, focused on creating sustainable investment and jobs (EC, 2018). The initiative is primarily an economic and financial plan that fits into the framework of international arrangements, such as the United Nations Sustainable Development Goals (UN SDGs) and the 2015 Paris Agreement for climate change. The main pillars of the Alliance are the deepening of economic integration and trade relations – both within African and with Europe – and a comprehensive plan for strategic investments on the African continent, the European External Investment Plan (EIP) with the aim of attracting more investment not only in Africa but also in the EU Neighbourhood. The European Fund for Sustainable Development (EFSD) – the financial arm of the EIP - consists of a total of €5,1 bn that is allocated through two different instruments: a blending platform (the Africa Investment Platform - AIP, formerly the Africa Investment Facility); and a guarantee, that is, a budgetary instrument designed to reduce investment risks by providing irrevocable first-loss guarantees for financing and investment operations in Africa. These financial instruments are expected to leverage the total investment 10 times the initial allocation of funds, i.e. €50 bn of investments made, both in Africa and in the EU Neighbourhood, in the energy, climate, connectivity, water and sanitation sectors.

¹ The Marshall Plan is based on three pillars of: i) economic activity, trade and employment; ii) peace and security; iii) democracy and the rule of law (see the German Federal Ministry for Economic Cooperation and Development at <https://www.bmz.de/en/countries/marshall-plan-with-africa>).

In March 2020, following the outbreak of the pandemic, the European Commission (EC) reaffirmed its strong interest in a strategic partnership with Africa, as new prospects and challenges emerge from economic, political, social, technological, demographic, climate and environmental perspectives (EC, 2020). The EU recognises a stronger partnership along five dimensions: 1) green transition and energy access; 2) digital transformation; 3) growth and jobs; 4) peace and governance; 5) migration and mobility.

The second aspect to consider is the recent award by the International Monetary Fund (IMF) of \$650 bn in Special Drawing Rights (SDRs) to countries belonging to the organisation. The largest allocation ever issued by the IMF triggered a heated debate on the use of SDRs for purposes other than as an instrument to fix imbalances in balance of payments. Since the decision on the use of such additional money ultimately depends on the specific will of a country, several suggestions on the use of SDRs have been made by international institutions, academics and observers. They range from the goal of reducing poverty to campaigns for completing vaccination, and they always appeal to the sense of responsibility of rich countries towards the poor. The renewed interest that the EU has shown in recent years in the African continent could be coherently combined with the funds made available by the allocation of SDRs to EU member countries. As Masini (2021) suggested, the EU's quotas of SDRs could be devoted "to meeting an EU strategic goal, such as triggering sustained and sustainable endogenous growth in Africa, and at the same time strengthening the continent's integration process and institutions." Indeed, the proposal to launch a Next Generation Africa (NGA) has several merits, as it would benefit both parties to the agreement. Possible solutions to the institutional arrangements and regulatory obstacles of the proposal have already been carefully addressed by Casano (2022) and Viterbo (2022).

This article contributes to the NGA proposal in two ways. First, we discuss the recent economic situation for African countries at an aggregate level, especially after the outbreak of the pandemic. Prospects for economic recovery are undermined by potential risks related to Covid that further exacerbate pre-existing vulnerabilities. Secondly, we provide a rough estimate of the impact of the NGA on African economic growth at an aggregate level and on the financing needs of basic infrastructure such as the transport and energy sectors. We also discuss other dimensions (trade, demography, immigration, environment) where a strategic partnership with Africa would have effects, especially in the long-term.

2. Impact of the Covid-19 pandemic on poor countries

Although the pandemic situation in Africa is worsening, as globally, the spread of Covid-19 in Sub-Saharan Africa remains significantly lower than in the Americas, Europe and Asia. Africa suffered fewer economic losses from the pandemic than other regions of the world, and had relatively modest death rates per million people compared to other regions (African Development Bank - AfDB, 2021). The low burden of Covid-19 can be explained by several factors, such as the young age demographic, the lack of long-term facilities reducing the chance of transmission, previous exposure to other circulating coronaviruses and limited access to testing, which results in undercounting of deaths related to Covid-19 (Adams et al. 2021).

However, prolonged lockdowns have had a serious economic and social impact in all African countries, particularly in the Sub-Saharan region. The Covid-19 pandemic has had a very different impact on rich and poor countries. On the one hand, high income countries experienced sharp economic downturn in 2020 because of the pandemic, but were later able to provide unprecedented relief and stimulus, for example, in the form of cash transfers, unemployment insurance, wage subsidies, and deferral of tax and social security contributions. On the other hand, governments in developing countries had much less fiscal space to provide similar levels of relief. As a result, although the economic downturn was on average less severe in low-income countries, the impact on household living standards has been far worse, particularly for the poor and vulnerable.

