

# The Africa Roundtable

*by the Global Perspectives Initiative (GPI)*

Follow-up

June 2021

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Global Perspectives Initiative

We thank our partners and supporters: Robert Bosch Stiftung, Federal Ministry for Economic Cooperation and Development, Bill & Melinda Gates Foundation, Mo Ibrahim Foundation, McKinsey & Company, Phineo and Munich Security Conference



## SUMMARY

*Christine Mhundwa*, Journalist & News Anchor,  
Deutsche Welle News

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### **The Covid-19 Crisis as an Opportunity for Change**

Covid-19 has dealt a massive blow to the global economy. In Africa, the continent “least infected but most affected”, it threatens to roll back 25 years of hard won gains. Rebuilding a more resilient economy is paramount after the pandemic ends and the participants at the first The Africa Roundtable by GPI agreed that the crisis presents an opportunity for both continents to take the necessary steps and action needed to further secure a more sustainable future for our planet, all while building back what has been lost.

Germany’s President Frank-Walter Steinmeier opened the roundtable with a call for solidarity in the face of the two crises of the hour, the coronavirus pandemic and climate change. At the inaugural sitting of the roundtable, Africa was the least vaccinated continent, with barely one percent of its 1.6 billion people immunised. On this, Steinmeier said “Europe’s initiative to help African countries to increase and strengthen their own vaccine production is therefore all the more vital. It is this step towards the production on the African continent which will free Africa of its overdependence on other supplier countries.”

The German President also stressed the urgent need for united climate change action saying “if we see our future as a shared future, then we will have reason to be optimistic that together we can master the fight against climate change. After all, that is a much bigger challenge for humanity. Many African countries are suffering dramatically due to the effects, such as droughts, failed harvests and flooding. But we in Europe have also felt the effects to a greater extent in the last few years. Therefore, we – Africa and Europe – have to do everything we can together and as part of the international community to limit global warming. What applies to climate change also applies to other major issues: migration, the digital transformation, terrorism, the consequences of globalization. We, Africa and Europe, need each other to tackle the major challenges. And we can learn a lot from each other.”

### **The European Green Deal and Green Transition as Way Forward**

For Africa and Europe a new path to partnership has opened to strengthen economic ties. It is under this premise that stakeholders at the roundtable discussed the action that could be taken to seize this moment, and realise the ambition. To this, Dr Amani Abou-Zeid, Commissioner for Infrastructure and Energy at the African Union emphasized “Covid-19 provides us with a unique window of opportunity to address both the structural issues, developmental issues on the continent, but also make use of this opportunity to propel the continent even further in the 21st century.” Abou-Zeid went further to say this was the moment to harness untapped potential. “The crisis has shown us the fragility of our energy systems in addition to the fact that 655 million Africans do not have access to energy.

This is happening on a continent where renewable energy and sources of renewable energy are abundant across the continent whether they are solar, wind, geothermal and so on.”

For his part, the Vice-President of the European Commission, Frans Timmermans, who is also responsible for the European Green Deal said “it is absolutely clear to me that the success of the European Green Deal depends on the success of Africa’s energy transition”. Timmermans emphasized his idea that “there is a huge opportunity to create a strong relationship between Europe and Africa and interdependence also in the energy sector”.

The Greens are one of the fastest growing political movements in Europe with their environmental advocacy shaping global policy. Ska Keller, Co-President of the European Greens, weighed in as a cautionary voice on the anticipated era of renewable energy trade. “There’s certainly a huge potential for production of renewable energy on the African continent, but there is also a huge need for that energy on the African continent. I would say if our colleagues from the African Union want to share some of that energy with the European Union, then that is great but then we also have to pay a fair price.” Keller added that she felt Europe needed to do more as it bore more responsibility for the climate crisis.

