

CONCORD briefing on Inclusive Sustainable Economic Development in EU-Africa pillar of the post-Cotonou agreement

Sustainable and Inclusive Economic development

Today, the benefits of globalization are unevenly distributed as a result of unequal power relations between and within countries, and between poor host countries and the transnational companies operating in them. The current economic system has allowed market mechanisms to determine the prices for essential services, which do not reflect the real social and environmental costs of these public goods. Profits are channelled for the benefit of a few rather than society and the planet as a whole. These trends have been reinforced by the failure to enforce international conventions and agreements for the protection of the environment and human rights. The **fundamental function of the economy as a social institution to serve people and the planet** has been forgotten in the quest for efficiency and to maximise returns.

The EU-Africa pillar currently under discussion as part of the future EU-ACP partnership agreement, provides a valuable framework and an opportunity to reverse this trend.

To build jointly a **true, just and fair partnership between equals and achieve sustainable and inclusive economic development**, it will be essential for both parties to commit to reorient the economic system to fulfil its core functions. It is also crucial that the future partnership contributes to economic progress aligned with African priorities. Ultimately in both cases, it is fundamental to respect planetary boundaries.

The EU recently launched the Africa-Europe Alliance for sustainable investment and jobs. This new framework comes in addition to the already existing EU External Investment Plan and its European Fund for Sustainable Development, aiming to strengthen economic development and create jobs in (and not only) Africa. While it is important to monitor the implementation of this new Alliance, it is equally important to make sure that future EU-Africa economic cooperation takes a more comprehensive approach, aligns with African partners priorities and fully integrates the 4 dimensions of sustainable development.

Embedding the social and environmental dimensions in all economic cooperation priorities of the future EU-Africa pillar will be key for the realisation of Agenda 2030.

Sustainable and inclusive economic development should entail a **strong focus on the environmental dimension**. It should aim to: good governance, sustainable use and integrated management of natural resources, and protecting and promoting the right of local communities to access and control natural resources such as land and water, with a special focus on women; fighting environmental crime and wildlife trafficking; tackling pollution; promoting investments in renewable energy sources, including fostering access to safe, reliable, renewable and clean energy through decentralized solutions.

The following priorities should be addressed in the economic development chapter of the future EU-Africa partnership.

Trade Cooperation

Since it is crucial to take into account the existing asymmetries between the two sides of the EU-Africa partnership, to build together a real partnership for sustainable development, trade and investment negotiations should be the subject of clear, explicit and separate negotiating mandates, which would lead to a more balanced outcome taking into account the existing asymmetries and protecting African producers - especially MSMEs, small-holders and women entrepreneurs - as well as domestic and regional markets.

The **EU and African countries should be ready to renegotiate international trade and investment rules together** that are obstacles to the industrialisation and diversification of the African economies. This would imply the cancellation of investor-state dispute settlement mechanisms (ISDS) with partner countries, since private investors' interests might prevail over human rights and the environment. **Human rights, labour rights, land rights and the protection of the environment should take priority** over corporate and private interests; while the main aim of EU-Africa trade chapter should be to reduce inequalities of every kind, including gender inequality.

Furthermore, it is important to build **coherence between the future EU-Africa partnership and the EU External Investment Plan (EIP)**. The future economic development chapter must lay down the necessary principles and conditions to ensure that any EU-Africa free trade agreements are development and people-friendly. Pillars 2 and 3 of the EIP for instance should support provisions in trade agreements which enable the regulatory space of partner countries to develop their industrialisation policies and protect their small-scale entrepreneurs and farmers.

Recommendations.

- The foundation and the pillars of the Post-Cotonou Agreement should not make African countries feel obliged to negotiate trade and investment agreements nor contain binding commitments on trade and investment. Such negotiations should remain the free choice of the African countries based on clear, public and broadly consulted negotiating mandates, scoping exercises, and prior sustainable and human rights impact assessment.
- Trade and investment negotiations should provide more openness, transparency and inclusiveness at all stages of the process, in particular by enabling more involvement of other stakeholders – including CSOs – also in partner countries, in the negotiations. Trade negotiations should also exclude certain sectors, such public services (e.g. health, water supply, education) and agriculture (e.g. support to small farmers organisations).
- It is fundamental that the future EU-Africa pillar preserves the principles of the current art. 34-35 of the Cotonou Partnership Agreement, in particular: due regard for African



countries' political choices and development priorities and for their regional integration initiatives; adaptation according to the different needs and levels of development of the African countries (which are reflected in § 60 and 61 of the ACP post-Cotonou mandate).