In general, the effect on households from disadvantaged groups in developing countries has been severe (Bundervoet et al., 2021). Estimates on the short-term impact of Covid-19 indicate costs in terms of job losses, especially for women, young workers, less educated (who already were at a disadvantage on the labour market) with associated high loss of income. Food security is also a concern, although it cannot be directly attributed to the pandemic. Whilst food insecurity is widespread in lower-income countries even in normal times, it has been exacerbated by income and employment disruptions. According to the AfDB (2021), Covid-19 is estimated to have increased the proportion of people living with less than \$1,90 a day by 2,3 % in 2020 and by 2,9 % in 2021, leading to extreme poverty rates of 34,5 % in 2020 and 34,4 % in 2021.

What appears to be more concerning are the long-term effects of the pandemic on the people of Africa. Almost all African countries closed schools for an extended period because of Covid-19, and there were no options for virtual or hybrid teaching. The interruption of schooling is one of the most significant concerns for the future. Whilst return to schooling was high on average in developed countries, early dropout was particularly high among low-income households in low-income countries, which is highly regressive. As the UN reports “School closures make girls and young women more vulnerable to child marriage, early pregnancy, and gender-based violence – all of which decrease their likelihood of continuing their education... the learning crisis could turn into a generational catastrophe” (UN, 2020, p. 10). The long-term consequences for human capital development and productivity growth could be exacerbated by the impact of early childhood malnutrition on educational and socio-economic outcomes later in life, depending on whether the food security persists.

3. Macroeconomic situation of African countries

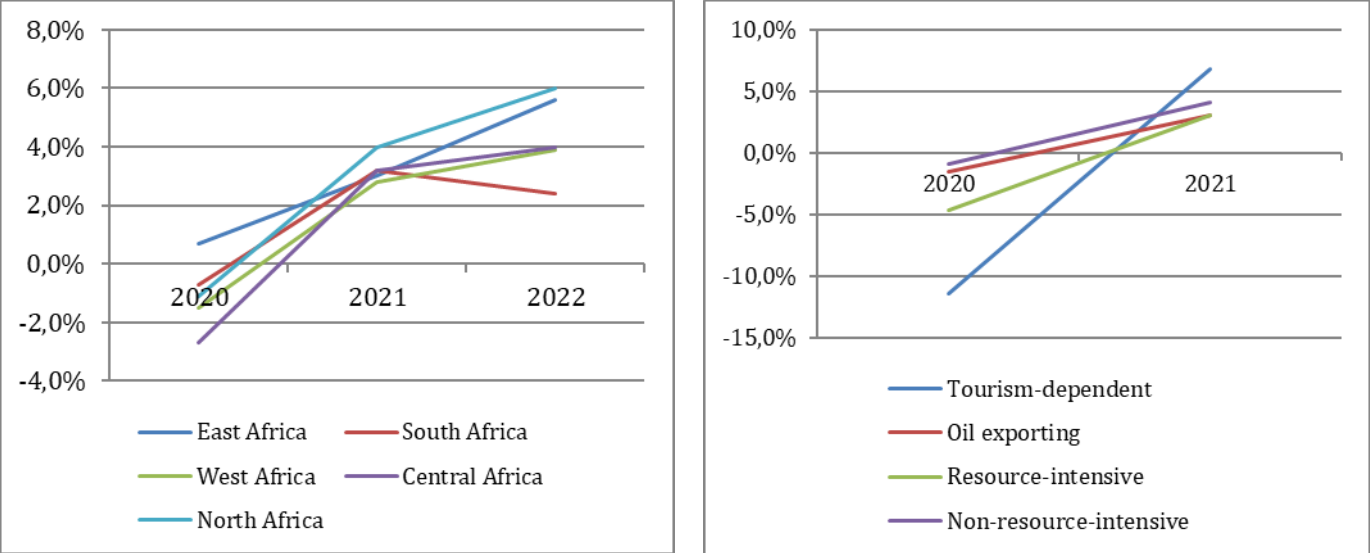
Unsurprisingly, Africa’s macroeconomic fundamentals have been weakened by the pandemic. What is less obvious is the lower-than-expected impact on the continent, compared to developed countries, due to the specific demographic, social and health conditions of the continent. According to AfDB’s estimates, real GDP in Africa is projected to grow by 3,4% in 2021, after contracting by 2,1% in 2020.

