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REPORT

Global trends in FDI and their implications for inclusive economic development in Africa

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Online workshop

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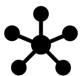
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Introduction: New trends in FDI affecting its developmental benefits

Welcoming remarks and initial statement: **Kasper Vrolijk** (IDOS)
Responses by:
• **Martin Wermelinger**, OECD
• **Mayowa Kuyoro**, McKinsey, Nigeria
• **Birgit Pickel**, Federal Ministry for Economic Cooperation and Development

Some observations after the first AfCFTA's business forum (held on 16-19th of April 2023 in Cape Town, South Africa) involving 54 African countries which today is the world's largest free trade area:

1) African leaders are enthusiastic about AfCFTA's idea which will provide access to a continental market with a population that will amount to 2.7 billion by 2050.
2) There is a will to develop value chains in Africa, since today it attracts less than 5% of global FDI hence there is room for more investments. The FDI that African leaders want is one that advances human capital development, gender equality and empowerment, technology transfer and the green transition. This is also reflected in the AfCFTA's ambitious investment protocol which also includes investment's obligations.
3) Implementation of this continental ambition at the national level according to the framework provided by the investment protocol.

FDIs can have positive spillovers, but they do not always materialise as they depend on the country's geography and the kind of investment it gets from abroad. More importantly, they depend on the policy framework and institutional arrangements of the public sector. Governments must identify the domestic reforms needed to attract and retain FDI and implement the protocol, by including in the process government - any area in the public sector relating to sustainable development - and investment agencies as well as the civil society.
The new Africa strategy has to focus on creating sustainable development and economic prosperity in the long-term, with an emphasis on ecological and gender-balanced approaches. This strategy recognizes that economic growth is not just about creating wealth but also about creating well-being for all.

First pannel: FDI trends, supply-chain, taking into account covid-19 and Russia-Ukraine war. What are the implications of these reconfigurations?

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Initial statement: **Dalia Marin** (University of Munich)
Speakers:
• How do German foreign investments respond to supply chain disruptions? **Ludovic Subran**, Allianz SE
• What do the crises entail for Africa? **Edward Brown**, African Center for Economic Transformation (ACET)

In recent years the ratio of world trade fell by 6.6%, slowing down since the 2008 global financial crisis which ended the highest globalised period of history. This has been mainly caused by the economic uncertainty shocks that have become more frequent and larger making global supply chains more costly. Consequently, central banks try to fight prices by lowering interest rates, but by doing so they lower cost of capital relative to labor, hence investing more on domestic robots rather than on foreign labor.

More recently, with the Covid pandemic and the War in Ukraine, this pattern has been followed. First, the pandemic is likely to lead to deglobalization as it has led to an unprecedented global uncertainty shock with an impact on global supply chains (reshoring is estimated to increase by 25% in robotized industries).
The war shock has come on top of Covid-19's shock highlighting two factors:
- Autocrats are not reliable business partners
- Further decline in supply chains by 10% in robotised industries of rich countries leads to much less world trade

EU and US governments turned to more nationalist policies in a sort of new form of "economic nationalism", particularly for critical materials and electrical chips supply chains. Government intervention does not come out of fear of China's rivalry but because certain suppliers are concentrated in one specific region, leading to a recession propagating into the economy in a multiplier effect. Therefore, the role of governments is to make sure that enough supplies are available in different regions of the world so that firms in rich countries can diversify their inputs, since today they are all concentrated in Asia. As a consequence, regionalism will likely increase allowing countries to diversify their supply chains in neighboring countries and regions.

However, from a corporate point of view, the "economic war" or the "energy war" where a sense of sovereignty and need for independence has been spread around will not redirect

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their business. As a matter of fact, firms probably will not relocate because of the energy gap between the USA and the EU and have already found new energetic hubs, such as Tunisia, which have emerged as key players for their energy attractiveness. Therefore, firms are already concerned with upcoming wars related to climate change and US-China tensions. As far as the African Union (AU) is concerned, many African countries have shown neutrality for the ongoing conflict but in case of a war against China, they will likely form alliances and blocks on trade, creating fault lines between the EU and its commercial partners.