- Should African countries agree to negotiate new trade and investment agreements or join or expand EPAs, these agreements should contain sustainable development chapters and commitments that are at least as binding and enforceable as the trade and investment provisions. Technical and financial support must be foreseen to enable their implementation.
- Investment protection disputes should be addressed in state-to-state dispute settlement or in the domestic judicial system. In this regard the post-Cotonou partnership must contribute to the strengthening of fair and effective domestic legal systems that are accessible to foreign investors and to any citizens and communities who are negatively affected by foreign investors.
- The EU should undertake sustainable impact assessments to better assess possible negative impacts on human rights, social development and the environment, but also to examine what needs to be changed in trade agreements to build societies that protect human rights, achieve gender equality and provide sustainable development, livelihoods and protection of planet boundaries.

Support to private sector

In different ways, the **private sector** is already leading many voluntary initiatives and activities which **contribute to inclusive sustainable economic development in Africa**. Nevertheless, human rights and environmental abuses by corporations remain widespread in Africa, from slavery-like working conditions to land grabbing, from tax avoidance to forced displacements. In order to build an EU-Africa partnership that offers people in Africa a dignified life and respects our planet, **governments from both side must take further action**¹. When supporting public-private partnerships (PPPs) and private investments with ODA resources, the EU and its African partners must prioritize investments and activities that provide development and financial additionality and ensure that all actors involved apply due diligence, pay fair taxes, respect the principle of free and prior informed consent and put in place grievance and remedy mechanisms.

Private sector investments which, through the European Fund for Sustainable Development (EFSD and EFSD+), will be guaranteed with EU aid must have a positive impact on local economic actors, in particular MSMEs, social enterprises and cooperatives. To this end, it is important to adopt mechanisms to avoid corporate capture of decision-making processes (e.g. legally binding lobby registers, stronger ethics regulations).

The EU and partner governments need to pay greater attention to possible impacts of policies on inequalities, since a number of developing countries are experiencing high economic growth rates, but increasing poverty and widening gap between the richest and the poorest segments of the population. The new European Consensus on Development (2017) recognises the importance of addressing inequalities and commits the EU and its MS to

¹ CONCORD Europe (2017), *A 10-point roadmap for Europe. On the role of the private sector in development*



mainstream the fight against inequality into the EU's development cooperation. To this end, it is important that the future EU-Africa partnership ensures the public delivery of essential services. Private investment cannot be a substitute for public investment in services such as health, education, and water supply or sanitation. These areas are not compatible with the quest for financial returns: strong quality social services accessible to all people are an important driver to develop just societies and reduce inequalities.

Finally, coherence would require that the future EU-Africa partnership ensures that European businesses operating in Africa respects human rights and the environment.

Recommendations.

- The future EU-Africa partnership should abandon the “one-size fits all” approach to the role of the private sector in development, and focus on MSMEs, small-scale farmers organisations, women entrepreneurs and building the social economy² in local and regional value chains and trade. Notably, the EIP and the new Africa-Europe Alliance should give more priority to inclusive and sustainable business models such as social enterprises and cooperatives, because even though they seek to make profit, they use the benefits differently, based on their social objectives, which have a positive impact on people and planet.
- In the future EU-Africa partnership, any engagement with the private sector must ensure the respect of Busan development effectiveness – including the principles of ownership, alignment, harmonisation and mutual accountability. Citizens and CSOs' participation, as well as transparency, accountability and respect for the four fundamental freedoms³ must be at the heart of this engagement. Effective consultation of people and groups who will be impacted, either positively or negatively, is crucial to respect their rights, including their right to land and natural resources.
- The EU-Africa partnership should recommit to the full implementation of the UN Guiding Principles on Business and Human Rights, including through the adoption of strong action plans at EU and national level; and coordinate their constructive engagement in the negotiations of a UN Treaty on business and human rights.

Investment and creation of decent jobs

The social dimension must be at the heart of the future EU-Africa partnership. To achieve sustainable development, the future framework should identify and build on synergies between the individual components of the framework, such as between education or gender equality and decent work. The EU should pay particular attention to social services, decent work (including universal access to social protection), protection from harm, gender equality,

² Social economy is intended to make profits for people other than investors or owners. It includes cooperatives, mutual societies, non-profit associations, foundations and social enterprises. They operate a very broad number of commercial activities, provide a wide range of products and services and generate millions of jobs. Social enterprises are also the engine for social innovation.