However, two caveats on growth projection need to be considered. First, growth performance varies by regions and by economic characteristics, and the expected GDP recovery masks significant heterogeneity across countries and sectors (fig. 1). Central, West and Southern Africa

are the regions that were hardest hit by the pandemic, while East Africa seems to be the most resilient, thanks to less dependence on primary commodities and greater diversification. Regarding the impact across sectors, tourism-dependent economies have experienced the sharpest decline in growth in 2020 (11,5%) – with a rapid recovery expected in international travel and tourism – followed by resource-intensive economies (4,7%), while oil exporting and other non-resource-intensive economies have contracted less (1,5% and 0,9% respectively).

Second, other potential risks hang over African countries. Repeated waves of Covid around the world could negatively impact countries that are most dependent on external demand for commodities as well as the investment sentiment on the financial market. Indeed, foreign direct investment, as well as other financial flows (remittances, official development assistance, portfolio investment) have been declining since 2017, affecting all sectors, including tourism, leisure, energy, aviation, hospitality and manufacturing.

Fig. 1: GDP growth projections (by regions and by sectors)

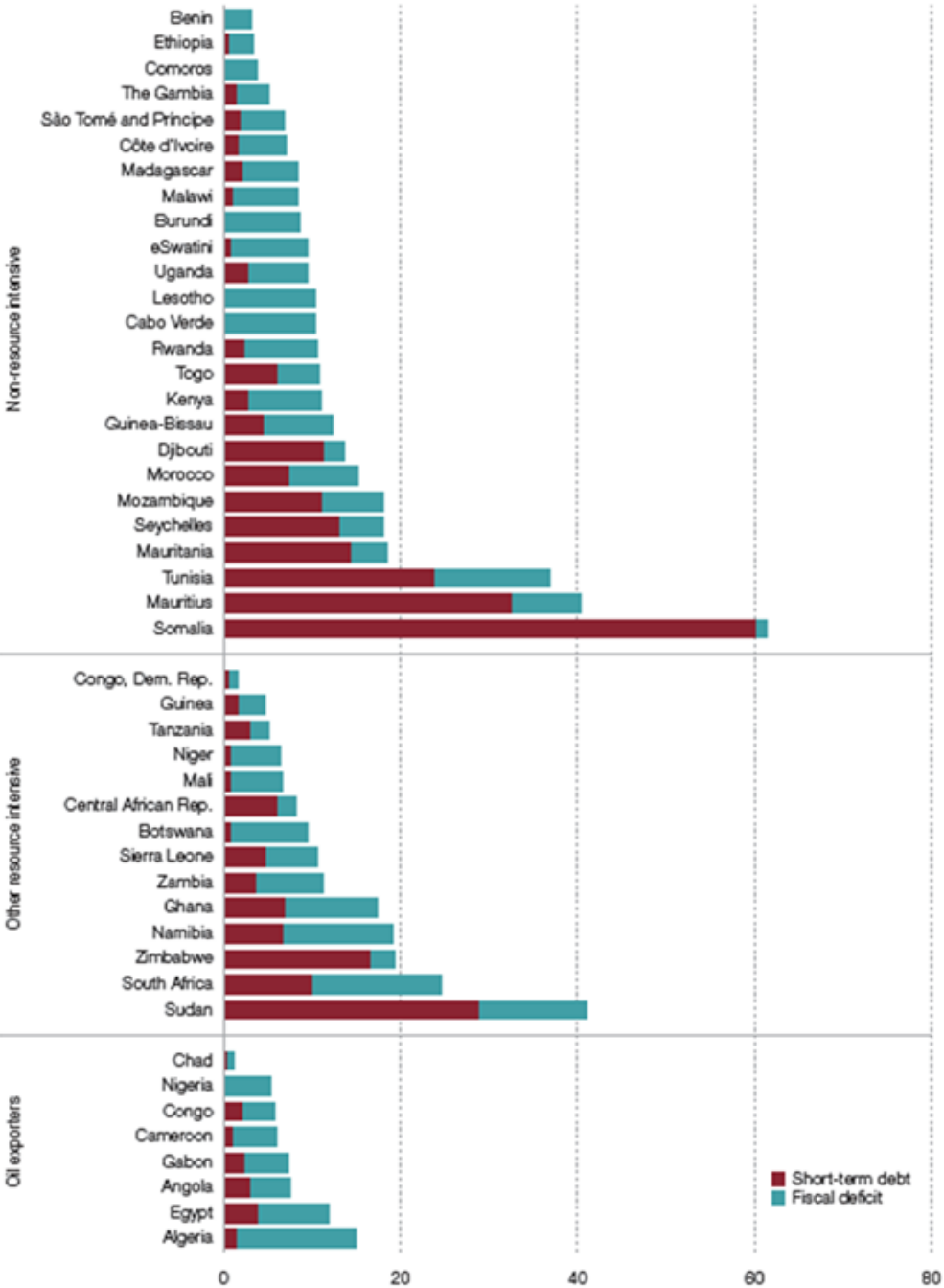


Source: AfDB (2021)