As the roundtable participants deliberated over the Covid-19 recovery and the green transition, we ‘reimagined’ Africa. Our knowledge partner McKinsey prepared a report that gave a vision of the potential that could be tapped into if specific policy paths were pursued. The report by McKinsey titled ‘Reimagining Africa’ provided the perfect launch pad for the conversation with an emphasis on the following points, as presented by Sahil Tesfu, partner at McKinsey.

### **Reshaping Manufacturing and Services and Focus on Self-Reliance and Green Industrialisation**

This is a call to invest in green energy manufacturing capacity. “Analysis shows that over a five years period, a serious push on sustainable industrialisation could increase Africa’s manufacturing output by 10 billion US dollars to 20 billion US dollars if five to ten percent of imported intermediates can be produced on the continent.” McKinsey notes that this push could be sustainably fuelled with clean energy produced in Africa.

There are many possibilities for trade partnerships as European countries seek to implement the EU Green Deal. Germany, for example, intends to expand the role of green hydrogen to help end the country’s reliance on coal. 12 months ago the government announced a €9 billion strategy for this hydrogen project. Armin Laschet, the Chancellor candidate from the conservatives, hoping to take over from Angela Merkel in September, made the point that “Europe will continue to import energy – mainly green hydrogen in the future, which will be produced in sunny areas of the world, in plants that are yet to be built”.

On the part of partnership – European voices echoed the view that the relationship between Africa and Europe needed to be a mutually beneficial partnership of equals and not one of a ‘giver-receiver nature’.

To this Laschet added that Africa “must no longer just be our supplier of raw materials, we need African countries to be partners in ambitious technology projects in the energy transition.” With this he also called for the growth potential of the private sector in Africa to be strengthened through sector and technology initiatives.

The first woman and the first African to lead the World Trade Organisation, Dr Ngozi Okonjo-Iweala, said at The Africa Roundtable that she agreed with McKinsey’s vision on reimagining manufacturing in Africa adding that “it is very important that we [Africa] try to attract industries that are not there, like the pharmaceutical industry for example, where we import 99% of our vaccines and 90% of other pharmaceuticals”. Okonjo-Iweala stated the WTO was committed to helping Africa facilitate trade with the implementation of a trade facilitation agreement that could “really help to attract more investment into areas that need it”.

### **Prepare for More Active Government Role in the Economy**

There was a call here for African governments to make better use of internal savings. The economist, Professor Carlos Lopes, who serves as the African Union’s High Representative for Partnerships with Europe pointed out that “most of them [African countries] have realised that they have very large amounts [of money] that are unproductively used and instead of just discussing debt, external input into the economy – which is also extremely important – governments must ramp up the possibility of themselves getting more resources internally.”

The CEO for Allianz Africa – one of the largest financial investors in Africa – Coenraad Vrolijk echoed this view, saying “one of our challenges is we have all of this money tied up in domestic economies, often just sitting as cash in bank accounts, and we are unable to deploy that effectively. By our estimates, there is at least 60 billion euros of investment sitting in pension funds across the African continent”.

Having said that, it is still reality that Africa carries a poverty level of up to 56%, half the continent lives below the poverty line and with very low employment levels, that leaves a small number of people carrying the tax burden for the continent. African governments should be thinking of creative ways to grow their tax bases, as Tesfu from McKinsey suggested, “this might include actions intended to incentivise or promote green technologies.”

Dr Kandeh Yumkella who formerly served as the UN Under-Secretary-General for Sustainable Energy for All underlined this point saying “we need scaled up investments, we need friendly regulation under the Africa Europe partnership [...] investors want regulatory certainty for 20 years, then they can borrow the big money we need now for transitioning into being able to meet Africa’s energy deficits”.

McKinsey noted here that “increased digitisation could act as an enabler for a green economy”. While the future will be shaped by digitisation no one should be left behind, everyone should have access to digital technology.

This is in particular true for women and girls, who have been disproportionately affected by the pandemic, which brought to light the persistent inequalities women in Africa and around the world face. Dr Anja Langenbucher, head of the Bill and Melinda Gates Foundation in Europe suggested that we use the pandemic recovery to design inclusive economic policies that empower women, she said “one obvious example is the lack of women’s access to digital services, which includes basic services like access to a bank account.”