³ The four fundamental freedoms are: (1) freedom of conscience and religion; (2) freedom of thought, belief, opinion and expression, including freedom of the press and other media of communication; (3) freedom of peaceful assembly; (4) freedom of association.

and girls' and women's empowerment. Furthermore, social actors – such as local cooperatives – and social dialogues with all stakeholders – including trade unions and workers' organisations – must be recognised and incorporated in the next EU-Africa pillar.

Therefore, the recently launched Africa-Europe Alliance, aiming to boost investments and create 10 million jobs in Africa, must ensure that equitable and environmentally sound business models serve local markets and local populations, such that jobs are first created for local workers and entrepreneurs. That the Alliance must ensure that decent work standards and principles are adhered to through labour rights enforcement and inspection, inclusive social dialogue, strengthening social protection systems and by addressing the issue of labour migration⁴.

With the EIP and the EFSD established in recent years, the EU intends to encourage more private investments in Africa – as well as in other developing regions – through blending and guarantee tools. However, there are costs and benefits to foreign direct investment (FDI), and experience on the ground shows that development impacts from FDI vary significantly, depending on direct and indirect effects on the local economy and production and consumption patterns. For examples, this variation depends on whether this kind of investment increases productivity, replaces other domestic investment or undermines opportunities for small and medium-sized enterprises.

It is also crucial to have indicators related to positive outcomes for women and girls' rights – that go far beyond job creation.

International private finance channelled to developing countries does not necessarily create decent jobs. On the contrary, it may cause direct harm: examples include investment in the fossil fuel industries that are contributing to climate change, or in extractive industries that can displace people or damage the environment, the soil, the seabed or water on which their livelihoods depend. The privatisation of public services may also have a negative impact on formal employment in the public administrations

Crowding-in additional resources from the private sector must respond to clear and binding accountability and transparency rules, in order to continuously assess their development impact (positive and negative) and added value to development cooperation policies. Otherwise, the risk of seeing guarantees going to international companies under the guise of contributing to the implementation of Sustainable Development Goals (SDGs) is very high. This may lead to market distortion and further cement corporate power in developing countries. **CONCORD believes that ownership models need to be reformed and urges the EU to support local actors such as social cooperatives**, which are democratically governed companies that more likely lead to truly sustainable and inclusive development, and would contribute to create the democratic environment which is so needed in many countries.

Domestic investors are also a major driver of sustainable and inclusive economic development. The EU-Africa cooperation on investment and private sector development

⁴ ITUC (2018), *Consultation on ACP-EU Partnership Agreement European Commission Directorate-General for International Cooperation and Development Post-Cotonou Task Force*



should give preference to local investors who respect human rights and planetary boundaries and promote sustainable development, in order to foster positive effects on the development of national financial markets. Links with local companies must be systematically established in order to strengthen the local financial and industrial fabric.

Computerization and modern production have created new types of factory jobs with higher salaries, but with higher skill requirements for laborers as well. Artificial Intelligence may soon replace many workers. The workforce will need to adapt to these changes. Given that the future of automation, including robotics, in Africa is unlikely to mirror trends from the United States and other high income countries, dynamic digital economies will inevitably create huge disparities of wealth. Therefore, there is a great need to better protect human rights and to support the creation of jobs and decent salaries in the digital age.

Recommendations.

- In the future EU-Africa partnership, monitoring and evaluation (M&E) mechanisms and experience-sharing must be put in place – at all three stages of the investment cycle (project preparation/project design/implementation), given the limited experience and understanding of the impacts of mixed financing for developing countries and in particular LDCs and fragile states.
- It is equally important to establish easily accessible complaint and grievance mechanisms and effective remedy from the beginning of projects. The EC should put in place a centralised complaint mechanism for all projects and programmes supported with EC ODA and guaranteed from the EU budget.
- The EU and its African partners should agree on an exclusion list of investments, such as those linked to the military or state security sector, fossil fuels and nuclear energy, having significant environmental external costs, causing degradation of protected areas, Critical Habitats and Heritage sites, resulting in violation of human rights in partner countries, such as depriving communities from their right to access and control natural resources such as land, contributing to forced displacement of populations, or involving forced labour or child labour.
- Through their cooperation and policy dialogue, in the future framework, the EU and African partners must promote and support the freedom of association, collective bargaining, labour rights and social dialogue between workers and employers and the participation of a diverse and wide CSOs – including farmers, women’s and youth organisations – into economic policy-making and reforms.
- Digitalization offers challenges and opportunities. For this reason, CONCORD would recommend to encourage cooperation on legislation and frameworks that protect consumers and producers in Africa, protect privacy and data ownership on the basis of EU’s legislation (i.e. GDPR, and forthcoming EU copyright legislation). It is essential to focus on a rules definition for fair, innovative and inclusive digital economy in Africa; on public sector capacity to deliver digital services. It is also key that the digitalization agenda in Africa supports local MSMEs and start-ups to deliver social innovation to real/identified development needs⁵.