Another concern for most African countries relates to rising fiscal deficits which could result in rapid accumulation of debt. Fiscal deficits are estimated to have nearly doubled, to 8,4% of GDP in 2020, from 4,6% in 2019, following strong stimulus spending by many countries to alleviate the economic impact of the pandemic – direct public investment in health, support to small and medium-sized enterprises, and cash transfers – albeit with significant differences between countries. Fiscal measures have been implemented at varying rates, with most countries exceeding the critical threshold of 15%, sometimes 30%, particularly for non-oil resource intensive economies, due to a collapse in both the demand for and price of oil and other primary commodities, resulting in reduction in government revenues to respond to the pandemic (fig. 2). Overall, debt accumulation on the continent is expected to accelerate rapidly due to the combined effect of higher public spending and shrinking GDP and revenue.

In essence, the picture sketched above tells us that growth in some African countries will not return to the pre-pandemic level any time soon and this will intensify the narrative of two contrasting Africas, in terms of speed of growth: one of countries that depend on exports of commodities, like oil and gas, and another of countries with diversified domestic economic structures. Furthermore, the accumulation of public debt and the reduction of financial flows from abroad will reduce the room for manoeuvre for African governments, at a time when the economy most needs to stabilise after an exogenous shock.

Fig. 2: Gross financing needs in 2020 (% of GDP)



Source AfDB (2021)

4. Macroeconomic impact of the Next Generation Africa

The NGA intends to develop an investment plan in strategic sectors for African countries in order to have a robust process of sustainable endogenous growth that would also be beneficial for Europe in a closer partnership with Africa. As suggested by Masini (2021), the most plausible configuration of the NGA could be a total amount of €250 bn, resulting from the combination of a partial SDR allocation of the EU27 (€50 bn out of €144 bn) and private investment leveraged from the market, with an implicit leverage ratio of five. In detail, the fund would be distributed across five priorities:

- energy independence (20%),
- digital infrastructure (15%),
- health (20%),
- green transition (25%),
- education (20%).

This allocation is aligned with the EU agenda for climate change and pandemic recovery (the EGD and Next Generation EU). This section attempts to provide an estimate of the macroeconomic impact of the NGA over the coming years according to a simple analysis of the fiscal multiplier².

The debate on the fiscal multiplier has reignited after the financial and Eurozone countries, particularly in 2014 when the IMF acknowledged that “increased public infrastructure investment raises output in both the short and long term, particularly during periods of economic slack and when investment efficiency is high” (IMF, 2014, p. 75). Since then, the role of public investment has been strongly reconsidered as a tool to stimulate growth, thanks to its impact on GDP and the ongoing crowding of private investment. However, some caveats about the size of the fiscal multiplier need to be considered – how large would be the impact of a fiscal expansionary measure on output. First, an estimate of the fiscal multiplier is tricky, as the direct effect of the expansionary measure on output is difficult to isolate, due to the interrelationships between the variables. Second, there is little consensus in the literature on the size of multipliers. Third, little is known about the extent of fiscal multipliers in emerging and low-income countries. Nevertheless, with this in mind, one may wonder to what extent would investment in the NGA increase the GDP of African countries.

To estimate the fiscal multipliers, several factors must be considered: (i) the structural characteristics of the country, such as openness to trade, labour market rigidities, the size of automatic stabilisers, the exchange rate regime, the level of debt, the efficiency of the public sector administration (ii) the conjunctural position of the economic cycle, i.e. whether the economy is experiencing a period of recession or expansion. In general terms, the effect of a stimulus is greater for a closed economy, with fixed exchange rates and rigid institutional factors, when monetary policy is no longer effective, and it increases during recession³.

² The exercise is based on a technical guide provided by the IMF (Batini et al., 2014). Although it would be a public-private investment plan, we can consider as a discretionary fiscal policy.

³ In simple words, the spending is not counterbalanced by other variables in the economy nor dissipated abroad.

As African countries have a combination of these factors, it is difficult to determine whether the fiscal multiplier for the continent is high or low, without a thorough econometric analysis that is beyond the scope of this paper. There is evidence in the literature that fiscal multipliers are higher for advanced than for developing countries, and few studies provide an estimate for least developed countries. According to Batini et al. (2014) the fiscal multiplier for emerging and low-income countries is generally at a low level, between 0,1 and 0,3, in “normal” times for the first year, with an increase of up to 1,2 in the second year. However, when the economic conjuncture is considered, the multiplier could increase to 0,9 in the first year. This is because during a recession the private sector (households and businesses) is credit-constrained and cannot invest as before, justifying a compensatory intervention by the public sector. Sheremirov and Spirovska (2019) find higher results, with values of 0,8 and 1,6 depending on the economic cycle, with effects on GDP growth for at least four years.