### **Call for Increased Access to Global Markets for African Countries**

Roundtable participants also talked about access by African countries to global financial markets. In his keynote address to The Africa Roundtable, the Senegalese President Macky Sall called for “easier access to loans on terms compatible with the enormous investment required in heavy infrastructure for countries striving to be emerging nations; more transparent and fairer assessment of investment risk in Africa, and the rating of African economies. The perception of the risk of investing in Africa is indeed frequently exaggerated, which increases insurance premiums even though associated risks are hardly higher for many African countries than elsewhere.”

Weeks into the pandemic, African Finance Ministers wrote a letter to the international community calling for an immediate waiver of all interest payments on public debt and sovereign bonds. In the case of private credit they asked for the immediate waiver of all interest payments on trade credits, corporate bonds, and lease payments. Responding to this call, multilateral lending institutions approved a debt service relief package to the tune of USD 20 billion for 25 African countries. There was little initial uptake as African countries feared that credit ratings agencies would downgrade their credit ratings on the perception that they were or would be high-risk and irresponsible borrowers.

The entrepreneur and founder of the Mo Ibrahim Foundation, Dr Mo Ibrahim, pleaded with European stakeholders to make it possible for African countries to borrow more cheaply, suggesting that they lend their allocation of Special Drawing Rights at the IMF to Africa. “Many African countries cannot borrow and those who can borrow pay higher premiums and interest rates, you don’t need the Special Drawing Rights, you have so much liquidity, why not lend those SDRs to African countries so they can borrow cheaply”.

The African Continental Free Trade Area (AfCFTA) which aims to create a single continental market for goods and services also featured in the conversation with Dr Obiageli Ezekwesili, a senior economic policy advisor on Africa economic development policy, describing it as the “best thing that has happened to the continent” adding that it “must not stay at rhetoric”.

## **Time for New German Africa Policy**

Germany is home to the Global Perspectives Initiative, and there will be a change in government in September when the country holds a general election. Germany has put Africa at the top of the agenda both internationally and domestically. A key example is the Compact with Africa which was initiated under the German G20 Presidency. The main objective was to increase the attractiveness of private investment.

Wolfgang Schmidt, who is State Secretary for Germany's Federal Ministry of Finance – the birthplace of the Compact with Africa – said he wanted to see this kind of engagement continue into the future, “we initiated the Africa growth and the Africa connect funds to help small and medium size enterprise and that is something that I think should be continued.” Schmidt also called for more consolidation of efforts, “I think it is important that the country teams work closer together especially coordinated by the World Bank and the African Development Bank on the ground. We see too many agencies, too many G20 countries doing work but not really in coordination.”

Dr Maria Flachsbarth, Parliamentary Secretary to the BMZ, which has made meaningful investments across Africa said it was time to set new targets, calling for the incoming German administration to take more climate protection action, to put more of a focus on women as agents of change, and for better collaboration with the private sector. Flachsbarth pointed out that “many African countries also need more protection against the impact of climate change, and that is why over the next few years, massive investment will be needed in adaptation, in smart agriculture and in food security.

There are many opportunities on the horizon for Africa and Europe as both continents seek to deliver economic recovery and future prosperity for their people. A partnership of equals between the two neighbours will help each achieve their goals but swift action is needed. The GPI will continue to bring the decision makers into discussion – look out for the next GPI invite!

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### **The Global Perspectives Initiative**

As a non-profit and independent platform, GPI works towards enhanced engagement and responsibility for sustainable development by German decision-makers. At the same time, the initiative aims to strengthen African perspectives in policy-making.

To this end, GPI regularly brings together decision-makers from politics, business, academia, media and civil society to discuss new approaches, provide new impulses and raise awareness on the common chances and challenges the two neighboring continents are facing.

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