There are three "verticals" in German-African relations:

- "green vertical" of hydrogen and renewable sectors to make sure that Germany works with some African countries (South Africa or Algeria) for common goals and assure that local communities benefit from it as well.
- "outsourcing": find a way to work together on human capital in Africa and Germany (services like call centers)
- "supply chains disruption": Africa is a diversifier for Europe in terms of FDI and trade while Europe is a diversifier for Africa in terms of manufacturing sectors, therefore there are the basis to build stronger and more equal relations with Africa.

What do the crises entail for Africa?

- Many firms in Africa have been forced to restructure their supply chains after Covid-19 which accelerated pre-existing issues in supply chains and also brought forward practices for digitalisation (Kenya, Nigeria, Ghana)
- The war has forced countries to move up the value chain in order to strengthen sustainability and competitiveness of the private sector
- Countries begin to gradually motivate supplier response to increase value addition responses in manufactured goods in order to reduce reliance on imported components (Sub-Saharan Africa).
- Technology e-commerce companies have invested supply value chains money to improve visibility and reduce the risk of disruption (Nigeria, Kenya) and the success of any restructuring efforts will depend on the ability of the countries to take advantage of the opportunities.

Risks and opportunities of supplier restructuring:

- Displacement of existent suppliers due to reshoring and declining demand for goods and services from African suppliers leads to job losses and negative impacts on local economies

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- Increased competitiveness for local suppliers
- Heightened skill mismatch as almost 25% of global youth population lives in Africa and unemployment is extremely high, also due to the impact of Covid-19
- Diversification of supply chains can create opportunities: job creation, higher wages, increasing exports by making it easier for local suppliers to connect with international markets
- External shocks forcing companies to internalize their inputs to be competitive are also helping to enhance regular intra-African trade: increased capabilities to investments to become more competitive and more effective partners in joint ventureships. The issue of infrastructure is also very important for intra-African trade as it needs transnational infrastructure, roads and rails.
- Positive side of these shocks: improving balance of trade and boosting digitalization, connectivity etc (hard infrastructure)
- It is important to evaluate the different impacts of reshoring on the Global North and Africa

Key to success:

- enabling the environment to support investments in education and skills, as technical and vocational education is important to promote intra-African trade

- more support to AfCFTA's regional integration agenda: it has to move towards a monetary union and a unified fiscal regime, as national problems need regional solutions for African countries.

<u>Second Panel: Making green hydrogen investments work for inclusive and sustainable development</u>

Initial statement: **Rita Strohmaier** (IDOS)
Speakers:
• German support for the hydrogen transition, **Lucia De Carlo**, Federal Ministry for Economic Cooperation and Development
• How Enertrag contributes to economic development in Africa, **Tobias Bischof-Niemz**, Enertrag
• How can countries get the most out of hydrogen FDI? **Simon Roberts**, University of Johannesburg

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• The H2Global Fund: Promoting investments with industrial linkages. **Timo Bollerhey**, H2Global Foundation

Hydrogen is emerging as a key player in the quest to achieve net-zero climate targets. By 2050, it is expected to contribute between 8-12% to global final energy demands, making it an important part of the energy mix. The Global South is well-positioned to play a significant role in hydrogen energy production, while the Global North, including Germany, Japan, and South Korea, will rely on imported hydrogen from other parts of the world. Foreign Direct Investment (FDI) is expected to play a critical role in hydrogen production, and this could prove challenging for African countries, which have difficulties attracting FDI in renewables. On the other hand, Germany has been forging many relationships with other countries, including Canada, the United States, Norway, Australia, and the Global South. Flagship initiatives on the policy level, such as the Hyphen project in Namibia by German company Enertrag, are expected to contribute to the growth of the hydrogen sector in Africa and beyond.

In the context of achieving close to zero greenhouse gas emissions through the hydrogen economy, "good" FDI is one that supports a gradual dual strategy of partner countries. This involves creating a hydrogen economy around the export of GH, also for future industrialisation, as well as de-risking the hydrogen economy. Furthermore, renewable energy expansion should achieve local energy transition through a set of activities built around the core activity of renewable energy production. "Good" FDIs would also help to decarbonise African domestic industries and the transport sector as not every country can achieve them equally. Additionally, "good" FDI should consider other forms of benefit-sharing, such as the transfer of knowledge, technology, and skills as well as distributed ownership of electricity and water production, the use of earmarked funds leading to structure transformation and direct payments to citizens. This will spread the benefits among the local population, increase acceptance for hydrogen projects at large and decrease the risks of creating energy enclaves with no advantages for the locals and an exploitation of fundamental natural resources, like water.