According to an analysis of the consequences of the pandemic and future economic projections (section 2 and 3), it is reasonable to assume that the recovery in most African countries would need to be sustained by an additional investment programme, as the recovery is subject to great uncertainty linked to the international outlook. Moreover, the problem of high public debt reduces further the room for manoeuvre to support the recovery, and most fiscal deficits have been allocated to the protection of sectors and actors most affected by Covid, at the cost of other spending categories. This requires international support through grants and concessional loans to help African countries support the recovery process and pursue a longer-term sustainable growth path.

Under the simplistic assumption that the investment in NGA would be made over a period of 10 years and assuming a conservative fiscal multiplier of 0,9 (first year) and 1,2 (second year), the above analysis suggests that an investment plan of €25 bn per year would have an effect on the GDP in two stages:

- 1) an increase of output of €2,5 bn each year up to the end of the period thanks to a first-year multiplier of 0,9 on investment
- 2) from the second year, an additional increase of €30 bn thanks to a second-year multiplier of 1,2.

Over an 11-year period, the total amount of additional GDP originating from the NGA would be €525 bn (table 1). In terms of growth, this means a further increase of GDP of 1,1% per year. Of course, these are rough estimates that do not take into account the specific conditions of the countries, nor of particular sectors of investment, whether in physical or human capital. The literature tends to indicate a stronger link with the growth of public spending on human capital (i.e. social investment) than on physical capital. Public investment in education increases the level of human capital and this is considered by many to be a major source of long-term economic growth (Bassanini and Scarpetta, 2002). Spending on education could also support economic growth by reducing inequalities.

Table 1: Estimated impact of the NGA on African GDP (€ bn)

Year	Increase of GDP after NGA investment	
	First year (fiscal multiplier of 0,9)	Second year (fiscal multiplier of 1,2)
1	22,5	-
2	22,5	30
3	22,5	30
4	22,5	30
5	22,5	30
6	22,5	30
7	22,5	30
8	22,5	30
9	22,5	30
10	22,5	30
11	-	30
Total increase of GDP	225	300

Source: own calculation

5. Financing needs of Africa Infrastructure

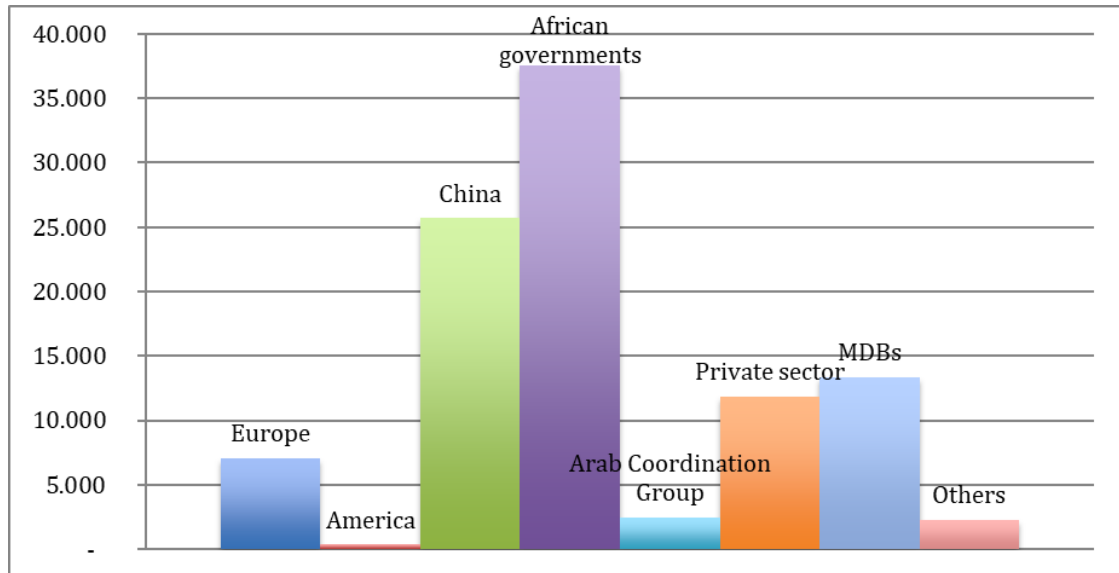
In order to develop a profitable trade partnership with Africa, realise the internal and external dimensions of the EGD and provide the younger generations with an economic, social and political role, the continent needs basic infrastructure in sectors and services such as access to food, water, electricity, healthcare and schools. However, the level and quality of infrastructure in Africa are inadequate. Africa is the least infrastructure-equipped region in the developing world, even compared to low- and middle-income countries in other regions. This is partly due to the low level of development of many countries on the continent. According to the Infrastructure Consortium for Africa (ICA, 2019), three key messages emerge in relation to the four main sectors of water, transport, energy and ICT.

