

## Fair employment and sustainable economic development rather than resource exploitation

### *“Sustainable Economic Transformation in Africa”: position paper of the Foreign Policy Working Group, May 2020*

Developments in Europe and Africa are, in terms of economy and security, closely interlinked, and our policies must go further in addressing that fact. This position paper sets forth social democratic priorities for German governance where it relates to **sustainable transformation of African economies**. In a globalized world – especially amid the rise of populism and isolationism – it is time for a new, solidarity-driven take on our neighbouring continent, where solidarity no longer means “aid,” but cooperation underpinned by interests and values. We need an Africa policy that helps to advance sustainable development on our neighbouring continent and create sufficient employment for a growing population. At the same time, we must not let up on our efforts to combat urgent hardships such as poverty, hunger and malnutrition, phenomena that continue to beset Africa.

Political unrest, climate change, population growth and a still rising, increasingly visible social gap in many African countries are forces compelling all stakeholders to engage more actively in exploring opportunities for sustainable economic transformation and employment creation.

Germany and Europe have much to contribute to economic, societal and political development in Africa. But to do that, they need to intensify their commitment significantly, both politically and economically. The private sector funding currently at the foreground of political initiatives, one example being the “Compact with Africa” (CwA), is to be appreciated, but urgently needs to be reviewed as regards its effectiveness in promoting employment and sustainable economic transformation.

### Employment creation beyond resource exploitation

Sustainable economic transformation in Africa means creating opportunities for fair employment. That will entail shifting away from a development path based on unprocessed exports and exploitation of natural resources in favour of an economic structure rooted in **domestic value addition**. According to World Bank figures, commodities still account for almost half of the total export earnings of African nation, resulting in a lack of value addition and frequently causing harm to local people and wildlife.

The current economic structure tends to result in “wealth for the few” rather than employment, adequate income from labour, and “social security for the many.” Sustainable economic transformation needs targeted investment and (government-led) education and industrial policies, and political alliances that demand and support such policies. African nations themselves are the most important stakeholders. The Agenda 2063 of the African Union (AU) provides a framework for our joint efforts as partners in the continent’s sustainable development, which African governments themselves have committed to and which identifies democracy, rule of law and anticorruption as essential prerequisites for economic transformation.

The United Nations 2030 Agenda for sustainable development with its Sustainable Development Goals (SDGs) is also a key point of reference; SDG 4 (Quality Education), SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure) and SDG 10 (Reduced Inequalities) in

particular identify many targets that social democrats share in the sustainable economic transformation context and which should be pursued as a priority. The targets for SDG 9, for instance, include the following: “promote inclusive and sustainable industrialization and, by 2030, significantly raise industry’s share of employment and gross domestic product, in line with national circumstances”.

Given the different circumstances in the 54 countries of Africa, a differentiated policy is imperative. Economic transformation is an area requiring differentiated strategies and proposals for our partners in Africa. German political action should **prioritize** those areas where necessary (economic) policy frameworks already exist or are being established. However, proposals to support economic transformation also need to be established for countries where conditions are challenging.

## Five priorities for sustainable economic transformation in Africa

### Priority 1: Focus on “decent work”, standards, social security

Many African countries have high unemployment and a rapidly growing young generation that urgently needs job prospects. Creating jobs is therefore of tremendous importance and deserves intense support from Germany and the EU. It is clear to us that wages permitting a decent livelihood for all, based on fair working conditions and clear prospects, is essential to building a resilient national economy and to shaping a fair and equitable society. We want to support our African partners on this path and promote “decent work”, which would equally include the respective social and environmental standards and development of effective trade unions.

A social democratic Africa policy must go beyond compliance with ILO core labour standards and also put the spotlight on promoting social policy measures. Only decent, properly paid work **and** social security enable people to shake off poverty and contribute on their own account to developing their domestic economies and to creating and improving social security systems.

Almost 90% of the African labour force operates in the informal economy. Any realistic economic transformation strategy must therefore seek to promote and secure employment in the informal sector as well as creating “decent work” in the formal sector. Informal economy workers also need to have access to social security, for example through the introduction of accessible health insurance and pension models and social security systems ensuring that children can go to school rather than having to go to work.

Access to public goods is key to ensuring that economic growth can benefit the whole population.

### Priority 2: Political alliances for sustainable structural change

A sustainable economic transformation strategy and the quest for a different development path entail complex economic, societal and political processes of change. To incentivize, support and maintain these processes, it takes **broad political alliances** of government, non-government and private stakeholders.

We believe that democratic systems are best equipped to meet such complex development tasks on a sustained basis. That is why we support democratic trends on the African continent.

In doing so, we provide an alternative to offset the engagement of authoritarian states, to counterbalance the growing economic and political might of China.

To be effective in our actions, we need to coordinate our efforts more effectively than before in the EU and present a united policy to our African partners. With this in mind, we are working to develop a Task Force Africa of the involved EU commissioners to give permanency to and operationalize the Juncker proposal for a European-African alliance for sustainable investment and jobs. The establishment of a joint European-African development bank should also be explored.

Africa's rapid urbanization can be a force for societal change. Cities create new economic potential, an active middle class emerges, and political movements and trade unions find focal points for action. At the same time, rapidly growing cities pose a huge challenge as regards the provision of housing, infrastructure, energy, education, etc. Our cooperation with African countries should therefore also pay closer attention to urban development, without losing sight of the rural areas which continue to be where most people work.

### Priority 3: Industrial policy and educational policy as tasks of government

Where education and industrial policy are involved, government action is called for. In many African countries, the government itself is the largest employer and likewise to be held accountable in that role.

