

The Africa-EU relations and the Green, Fair and Sustainable Transition

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The consequences of the development model driven by the industrial era are now widely known. The significant increase in the concentration of greenhouse gases (GHG) in Earth's atmosphere, as well as the challenges related to biodiversity (including deforestation, soil erosion, desertification, plastic pollution, marine areas with overfishing or species extinction), are unanimously recognized as a result of human activity and therefore imply profound changes in the way we manage our economies. In view of the increase in social pressure for the post-pandemic period to be more sustainable and contribute to reducing inequalities, through a fairer distribution of resources, the plans outlined to face the destabilization caused by the spread of Covid-19 will necessarily have to find answers to the multiple levels of the crisis we face. This implies responding to the challenges posed by climate change and investing in affordable sustainable energy production with a view to the so-called Green Transition to carbon neutrality, but also recognizing and responding to the implications that the necessary transformations will have on communities, especially those most vulnerable and marginalized. The success of policies depends, essentially, on the ability to ensure that the Green Transition is, simultaneously, a sustainable and Just Transition, capable of mitigating the perverse effects of an economy excessively dependent on carbon emissions.

The multiple commitments to an approach that considers the social dimension of climate policies¹ does not diminish the need for urgent action. The Portuguese Presidency of the European Union occurs at a decisive moment for our collective future due to the preparation for the post-pandemic recovery period and the approval of a European Climate Law. The semester with Portugal at the wheel of the EU Council also takes place at a key time for defining the future framework for relations with Africa - one of the essential areas for the success of the Green Transition. In fact, as a global problem dependent on the construction of joint and global responses, the ecological crisis is expected to be widely highlighted in the next Africa-EU Strategy. It is also here that, from the Portuguese NGDO Platform perspective, the EU's commitment to making this a genuine partnership between equals will be put to the test. Considering the scale of the challenge, it is up to the EU to make sure that the cooperation with African authorities breaks the deadlock on important solutions for the implementation of the necessary responses to the climate issue, namely in terms of funding mobilization and private investment, of tax justice and debt relief, as well as in implementing local based solutions and knowledge and technology transfer.

Although it is the continent that least contributes to global GHG emissions, Africa is among the regions most affected by climate change². In addition to the effects of severe weather phenomena, Africa is one of the continents most exposed to the consequences of policies and targets set by the EU for the decarbonisation of European economies, such as the relocation of investments and carbon-intensive industries, the export of waste and toxic materials, and the investment on renewable energies through the intensification of the use of food monocultures that represent the basis for biofuels

¹ https://ec.europa.eu/commission/presscorner/detail/en/AC_21_1322 ;
<https://www.whitehouse.gov/briefing-room/statements-releases/2021/01/27/fact-sheet-president-biden-takes-executive-actions-to-tackle-the-climate-crisis-at-home-and-abroad-create-jobs-and-restore-scientific-integrity-across-federal-government/>

² <https://www.afdb.org/en/cop25/climate-change-africa>

production³. In addition to the economic losses resulting from the ongoing changes, there is also the fact that Africa is the continent with the greatest needs in terms of critical infrastructure - for example, in terms of water and sanitation, transport and electricity⁴.

For this set of reasons, it is essential that global efforts to respond to climate change are built fairly and coherently and contribute to reverse the trend of increasing inequalities between and within countries. For no one to be left behind, the stakeholders involved in the definition of solutions will have to be able to mobilize financing under the necessary conditions to face the implications of the Green Transition. Although it is not the solution to all problems, the private sector may be one of the key players in this process. However, the full use of its potential depends on the operationalization of mechanisms that guarantee its alignment with the 2030 Agenda and with the needs of local communities.

This paper was elaborated in the context of the Presidency Project “For an open, fair and sustainable Europe” implemented by the Portuguese NGDO Platform together with VENRO, SLOGA and CONCORD Europe. The Platform expects that, by highlighting the aspects that, from the point of view of Civil Society, should be considered in the debate on EU’s role in building shared solutions for sustainable development – particularly in its relationship with the African continent -, the document can contribute to the ongoing discussions.

