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Africa's digital revolution: towards an EU-Africa digital partnership

EVENT REPORT



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1. **Carlos Moedas**, European Commissioner for Research, Science and Innovation
2. **Mariya Gabriel**, European Commissioner for Digital Economy and Society; Nominated European Commissioner for Innovation and Youth and European Young Leader (EYL40)
3. **Pascal Lamy**, President Emeritus of the Notre Europe Jacques Delors Institute; former European Commissioner for Trade; former Director General of the World Trade Organisation (WTO); Friends of Europe trustee
4. **Mo Ibrahim**, Chairman & Founder, Mo Ibrahim Foundation
5. **Ellen Johnson Sirleaf**, Former President of the Republic of Liberia; Nobel Peace Laureate



Africa's digital revolution: towards an EU-Africa digital partnership

Africa is rapidly embracing the digital revolution to accelerate development and innovation. It's hooking up to the Internet faster than anywhere on the planet and making huge strides in computer ownership and mobile phone subscriptions. This has had tangible benefits for African trade, employment, society and much more. Yet this digital transformation is hindered by continent-wide challenges linked to connectivity, capital and regulation as well as people's mobility. Europe and Africa must redouble efforts to forge a stronger – and mutually beneficial – partnership in digital and other key domains.

These and other issues were discussed – under Chatham House rules – at the third meeting of the EU-Africa High-Level Group, which took place on 16 October 2019 in Brussels. Entitled 'Africa's digital revolution: towards an EU-Africa digital partnership', the roundtable convened by Friends of Europe, the Mo Ibrahim Foundation and the One Campaign gathered over 30 senior figures at the European Commission.

Taking place two months before 2020, a year of significant changes for EU-Africa relations, the event – with a session focused on ways to build a solid digital economy in Africa, plus a session on reinvigorating EU-Africa relations – examined the opportunities and challenges that lie ahead for both Africa and Europe as they seek to reinvent their relationship in a rapidly changing world.

Africa is thirsty for innovation

Over the last decade, Africa recorded the world's fastest growth in Internet access: only 2.1% of Africans were online in 2005 compared to 24.4% in 2018. The 'mobile economy' accounted for 6.7% of the overall GDP in Africa in 2016, equal to \$153bn, and should rise by almost one percentage point by 2020. Productivity gains thanks to technology are helping a range of crucial sectors on the continent, from financial services to government, estimated to reach \$318bn by 2025.

These promising figures emerged in the latest report of the EU-AU Digital Economy Task Force (DETF), 'New Africa-Europe Digital Economy Partnership'. The DETF was established in December 2018 to drive forward the European Commission's proposal for a new Africa-Europe Alliance for Sustainable Investment and Jobs.

Young African entrepreneurs and innovators are tapping into this potential for a digital-based market. They include the Nigerian on-demand motorbike taxi company Gokada, which boasts five million rides completed every day in Lagos, mainly using a mobile app. According to a company representative, this popular new form of public transport is a multi-billion dollar opportunity in Africa, facilitated enormously by the Internet.

Smartphones and computers are evidently a boon for new business and mobile payments. They can also reduce corruption in governments, thanks to enhanced transparency, and increase civic participation by increasing voter turnout in elections. More broadly, Africa's emerging digital economy is a key tool to ensure that the continent thrives in a sustainable and inclusive manner.

Online technology indeed benefits many who have been excluded from society, such as women, rural populations and the unbanked. It can foster inclusion and diversity, especially through better education and healthcare. Pertinent examples were provided throughout the debate, among them the delivery of individualised digital lessons for primary school girls in Kenya and Tanzania. This kind of quality education brings vital new knowledge, skills and self-confidence.

In healthcare too, digital technology is saving and improving lives. Mention was made of the future importance of the “intersection between the physical and digital worlds.” In Uganda, for instance, midwives checking the heartbeat of unborn babies with a traditional Pienard Horn can today use mobile phones to instantly send their data to doctors and hospitals.