We want to support African countries in developing **industrialization strategies**, processing raw materials in the country of origin, and hence adding value locally – again with the involvement of regional trade and economic areas. The aim is structural change toward labour-intensive processing industries and a wide-ranging services sector.

To be able to achieve these goals, good **education and training programs** are mandatory. Only with a minimum level of general education and technical skills will it be possible to make sustained use of the great potential afforded by Africa's demographics.

Education, innovation and industrial policy need to be interlinked effectively. Industrial policy must identify "technological learning areas" and educational policy must respond to prevailing technological needs. A balance needs to be struck with a view to prioritizing labour-intensive processing industries. Free interaction between government, business and trade unions based on the rule of law is a key requirement. Avoidance of a mismatch between education and demand is crucial.

African countries very commonly lack vocational educational alternatives to a university degree and public acceptance thereof. Education and training therefore need to be integrated even more effectively in business development efforts.

Germany has an excellent reputation in vocational education and is often asked for support in this area by African partners. To strengthen the job market orientation of vocational education, we must ensure that sufficient expertise and advice are provided by German government, private and social partnership stakeholders. Intensified cooperation between vocational education centres and the private sector can facilitate better requirement planning.

A combination of industrial and educational policy tools can and must contribute to providing equal labour market access for women and equality of opportunity in the labour market, not just equal pay. Germany and the EU must step up their efforts to realize this goal together with African and other international stakeholders.

#### Priority 4: Create favourable conditions

Sustainable economic transformation is **possible only if the framework conditions (national and international) are favourable**. A fair European trade policy needs to address African interests, especially as regards the African agrarian sector and food industry. Safeguards in the form of suitable customs and trade arrangements will need to be in place to protect local value addition.

Boosting intra-African trade is imperative. The already initiated creation of an African continental free trade association (AfCFTA) is a crucial step in that direction and deserves our active support. A large common market for African and international businesses can emerge. A key element in achieving this will be to build up the necessary infrastructure and legal frameworks on the African continent. Germany and the EU should be part of these efforts.

The deeply concerning increase in national debt of African countries must not be ignored in the context of economic transformation. International investment in infrastructural projects must not add to a new spiral of debt. It is therefore all the more important for African nations to establish mechanisms for sustainable debt management. At the same time, all major creditors including China must work together transparently to facilitate international debt management.

Many African nations lack entrepreneurs with sufficient access to capital. Alongside the existing support of the African Development Bank (AfDB), additional options for joint European-African capital funding should therefore be explored.

Strengthening effective and accepted taxation systems and effective customs management is key to ensuring that governments have sufficient financial resources to support sustainable structural transformation.

Strategies designed to mobilize government and private-sector resources must not be undermined by illicit financial flows, base erosion and profit shifting. That is why we are calling for the establishment of rules to combat illicit financial flows, base erosion and profit shifting within the framework of ongoing political initiatives such as the CwA.

#### Priority 5: Targeted investment incentives - boosting labour-intensive sectors and sustainable structural transformation

**Encouraging private-sector investment through better investment terms** and the development of local and regional infrastructure are explicitly welcomed as additional measures in the context of other tools to promote economic development on the African continent. However, the goal of socialecological transformation should always be part of the equation.

Investment initiatives must be contingent upon **a favourable impact on employment**. There are significant opportunities here to create new jobs in the formal sector. To ensure the quality of the jobs created, it is also important to strengthen the work of trade unions in the countries concerned.

From a social democratic point of view, a race to the bottom to the detriment of social, human rights and environmental standards must be avoided at all costs.

We must make use of the opportunities afforded by rapid urbanization and digitization. Massive expansion of smart carbon-neutral infrastructure in urban spaces is essential to achieving the Paris climate goals, the OECD says. In view of the massive level of funding required for urban infrastructure, city governments need suitable public investment guarantees and access to private and public capital.

Ecological conversion of cities, major infrastructure projects, new housing, new facilities for the urban population, tourism, steadily increasing levels of consumption by the emergent middle classes, new requirements for sustainable energy sources, and universal provision of public goods such as security, education and public welfare promise huge potential for favourable employment effects. We need to bear in mind that massive investment in the construction of physical infrastructure is not all that is needed. A lack of maintenance is an even greater challenge to effective infrastructure in Africa. Maintenance structures must be created as a matter of urgency.

The **agricultural sector** is another important starting point for new jobs. Access to capital and technologies is lacking in equal measure. Inadequate transportation, storage and cooling causes post-harvest losses in the range of 30 to 40 percent. Local processing of agricultural products and better access to regional and international value chains is of the greatest importance. The potential of agroecology should be harnessed in this process.

German (private and public sector) investment also has much benefit to offer in healthcare, renewable energies, tourism, construction and the food industry. Development of the tertiary sector also deserves support and should on no account be seen as a trade-off against an industrialization strategy.

## Political offerings for an alternative development path

Decent work and sustainable economic transformation are only achievable with a development path based on local value addition rather than exploitation of resources. This new pathway requires specific political offerings in support of our partners in Africa. The five priorities outlined in this paper identify clearly defined areas of action and criteria for German governmental action. These are based on internationally agreed objectives, the SDGs, and existing conditions in African nations, and rooted in social democratic values.

We want the federal government to craft suitably differentiated political proposals for our government and non-government partners in Africa and explore existing programs and initiatives with regard to these areas of action.

EU trade and agricultural policy in particular must be consistent with development policy goals.

Moreover, the EU needs to present a concerted approach in its cooperation with Africa.

Concrete actions and steps involved in the policies outlined above need to be developed and implemented together with African stakeholders, paying special attention to the goals defined by our African partners.