Making the Green Transition fair and sustainable

In December 2019, the current European Commission took office and, among the main priorities announced, confirmed its commitment to respond to climate change and bring the economy closer to people’s needs. A few months later, the impact of the Covid-19 pandemic began to be felt and required urgent measures that would condition all ongoing political processes. Although these were not new problems, the pandemic intensified perverse dynamics that have marked our societies and which, in many cases, have not received sufficient attention from policymakers. Thus, after several decades marked by growing economic deregulation and the resulting increase in disparities between rich and poor, it is essential that the response to challenges as climate change is fair and coherent and, at the same time, able to consider the other dimensions of Sustainable Development.

Because it shows the asymmetries in terms of the impact of climate change and of capacity to deal with it, this is an especially important issue in the discussion about the future of Africa-EU relations and on the ability to fulfill the commitment to leave no one behind as outlined in the 2030 Agenda. Considering that the African economy still depends heavily on oil exports (between 2007 and 2017, the revenues acquired with this economic activity tripled the total value of development finance directed to the continent⁵) and other commodities, it is expected that the transition to sustainable energy production will have a major impact on the continent. Indeed, the transition to a green economy (and what that implies in terms of circular flows of reuse, repairment and renovation) will

³ <https://fecongdo.org/pdf/AlteracoesClimaticas%20net.pdf>

⁴ <https://openknowledge.worldbank.org/handle/10986/31291>

⁵ <https://foreignpolicy.com/2019/11/01/low-oil-prices-exporting-african-economies-break-resource-curse/>

restructure the dynamics of supply and demand of raw materials between countries and their trade relations, as well as global value chains. The African continent, and especially Least Developed Countries whose economy depends heavily on extractive industries and on trading raw materials, will suffer an impact that should, therefore, be considered in the definition of the Africa-EU Partnership. For the Green Transition to become a fair and sustainable transition, it is key to bear in mind that the necessary transformations will result in an uneven distribution of costs and benefits.

Considering that the Green Transition will necessarily be accompanied by other major transformations related with the circular economy and the digitalization of the economy, the definition and implementation of policies to respond to the climate emergency will create various types of transitional losses that a considerable part of the population, especially in African countries, will soon experience. A fair transition thus means that, in addition to ensuring environmental sustainability, the mitigation of such effects and the promotion of well-being should be prioritized through inclusive policies that compensate the most affected communities, that offer decent work opportunities for all, reduce inequalities, contribute to poverty eradication, and that address the need of local company conversion and consequent worker requalification.

For this to be possible, transition processes must be democratic and capable of placing people's needs, in particular those most vulnerable, at the center of the debate. From Civil Society's point of view, the consolidation of mechanisms of transparency and accountability is, therefore, essential for this process to be open to the affected communities' civic participation and to create shared, democratic, and inclusive solutions. For the crisis to be seen as an opportunity towards a just and sustainable transition, it is, in fact, key that the necessary transformations do not contribute to deepen the dynamics that favor established elites. On the contrary, the definition of responses to the challenges that lie ahead must, alongside the permanent link between the social and environmental dimensions, be based on principles of good governance, democracy, and the rule of law.

The role of the EU in building solutions to mobilize the necessary funding

Going forward with the necessary transformations to respond to climate change requires significant funding capacity. In 2014, the UN estimated that fulfilling the 2030 Agenda would depend on an annual investment between 5 and 7 trillion dollars, of which between 3.3 and 4.5 trillion dollars devoted to developing countries⁶. As the pandemic progressed, funding needs increased significantly⁷ and are now at a level difficult to reach just through international aid. As for climate finance, the amounts made available globally by the largest donors have also fallen short of the target that was internationally agreed⁸. Through these types of instruments, priority has been given to financing actions to mitigate and adapt to climate change, which poses important challenges for funding the necessary transition period that may contribute to overcome the lack of resources

⁶ https://unctad.org/system/files/official-document/wir2014_en.pdf

⁷ Global Outlook on Financing for Sustainable Development 2021: A New Way to Invest for People and Planet, OECD

⁸ <https://fecongqd.org/pdf/AlteracoesClimaticas%20net.pdf>

(capital, human and technological) in some countries to implement the necessary changes in their economies.