Technology as anti-poverty contraception

One participant called this digital revolution a huge game-changer opportunity, helping many Africans to escape poverty and aspire to a meaningful job. Another remarked that “digital can be harnessed as a contraception against poverty”, a concept recently championed by the Mo Ibrahim Foundation. Communications technology such as social media. If used well, digital could also assist peace and reconciliation efforts on the continent. This is now being successfully trialled by ‘Silencing the Guns in Africa’, an AU Commission initiative.

“ Digital can be harnessed as a contraception against poverty

Acknowledging the challenges ahead, such as legal fragmentation when building a digital single market, the European Commission reaffirmed its commitment to accelerate the transfer of digital technology to Africa and boost development. This includes exchanging relevant best practices and sharing the EU’s own experience of digital, in fields like cyber-security, data protection, and easing data flows.

A stronger EU-Africa digital partnership would bring greater visibility for African innovation. Digital is beneficial for inclusion, skills and opportunities in Africa; it also helps African start-ups to connect better to capital markets. This will inevitably require more cooperation, coordination and partnership on both continents, in projects like building 5G mobile networks.

Digital innovation hubs

The European Commission also strongly committed to the development of digital innovation hubs, as it wants to see one set up in each European region by 2020. Africa could share its expertise on this: in a single year, it created 400 of these hubs. Ideally these should now be brought into networks and/or specialise more in certain

areas of digital innovation. Some participants looked forward to seeing an African Research Council being set up.

During the debate, skills shortages were noted in both Africa and Europe. For instance, in software engineering, two million new entrants are required in the African market. Yet this demand cannot be met and Africa has only one school teaching this skill, based in Morocco. As one participant noted, skills are vital for Africa's digital revolution, but they mean nothing unless you have the right infrastructure and access.

Connectivity concerns

Africa must build a solid digital economy by increasing connectivity. "Without Internet access, there won't be any digital revolution there," argued one participant. Another noted that 50% of the world lacks access to the web and most of those people are based in Africa, including 700 million people in sub-Saharan Africa.

“ Without Internet access, there won't be any digital revolution there

Yet this situation could be remedied with relative ease. The solution is "not to roll out more mobile telephony or fibre networks, as these are time-consuming and costly, but to switch on people's access to existing communication satellites". In its defence, a satellite company representative remarked that this was not a plea for more money for the industry! All that is required is sufficient funding – from Europe or elsewhere – for satellite access switch-on.

Prioritising capital

If Europe is to build a digital alliance with Africa, several other areas must be addressed. A few debate participants said that capital – the funding required to build the continent's digital infrastructure and to support businesses online – is the most important area for attention. Not least because the "two most mobile currencies in the world are people and capital."

“ Two most mobile currencies in the world are people and capital

It was suggested that Europe has some of the world's best capital markets to help Africa to exploit opportunities in the new digital world. Lessons learned from Europe's single market might also be exploited to develop Africa's capital markets. The goal

should be fixing Africa's infrastructural debt and enabling its entrepreneurs to thrive. One solution would be long-term concessionary types of financing.

Debaters highlighted a large financing gap, such as the huge challenge for the world's 59 poorest countries – many of which are in Africa – to increase their budget spending significantly to achieve the United Nations Sustainable Development Goals. According to the IMF, these countries' public financing needs are between \$300bn and \$528bn annually between now and 2030, or around 40 to 50% of their GDP.

“ We need European companies to have the instinct to invest in Africa

There were also calls for far greater investment in Africa from the public and private sectors, such as via public-private partnerships in areas like equipment, energy, mobile networks, and capacity building. “We need European companies to have the instinct to invest in Africa,” suggested one participant. Another participant felt that Africa would be far better served by a new funding model: instead of simply giving “aid and handouts”, investors should aim to take a stake in African businesses. This enables them to put aside a pot of money for their own investment purposes. Essentially, this advice boiled down to more Europeans investing in Africa and making a profit in the process!

The European Investment Bank, in Africa since 1963, also advocates more equity investment in African companies. Furthermore, Europe should share lessons with African small businesses that it has learned from supporting its own small and medium-sized digital counterparts.