- **Europe plays a limited role in the Africa's infrastructure financing**

In 2018, total commitments for African infrastructure amounted to \$100,8 bn, up 24% from 2017 and 33% from the 2015-2017 average. Regarding the geographical source of financing (fig. 3), it is interesting to note that the bulk of investment comes from African national budgets themselves (37% of the total), while among international players, China is the main investor in African infrastructure projects (25%), followed at a distance by Europe (7%), through both EU institutions (the European budget, the European Investment Bank, the EU-AITF) and Member States (mainly France, Germany and Italy). Less relevant are the

contributions of the Arab Coordination Group (2,4%) and North America (less than 1%). At the institutional level, Multilateral Development Banks (MDBs) play a significant role (13%), in particular the AfDB and the World Bank Group (8%). The private sector accounts for 11% with a concentration in the ICT and energy sectors.

Fig. 3: Source of financing (2018, \$ m)



Source: own elaboration on ICA (2018)

- **Africa has significant but affordable infrastructure needs**

One of the most problematic issues with infrastructure is the persistence of a funding gap – the difference between what is currently being provided and what would be needed. Africa’s infrastructure deficit varies considerably by sector. While Africa leads most other regions with comparable per capita income in mobile telecommunications, it shows great deficiencies in water supply, although improvements have been made. In the transport and electricity subsectors the funding gap is much smaller, but Africa still lags behind its comparators. Table 2 shows the estimate for Africa’s infrastructure needs based on the cost of achieving specific targets for each sector. The most significant funding gap is in water and sanitation. In the transport and energy sectors, the financing gap is smaller, but still very significant. One of the main challenges is to make these sectors more attractive to the private sector by improving the financial sustainability of projects⁴. In fact, the very small gap in ICT is due to the fact that the sector is almost completely privatised.

⁴ Financial sustainability is understood as the returns to investment net of capital and operation costs.

Table 2: Investment needs by sectors

Infrastructure sector	Target by 2025	Annual cost (\$ bn)
Water supply and sanitation	100% access in urban and rural area	56 - 66
Power	100% urban electrification 95% rural electrification	35 - 50
ICT	Universal mobile coverage 50% of population within 25 km of a fibre backbone Fibre to home internet penetration rate (10%)	4 - 7
Road and other transport sectors air, rail and port	80% preservation (maintenance and rehabilitation) 20% development (upgrading and new construction)	35 - 47
Total		130 - 170

Source: AfDB (2018)

- **Private sector involvement is crucial**

Of the total commitments, private sector financing amounted to \$11,8 bn, primarily for the ICT sector and renewable energy projects. However, it is important to emphasise that, with the exception of ICT, full private sector involvement, essentially through Public Private Partnerships (PPPs), where a private party provides significant financing in the form of equity and debt and is responsible for operations, is not widely used in Africa compared to other regions. A range of policy and institutional assumptions would need to be examined to address the lack of private sector involvement. First, a better understanding of the risks affecting individual projects and the application of risk mitigation. Second, the provision of a stockpile of viable projects that are better prepared to attract investors to the market. In May 2021, at the Summit on the Financing of African Economies in Paris, the President of the AfDB, Akinwumi Adesina said: "Financing is not the problem, but rather the lack of bankable projects"⁵. Therefore, project preparation facilities would be essential to make projects bankable; for example, to help African governments to address the critical phase of planning and designing strategic national networks, such as transport. More generally, the private sector is attracted to institutions that benefit from good governance and professional staff, that are effective in carrying out responsibilities and efficient in using resources.

In conclusion, the results of section 4 and 5 highlight the need for a broad infrastructure investment plan for Africa, particularly for water, power and energy sectors, as confirmed by the latest available data. In particular, Europe is not present on the continent as other players, such as China, which is investing heavily in Africa as it represents a strategic element of its Road and Belt Initiative. The financing needs to bridge Africa's infrastructure gap is estimated to be between \$130 and \$170 bn, an amount that the NGA-generated portfolio would cover, even for social

⁵ See the ICA website at <https://www.icafrica.org/en/news-events/infrastructure-news/article/summit-on-financing-african-economies-financing-is-not-the-problem-its-the-lack-of-bankable-projects-672680/>

infrastructure, such as schools and hospitals. In order to leverage the amount of public resources made available by the allocation of SDRs of the EU27 and reach a total investment of €250 bn, the role of MDBs, such as the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) would be essential, given their expertise in providing technical assistance to develop new projects that would be attractive to investors. If Europe wishes to engage in a closer partnership with Africa, it must definitely invest more in the infrastructure network of African countries as it is the backbone of a developing society.