For this reason, several international organizations and donor countries have sought to find new financing solutions and, in recent years, one of the main priorities has been to mobilize the private sector to address the gap. Considering the constraints related with the development of critical infrastructure in Africa, and what it means in terms of financing needs, private investment can, in fact, play an important role. However, it is essential to articulate an investment mobilization strategy with social and environmental dimensions in the response to the crises we are currently facing. This means that it is essential to prioritise the creation and strengthening of mechanisms that guarantee that this articulation is made in a coherent way that contributes to the realization of the 2030 Agenda - a premise that is, in fact, at the center of the idea mobilizing the private sector as a strategic priority.

Thus, it is necessary to establish rules that allow the private sector's contribution to sustainable development to be enhanced. Human Rights and Environmental Due Diligence mechanisms of identification, prevention, mitigation, and accountability regarding risks inherent to the intervention of companies, particularly in countries in the Global South, have, in this regard, gained importance and allowed to recognize the link between business activity and its impact on communities. Given that a fair transition depends, precisely, on guaranteeing environmental sustainability, inclusion, the fight against poverty and decent working conditions, the consolidation of these types of mechanisms must be at the center of any response defined by the EU, in particular in its attempt to reform relations with Africa based on investment mobilisation, and covering the preliminary stages of investment design. To accomplish this goal, the legislative proposal that the European Commission will soon put forward must take into account the need to establish mandatory regulatory mechanisms that encompass all levels of the companies' supply chains.

By considering that “sustainability encompasses encouraging businesses to frame decisions in terms of environmental (including climate, biodiversity), social, and human impact for the long-term, rather than on short-term gains”⁹, the European Commission highlights important elements that must distinguish alternative business models from exclusive profit-generating approaches. Understanding how a company shares its benefits with the wider community where it operates, negotiates prices with its suppliers, or structures its decision-making processes guaranteeing the existence of inclusive governance bodies, is, in fact, key to determine the capacity of businesses to contribute to a just, sustainable, and inclusive economy¹⁰. Enhancing the private sector's contribution depends on the EU's commitment to promoting this type of business models, due to the importance of its social and environmental mission based on principles that allow companies to create value, rather than capturing it. Beyond that, supporting micro, small and medium-sized enterprises is equally important and should be at the forefront of EU's approach.

⁹ <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12548-Sustainable-corporate-governance>

¹⁰ <https://concordeurope.org/2020/12/01/mind-our-business-amplify-the-transformative-power-of-sustainable-and-inclusive-business-models-through-eu-external-action/>

Recognizing the importance of private investment also implies identifying the limitations to this approach— some of which may be solved through, e.g., advancing on regulation and cooperation on tax issues, and others, depending on a broader vision of the strategy to adopt. The early agreement reached by the Portuguese Presidency on country-by-country reporting by companies with revenues of at least € 750 million represents, in this respect, an important step towards greater fiscal responsibility. Bearing in mind the estimations that point out that the African continent loses 3.7% of its GDP annually due to illicit financial flows, increasing transparency at this level may be important for mobilizing key funds to finance the transformations needed.

To ensure that the green transition is both a fair and sustainable transition, it is equally important to recognise that, so far, mobilising private investment has not been sufficient to mitigate the funding gap needed to achieve the SDG targets¹¹. Therefore, it is necessary to consider other financing possibilities. The case of debt is particularly relevant in this regard, as there has been considerable increase in the levels of indebtedness within the African continent. Values have doubled only during the last decade (even before the pandemic) and estimates indicate a peak of around 67% of GDP in 2021¹², with all the challenges that this poses for financing key public services. In view of this deepening problem and considering the unprecedented financing needs to face the challenges posed by the green transition, the EU must lead efforts at the international level that address the issue of debt unsustainability in African countries.

In addition to the debt issue, it is also important to highlight the importance of Official Development Assistance (ODA) to bridge the existing financing gap. At a time marked by volatility in Foreign Direct Investment (FDI) and remittances, and taking into account the importance of preventing the debt problem from being aggravated (through the excessive use of modalities such as loans that, in 2018, represented 74% of total climate finance - compared to 53% registered in 2013¹³), ODA has an even greater importance in the Africa-EU relations. Therefore, European countries must make all the necessary efforts to fulfill their commitments to channel at least 0.7% of their GNI to ODA by 2030.