“ We live in a digital world and it's unacceptable that Africans don't get a cent from these digital companies operating here

Angel investors – including family and friends – were recommended as a good option because African banks and other traditional partners shy away from supporting the digital economy. Venture capitalists, commonly used by entrepreneurs worldwide, are typically unhelpful in Africa. They think in terms of multi-million dollar loans rather than the smaller loans (often just a few thousand dollars) sought by most African start-ups.

The big multinational technology giants, known as GAFAM (Google, Amazon, Facebook, Amazon), were the subject of severe criticism. Participants pointed to a recent OECD report recommendation that companies like these should no longer be taxed on where they are physically based, as this has enabled tax avoidance in Africa and other continents outside of North America. “We live in a digital world and it's unacceptable that Africans don't get a cent from these digital companies operating here,” commented one participant.



1. **Sabine Müller**, Director General of the Africa Department, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ); **Geert Cami**, Co-founder and Secretary-General, Friends of Europe
2. **Etienne Davignon**, President of Friends of Europe; Minister of State of Belgium; former Vice President of the European Commission; **Koen Doens**, Director General, European Commission Directorate General for International Cooperation and Development (DEVCO)
3. **Aïcha Bah Diallo**, Former Guinean Minister of Education, former Chair, TrustAfrica
4. **Shada Islam**, Director of Europe and Geopolitics at Friends of Europe; **Joaquim Alberto Chissano**, Former President of the Republic of Mozambique, former President of the African Union; **Neven Mimica**, European Commissioner for International Cooperation and Development



Revamping regulations

The final major hurdle for Africa's digital revolution is regulation – or the lack of it. One participant highlighted a year-long battle to persuade telecoms regulators to cut the cost of a phone call from Kinshasa to Brazzaville, so that calls can be charged locally and don't connect via Europe. When the regulators finally agreed to drop this cost from \$7 a minute to 50 cents/minute, phone traffic between the two cities rocketed by a factor of 1,000 in a single day! "Regulators like this must be trained or they can kill an industry," added the participant.

“Regulators like this must be trained or they can kill an industry

Europe boasts plenty of regulatory experience, thanks to its digital single market, and should share this through dialogue. One new avenue for this is the Policy and Regulation Initiative for Digital Africa (PRIDA), a joint initiative of the African Union, the EU and the International Telecommunication Union. Another would be joint EU-Africa meetings of telecom regulators, including BEREC (Body of European Regulators for Electronic Communications) from the European side. In talks like these, regulators should focus on sharing best practices from Europe and developing a regulatory framework in Africa as well as a common regulatory space for both continents.

Africa could also benefit from widely adopting European technology and telecom standards. Although the United States and China may be ahead on digital, Europe – for political and historical reasons – has deeper penetration in Africa and offers standards that are more open and values-based than those of its competitors. Several debate participants acknowledged however that Africa may think twice about adopting European standards, for a variety of reasons linked to Europe's colonial legacy there. It was also suggested that Europe must honestly assess the strengths and weaknesses of its own standards, before deciding which ones to share with Africa.

High-tech agriculture

Digital technology has a strong role to play in supporting African agriculture. This will create more jobs for young Africans and boost food security. Both are vitally important, due to Africa's burgeoning population and the increasingly evident negative impacts of climate change. Europeans must share more agricultural expertise and innovation with African farmers and firms, including through blended financing.

The debate featured strong requests for more free movement of Africans, within the continent and between Africa and Europe. This will necessarily mean issuing more visa-free travel and electronic visas, something already being explored by the African Continental Free Trade Area (AfCFTA), though the EU and other partners could offer further assistance in that field. Much more work is required to make such free movement a reality. One participant described the current dialogue as "timid and sensitive" – partly due to European fears of opening the doors to mass migration from Africa.