6. Complementarities and synergies between Europe and Africa

In addition to the economic and financial benefits that would derive from the NGA, other social, political and more general strategic aspects must be considered in order to prompt a partnership of mutual interest.

Despite repeated initiatives devoted to the African continent by European institutions, the EU approach to Africa is still perceived as paternalistic and hindering the development of more balanced relations, made of complementarity and synergies between the two continents. In particular, there would be great opportunities in terms of trade, environmental and digital ambitions, demographic projection and migration pressures.

- **Trade**

Promoting economic integration at the continental and regional levels is an essential component of a strategic partnership, as it provides markets that require goods, services and investments. The African continent has embarked on the creation of a Continental Free Trade Area with the African Continental Free Trade Area (AfCTA); through the removal of tariff and non-tariff barriers on goods and services, the aim being to facilitate intra-African trade, promote regional value chains to enable the integration of the African continent into the global economy, boost industrialisation, competitiveness and innovation, ultimately contributing to Africa's economic development and social progress. The EU actively supports, with a view to a more ambitious goal, a project aimed at creating a comprehensive continent-to-continent free trade agreement with Africa (European Commission, 2018). For Europe, the African continent is the fourth largest trading partner, with a share of European international trade of 7,5% (as an average between import and exports), after Asia (41%), other European non-EU countries (24%) and North America (19%) (Eurostat, 2019). For Africa, the EU remains the largest trading partner: in 2017, 37% of African exports and 35% of African imports (with a total value of €243 bn) were with the EU.

However, Europe's trading reputation on the African continent is being challenged, as there are signs of a change in the relative weight of international trading partners. In recent years, the trend has been that of a decrease in trade relations with Europe. If Europe is considered the continent's "old friend"; the emerging economies, namely the BRICS (Brazil, Russia, India, China, South Africa), and in particular China, have become the

continent's "new friends", just behind the EU, with a total volume of \$150 bn in 2017⁶. At the same time, trade relations between African countries themselves, considered "good" friends, as internal trade is less vulnerable to external shocks, remain stable, albeit relatively underdeveloped (Sandrey, 2015).

One of the reasons for the low level of trade between good friends – the African countries themselves – is the dependence of the domestic economies on the production of raw materials, with a specialisation limited to one or a few products. This structure does not facilitate internal trade relations, due to a low level of complementarity between economies, and above all it does not allow the creation of internal value chains, which would allow greater diversification of production. Conversely, low diversification exposes domestic economies to the impact of natural disasters and price fluctuations, particularly for agricultural products. An integrated internal market would be attractive to Europe because more diversification would facilitate the development of more resilient partner economies that are less prone to changing commodity prices (including in terms of changes in the energy paradigm; see below the "green and digital transition").

- **Demographic projection and migration pressure**

The demographic projection estimates that by 2100 Africa's total population would be 4,2 bn, with an average age of 35 years, that would account for 41% of the global working-age population. In contrast, the European population is projected to steadily decline by the end of the century, reaching 416 million in 2100 (EPSC, 2017). The huge growth of the African population represents a significant potential economic opportunity, as Africa will be home to the world's youngest and fastest growing middle-class, with rising consumer spending that could absorb promising business and trade opportunities in several sectors, from housing to technological devices. Providing people with education, training and skills should be a common strategic priority, with a view to creating a knowledge society committed to shared values. Support to education and employability presents a great opportunity to match the needs of the labour market on both continents, particularly in view of a declining and ageing European population that will need to attract additional workers.

Migration to Europe is expected to increase for at least two reasons. First, migration could increase in the short to medium term as a result of a development process. The literature predicts that once economic growth is triggered, this can increase the pressure to emigrate, because the increase in GDP per capita is accompanied by an increase in the level of education, which, however, does not correspond to adequate immediate employment opportunities in the local context (Angenendt et al., 2017). Migration is reduced only when certain levels of general socio-economic well-being are achieved, which, for the majority of Sub-Saharan African countries, from which most of the migration (especially irregular) to Europe originates, can only take place over decades.

⁶ Data from China-Africa Reaserach Initiative, School of Advanced International Studies (SAIS), John Hopkins, <http://www.sais-cari.org/data-china-africa-trade>

Second, global warming is expected to change human habitation over the next 50 years. Tropical regions, including Sub-Saharan Africa, are projected to become unfit for human life by 2070, with an estimated 3,5 bn people directly affected (Xu et al., 2020). In addition to unacceptable human suffering, the result will be additional migration pressures on more temperate regions, such as Europe.