⁵ CONCORD Europe (2018), *Development is going digital*

Domestic Finance and Taxation

To make the EU-Africa pillar a real partnership between equals, there is a need for **closer dialogue and fairer cooperation on tax matters**, so to tackle the **scandal of tax evasion** and tax avoidance that costs an estimated €175 billion every year to African countries⁶. The post-Cotonou African pillar should support African governments in their domestic resource mobilisation as much as possible and promote progressive and effective tax systems. It is crucial to respect partner countries' policy space in this regard.

Corporate taxes paid in developing countries are an important contribution to national budgets, development and a crucial source of means for public services in African countries. While the EU has been taking some steps to tackle these issues, there are many additional important actions it needs to take to support African countries. EU and African policies which promote a greater role for private companies (through development, trade and investment policies) should also translate into greater domestic resource mobilisation⁷.

CONCORD urges the EU to assist African states in confronting the 'race to the bottom' in the context of taxation and regulation. This practice today - where big companies at the top end of supply chains enjoy the greatest power to dictate conditions to enterprises and vis-à-vis governments lower down in the supply chain - needs to be addressed in order to promote sustainable and equitable trading relationships. Aside from the inequity of such practice, it compromises the ability of smaller enterprises to uphold their responsibilities vis-à-vis labour and as regards environmental and social standards.

Nevertheless, drivers of the problems go well beyond national tax policies of developing countries and relate to international tax standards and tax policies of high-income countries.

Recommendations.

- The EU and the African States together should actively support the establishment of an intergovernmental tax body under the auspices of the UN, to achieve a more inclusive and coherent global tax system in the long term; and support the UN Binding Treaty on Transnational Corporations and Other Business Enterprises.
- The EU should push to include the EU proposal on "Disclosure of income tax information by certain undertakings and branches" in the post-Cotonou African pillar. This aims to increase the transparency of EU-based corporations' tax behaviour in developing countries by introducing public country-by-country reporting and conducting analysis of the spillover effects of EU and Member States' tax policies (including tax treaties) on developing countries. In line with the principle of PCSD, the EU and its MS should ensure the fair treatment of African countries when negotiating future tax treaties and should commit to reviewing harmful existing ones.

⁶ Hearson, M. (2018), *The European Union's Tax Treaties with developing countries*, London School of Economics

⁷ CONCORD Europe (2019), *How will you work for sustainable development? A litmus test for EU leaders*



Agriculture

The International Labour Organisation (ILO) estimates that **agriculture accounts for almost 75% of the labour force in Sub-Saharan Africa**. The future EU-Africa partnership should aim to make agriculture more sustainable and more resilient to climate change, including by promoting agroecology and research in small-scale; sustainable and organic farming, investing in smallholder agriculture and connecting smallholders to territorial markets, since these models of agriculture have the highest potential to create well-being and jobs in rural environments⁸.

UNCTAD reports have shown that the global value chains do not offer a reliable pathway to development and structural transformation: the future EU-Africa partnership should therefore increase the understanding and knowledge of territorial markets by collecting comprehensive data on them and strengthen their functioning, in order to deliver nutritious and affordable food and to improve the evidence base for policy-making. Private investment in agriculture should avoid any large-scale transfer of land away from local farmers or local communities⁹.

Recommendations.

- To make a true EU-Africa a true partnership, the EIP agriculture window should: be pro-poor and pro-women. Promote a climate resilient sustainable development path and human rights. Support the strategies of small-scale producers and rural communities to meet domestic food demand across the rural/urban divide. Create employment for women and young people. Operationalisation of the EIP should involve continuous dialogue with CS actors in the EU and Africa – including small farmers' organizations and women's rights groups.
- The future EU-Africa partnership should include the Committee on World Food Security (CFS) recommendations on the importance of supporting territorial markets.
- The EU and Africa should adhere to the principle of Free Prior and Informed Consent (FPIC) for communities. The EU should ensure that partner governments, investors and other stakeholders put in place independent and accessible grievance mechanisms for those communities affected by private investment programmes in agriculture, as foreseen in the Voluntary Guidelines on Responsible Governance of Tenure in Land, Fisheries and Forests adopted in 2014.

⁸ FAO (2018), *The 10 elements of agroecology. Guiding the transition to sustainable food and agricultural systems*

⁹ CONCORD Europe (2017), *Mixing means and ends. What role for (which) private sector in agriculture and food & nutrition security?*