Scaling up Erasmus+

Europe must be far more ambitious about its education and training programmes that are open to Africans. Although valuable and often praised, the EU's Erasmus+ programme is relatively small scale, having benefited a total of 29,000 African students since the programme's start. By contrast, China has a programme that allows 40,000 Africans a year to study in Chinese higher education institutions. Debate participants agreed that many EU countries and institutions also offer bilateral exchange programmes to Africans, although the exact numbers of students benefiting from them are unclear.

Japan has several commitments to help African development through people, technology and innovation programmes. These include youth initiatives, such as opportunities for Africans to pursue a master's degree in Japan or internships in Japanese companies.

In the debate, participants called for the EU and Africa to collaborate better on organising similar internships in European companies. Some were also eager to see more European students studying in and doing research in African universities, as part of the overall aim of getting Europeans and Africans to share their cultures and to get to know one another better.

“ The future is low-carbon and high-tech and we need to future-proof this in our digital partnership with Africa

The debate concluded with participants reasserting the need to expand this renewed EU-Africa alliance beyond a mere “migration containment”. They agreed that digital technology plays a vital role in building a strategic, sustainable partnership as it is a cross-cutting element to many other key cooperation areas – including data flows, ownership, and security, taxation, agriculture, education and skills development, climate change and so on. But Europe must provide greater funding and regulatory support to its neighbour for this to happen – or risk losing out to other global players operating in Africa, including China, Russia and Turkey. It was also suggested that digital is the “special something” that the EU brings to its relationship with Africa, thanks to European experience, standards and its creative industries like the media. As one participant put it, “The future is low-carbon and high-tech and we need to future-proof this in our digital partnership with Africa.”

Key recommendations to leverage a fair and inclusive digitalisation

- Build a strong EU-Africa digital partnership
- Enable Africa to exploit digital opportunities by sharing lessons from Europe's single market and its strong capital markets
- Share more European agricultural expertise and innovation with African farmers and firms, especially digital technology, including through blended financing
- Set up an African Research Council

Infrastructure

- Increase European funding to build Africa's digital infrastructure and to support its online businesses
- Increase European funding for satellite access switch-on, to help Africa build a solid digital economy by increasing connectivity

Investments and SMEs

- Increase European investment in Africa from the public and private sectors, e.g. via public-private partnerships
- Increase equity investment in African companies and more 'angel investors' for African start-ups
- Europe should share lessons with African small businesses, based on lessons learned from supporting the EU's digital SMEs
- Fix Africa's infrastructural debt and help its entrepreneurs to thrive, e.g. through provision of long-term concessionary types of financing

Connectivity and mobility

- Foster wider adoption of European technology and telecom standards in Africa
- Enable more free movement of Africans, within the continent and between Africa and Europe, e.g. by issuing more visa-free travel and electronic visas
- Expand this EU-Africa digital partnership beyond simply 'migration containment' or risk losing out to other global players operating in Africa, including China, Russia and Turkey

Skills and education

- Scale up education and training programmes that are open to Africans, such as Erasmus+
- Increase collaboration between EU and Africa to organise internships in European companies and to assist more European students to study in/do research in African universities

R&D and innovation

- Further develop digital innovation hubs in Europe; bring Africa's 400 digital innovation hubs into networks and/or encourage them to specialise more in specific areas of digital innovation
- Boost visibility for African innovation by ensuring a stronger EU-Africa digital partnership

Taxes and regulations

- Ensure that big multinational technology giants operating in Africa contribute to the continent's development by paying fair tax rates
- Boost Africa's digital revolution by revamping its regulations with the support of EU regulatory experience and best practices in the digital single market
- Develop a digital regulatory framework in Africa and a common regulatory space in this field for both continents

Liste of participants

Members

Ayodeji Adewunmi

President and Co-Chief Executive Officer, Gokada, Nigeria

Hailemariam Desalegn Boshe

Former Prime Minister of Ethiopia; former President of the African Union

Joaquim Alberto Chissano

Former President of the Republic of Mozambique; former President of the African Union

Etienne Davignon

President of Friends of Europe; Minister of State of Belgium; former Vice President of the European Commission