In summary, migration to Europe will be an increasingly compelling issue both in the short and long run, which would require major investments in Africa in strategic sectors such as human capital in order to meet the EU's demographic needs, as well as mitigation and adaptation measures to tackle climate change.

- **Green and digital transition**

The EU is the most ambitious player in the world in the fight against climate change. With the European Green Deal (EGD) it aims to achieve carbon neutrality by 2050 by dissociating economic growth from the use of natural resources. To be successful, the EGD must take into account its geopolitical repercussions and be accompanied by an external strategy that matches its internal ambitions accordingly.

The transition to a net zero carbon future matters greatly for African countries. On the one hand, the reduction in demand for fossil fuels could depress global commodity prices, reducing the revenues of oil-dependent African countries with disruptive effects on their economies. The European decarbonisation path focuses on the energy production sector, which accounts for almost 80% of EU's GHG emissions. This implies that coal, oil and gas will be gradually phased out in a shift to clean energy from renewable resources. The implication would be significant for African countries, especially for those more dependent on raw material exports. For example, exports of crude oil to the EU and imports of refined petroleum products to Africa account for the largest share of trade between Africa and the EU. In addition, phasing out fossil fuels will cause a decline in non-clean energy infrastructure.

On the other hand, however, Europe's energy transition could benefit African countries. Renewable electricity production – one of the pillars of the EGD – will require Europe to rely in the coming decades on imports of solar and wind energy from neighbouring regions, such as North Africa. The African continent is an excellent location for solar and wind energy, able to satisfy both the internal demand for energy - in case of a significant increase in consumption as a direct consequence of rapid economic development - and future exports to Europe. Africa has another advantage over advanced countries. Instead of a transition, Africa can directly leapfrog to a sustainable and universally accessible supply, thereby skipping the intermediate steps that characterised the inefficient and unsustainable use of fossil fuel energy. According to Colantoni et al. (2021) the continent's leap forward concerns four dimensions. The first leap, from fossil fuels to renewable energy sources, is an essential element in ensuring decarbonisation. The second one involves a development pathway strongly based on electrification with a suitably decentralised structure, comprising "smart" or micro-grids. This architecture will be key to

achieving universal access to energy considering the dispersion of the African population and the fact that the lack of energy mainly affects the continent's rural population. The third innovation concerns the possibility of developing a new business approach, based on flexibility, smart operations, and digitalisation, instead of traditional competitive markets. And finally, widespread digitalisation, which is key to developing various aspects of energy systems for renewables-based electrification, such as constant monitoring of energy demand and supply. Europe can accompany the African leapfrog towards its energy future with the necessary technologies and knowledge transfer that would be necessary for the production and distribution of renewable energy.

Furthermore, African countries have an abundance of crucial “green” minerals (rare earths, such as cobalt and nickel). The demand for these critical minerals will increase tremendously in the coming decades. This will have two consequences: on the one hand the projected demand creates opportunities for Africa to replace Asian supply chains, but on the other hand there are risks of reinforcing technological dependencies for Africa, accelerating environmental devastation, compounding climate disruptions, and importing Europe's carbon emissions (Usmann et al., 2021). In general, a possible solution to avoid new forms of colonial exploitation would be to establish genuine partnerships in sourcing rare earths and energy supplies from Africa by building local industrial capacity, localising value chains and sharing technologies.

7. Conclusions

A successful partnership between Europe and Africa must be based on recognising the untapped potential of a closer economic relationship. On the one hand, the ambitious Agenda 2063 adopted under the banner of the African Union plans to transform “Africa into the global powerhouse of the future” with major projects in infrastructure, education and technology and to strengthen African integration and unity⁷. On the other hand, the EU must pursue its ambitious long-term environmental agenda, the European Green Deal, while at the same time facing increasing competition from the G2, China and the US, in strategic sectors, such as technologies of the future.

The NGA would serve both ambitions. For Africa, it will contribute substantially to igniting an endogenous growth path that would create the conditions for African countries to become stable and less vulnerable partners with Europe. The advantages for Europe are manifold and should be seen in the light of its strong commitment to a carbon-free planet. A strong strategic and long-term vision will be needed to inspire the ultimate political will of EU Member States to allocate their SDRs to the NGA.

⁷ The African Union identifies flagships projects of Agenda 2063, which encompass amongst others infrastructure, education, science, technology, arts and culture as well as initiatives to secure peace on the continent. See <https://au.int/en/agenda2063/flagship-projects>

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