Due to the concessional nature that differentiates this from other flows - such as private investment -, ODA corresponds to a fundamental modality for the transition period, by allowing to concentrate efforts in key sectors for building resilience and social cohesion, essential for Human Development. The pandemic reinforced this idea and confirmed the importance of ODA in the wider financing for development architecture. For this reason, to ensure that the green transition is also a fair transition, it is necessary to increase funding, while making sure that climate finance is not obtained through the reallocation of ODA (that is already too scarce), dedicated to the fight against poverty and to reducing inequalities.

From Civil Society's perspective, the set of topics described above play a key role in building responses capable of making the green transition a fair and sustainable transition. Fulfilling the 2030 Agenda depends on the articulation between different

¹¹ <https://www.cgdev.org/sites/default/files/Lee-Future-Private-Finance-Dev-LICS-Full.pdf>

¹² <https://www.reuters.com/article/us-africa-debt-idUSKBN27Z2OW>

¹³ <https://www.oecd.org/environment/climate-finance-provided-and-mobilised-by-developed-countries-in-2013-18-f0773d55-en.htm>

approaches that complement each other and therefore requires a firm commitment to the principles of Policy Coherence for Sustainable Development.

RECOMENDATIONS

- In view of the expected impact of the green transition on Africa's economy, and to ensure that the process is conducted in a fair, sustainable manner that leaves no one behind, the EU should provide funding specifically dedicated to supporting affected communities and promoting Human Development during the transition period, through the reinforcement of a clear priority on compensation funds that simultaneously contemplate requalification and professional training;
- The early agreement for reducing GHG emissions by 55% by 2030 in the EU should not be accomplished at the cost of externalizing impacts to other countries - namely through the export of toxic materials and the relocation of polluting industries elsewhere. The EU should thus promote the application of social standards that safeguard the rights of communities in its relationship with the African continent, while respecting the principles of Policy Coherence for Sustainable Development;
- The next Joint Africa-EU Strategy represents an important opportunity for strengthening the cooperation between the two continents on climate change. Therefore, its definition must take into account the need to find solutions to mitigate the unequal impacts of extreme climate phenomena and contribute to building policies aimed at creating resilience and strengthening the countries' response capacity;
- In order to guarantee a fair transition, especially for the people most affected by the changes resulting from African economies' adaptation to the Green Transition, it is essential to allocate adequate funding for competencies reinforcement in several areas, to prioritise the transfer of accessible technology, to create training opportunities and to share financial and technical resources, in alignment with the African Union's Agenda 2063;
- The strategies for mobilizing the investment needed to achieve the green transition must be defined together with affected communities, combine climate and social goals, and focus their approach on the priority of contributing to the fulfillment of the 2030 Agenda;
- Recognising the importance of the private sector in achieving the 2030 Agenda and meeting the climate goals implies ensuring that the framework for its involvement meets clear human rights and environmental criteria. The EU should, therefore, move further in building Human Rights and Environmental Due Diligence mechanisms that will mitigate negative consequences of the private sector involvement and guarantee its application from the preliminary design stages of investment projects;
- To ensure that the most exposed communities are protected from possible abuse by private groups, the EU should seek to develop compensation mechanisms that safeguard human rights violations and ensure that sanctions are applied in case there is evidence of crimes committed by companies;

- At a time when it is essential to link business activity with broader objectives that contribute to the green transition and the promotion of well-being, the EU must commit to supporting inclusive and sustainable business models that mainly aim at contributing to communities' development where they operate and focus its support on micro, small and medium-sized local enterprises;
- Due to the level of funding needed to respond to the multiple dimensions of the crisis we are facing, the EU should look into solutions that allow for the allocation of the necessary resources to fund urgent measures, such as African countries' debt (while avoiding policies that contribute to increase their levels of debt), and promote discussions on tax issues aimed at addressing the problem of tax evasion;
- The reconfirmation, due to the pandemic's global consequences, of the importance of Official Development Assistance (ODA) as a key financing modality for promoting development should guide the EU in defining a strategy based on the complementarity of the different types of financing aimed at achieving the green transition. For this, it is essential to fulfill the international commitments and reach the goal of channeling at least 0.7% of GNI to ODA, and between 0.15% to 0.20% to Least Developed Countries;
- As the fair transition to a more sustainable economy depends on the mobilization of a wide range of stakeholders around shared objectives that should be built in partnership, it is up to the EU to ensure that the processes underway are based on the wider principles of strengthening democracy and the rule of law and promoting broad civic participation, especially from Civil Society Organizations in partner countries.