Aranca Gonzalez

Executive Director, International Trade Centre (ITC), Switzerland

Mo Ibrahim

Chairman & Founder, Mo Ibrahim Foundation, United Kingdom

Ellen Johnson Sirleaf

Former President of the Republic of Liberia; Nobel Peace Laureate

Ramtane Lamamra

African Union Commission High Representative for Silencing the Guns in Africa; former African Union Commissioner for Peace and Security; former Algerian Minister of Foreign Affairs

Pascal Lamy

President Emeritus of the Notre Europe Jacques Delors Institute; former European Commissioner for Trade; former Director General of the World Trade Organisation (WTO); Friends of Europe trustee

Festus Mogae

Former President of Botswana

Moderator

Shada Islam

Director of Europe & Geopolitics, Friends of Europe

Executive committee

Geert Cami

Co-Founder and Secretary General, Friends of Europe

Nathalie Delapalme

Executive Director, Mo Ibrahim Foundation, United Kingdom

David McNair

Executive Director for Global Policy, The ONE Campaign

Guests

Abdelmalek Alaoui

Author; Analyst; Founder and Chief Executive Officer of Guépard Consulting Group

Aïcha Bah Diallo

Former Guinean Minister of Education; former Chair, TrustAfrica, Senegal

Berta Celestino Cossa

Ambassador the Republic of Mozambique to the EU

Tim Cole

Executive Director for Europe, The ONE Campaign

Koen Doens

Director General, European Commission Directorate General for International Cooperation and Development (DEVCO)

Mariya Gabriel

European Commissioner for Digital Economy and Society; Nominated European Commissioner for Innovation and Youth; 2018 European Young Leader (EYL40)

Luca Giansanti

Ambassador; Senior Vice-President, Head of European Government Affairs, Eni; former Director General for Political and Security Affairs of the Italian Ministry of Foreign Affairs

Élisabeth Guigou

President, Anna Lindh Foundation; former French Minister for European Affairs

Jean-Louis Guigou

Chairman, Institut de Prospective Economique du Monde Méditerranéen (IPEMED), France

Constance Kann

Director for Institutional Relations and Public Affairs, European Investment Bank (EIB)

Jesse Klaver

Leader of the Dutch green party 'GroenLinks' and Member of the House of Representatives; 2018 European Young Leader (EYL40)

Mark Leonard

Director, European Council on Foreign Relations (ECFR), United Kingdom

Stefano Manservigi

Former Director General, European Commission Directorate General for International Cooperation and Development (DEVCO)

Neven Mimica

European Commissioner for International Cooperation and Development

Carlos Moedas

European Commissioner for Research, Science and Innovation

Sabine Müller

Director General of the Africa Department, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Germany

Tomoharu Otake

Chief Representative, Japan International Cooperation Agency (JICA)

Koen Vervaeke

Managing Director, European External Action Service (EEAS) Directorate for Africa

Observers**Maud Arnould**

Cabinet Expert, Cabinet of European Commissioner for Cooperation & Development Neven Mimica

Marco Di Benedetto

International Aid Cooperation Officer, European Commission Directorate General for International Cooperation and Development (DEVCO)

Maria Dimitriadou

Senior International Affairs Officer, The World Bank Group

Nathalie Furrer

Director of Programmes and Operations, Friends of Europe

Siegfried Leffler

Director, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) Brussels Office

Carlo Mina Nakhnoukh

Member, Committee on Culture, Education and Science, Chamber of Deputies, Italy

Jan Noterdaeme

Senior Adviser on Strategy and EU and Stakeholder Relations, CSR Europe

Tomas de Sousa Mabuangué

Advisor to former President Chissano, Mozambique

Jean-Marie Paintendre

Advisor on International Affairs, Institut de Prospective Economique du Monde Méditerranéen (IPEMED), France

David Ringrose

Head of International Affairs, European Commission Directorate General for Communications Networks, Content & Technology (CNECT)

Martine Vandeputte

General Manager, Friends of Europe

Friends of Europe

Connect. Debate. Change.

+32 2 893 98 23

info@friendsofeurope.org

friendsofeurope.org

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