One example of the Green Hydrogen (GH) project is Namibia's first large-scale Green Hydrogen/ Ammonia project driven by Hyphen-Enertrag. This project shows that extracting GH is not the same as oil and gas. Hydrogen is not an extractive short-term business: it continuously harvests wind and sun and manufactures a product to be exported (ammonia), adding a much bigger value than oil, gas and mining. Now that the world is trying to decarbonize its industries, the demand for GH is increasing, with a global green

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hydrogen space of 100 million t/a. The main energies that are being produced are green ammonia, green methanol, sustainable aviation fuel, and green steel. It will produce more than 50% of German ammonia demand and more jobs for the project and the operations (it requires large-scale training programs at all levels, demanding cooperation between the Namibian government, the German government and the EU for the regulatory, legal and tax framework for subsequent projects).
Another advantage of hydrogen is that there is no technical limitation to production, as it depends on the availability of sun and wind resources, therefore the costs remain equal. However, even if Namibia is perfectly located for potential success, the biggest threat for the deployment of this industry comes from the high cost of finance: as 1% of higher cost of finance leads to less 10% of resources, the cost of finance can easily destroy the resource advantage of ca. 20-30%.
Two differentiating cost drivers between countries:

- Cost of capital: in Namibia this is relatively high. It can be offset to some extent by superior renewable resources, but driving costs of capital down has to remain the top priority
- Government charges: with its potential to dominate the industrial landscape in Namibia, the government is incentivised to keep charges as low as possible.

This project leads to a win-win-win situation for Germany and the EU to partner with Namibia.
Germany and the EU want to achieve rapid decarbonisation of industry and independence from Russian gas. Namibian green hydrogen sector can offer accelerated implementation (greenfield approach, brand new hydrogen regulation and tax regime, no incumbent inertia), high scalability with vast available land and supply from a democratic country of the Global South which adheres to the rule of law and respects human rights. This will eventually lead to Namibia's decarbonisation by the end of this decade, regional decarbonisation from Namibia's surplus of renewable energy production (also South Africa will benefit from this) and a resource-efficient global decarbonisation thanks to the combination of solar and wind resources. Last but not least, for Namibia green hydrogen will bring the opportunity to fully industrialise the country within one generation.

Germany aims to cooperate with the Global South in green hydrogen's production with a focus on building local and sustainable value chains for GH and promoting social-ecological-economic transformation. Therefore Germany only supports green hydrogen projects, not only by setting up factories but also by financing the infrastructure for hydrogen's processing industry and local uptakes. According to this strategy, this will

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lead to a broader and green industrial development and the creation of new green sectors in these economies, highlighting the linkage with local economies without having distribution issues.
To achieve this:

- technical and financial cooperation (strategic planning, cooperation among governments)
- regional value chain development (decarbonisation potential, local development impacts)
- private sector support and inclusion of local companies

The German Ministry has engaged firstly through smaller GH projects in South Africa, Brazil and Morocco, while the biggest programme launched during the last COP is PTX Development Fund with €270 million in support of larger projects along the green hydrogen's value chain. The idea is to establish a financing platform to mobilize further funding by other development financing or by private investors in order to leverage additional funding at the magnitude of €1.3 billion or even more. Together with the development fund, they are setting up technical assistance projects to provide economic policies to support a broader transformation to avoid single production sites not connected with the local population and economy. Another example of the German Ministry's engagement is green hydrogen's business alliances where insights and approaches to current business challenges are provided. The conditionalities for these projects to really guarantee a development impact: there need to be clear measures to ensure this, in order not to cause or intensify land use conflicts or exacerbate water scarcity or energy poverty. This will allow Germany to contribute to energy transition and local value creation, while supporting additional renewable energy production.

To promote investments with industrial linkages they have set up a H2GlobalFund.
It is a defined system:

- long-term purchase agreements over 10 years
- clear definition of maximum funding volume, products, geography and sustainability criteria by the funding body

Targets:

- create business cases and investment security
- shifting the timing of a market creation by promoting the market ramp-up until a viable green market has developed

Contracts for difference:

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- financial compensation in analogy to CfD mechanism
- set up of a PtX Intermediary (the Hydrogen Intermediary Company, Hintco)

It is competition-based:

- competitive bidding procedures on the supply and demand side
- minimization of the price difference to be compensated by contributions.

Third panel: Dealing with risks of market concentration

Initial statement: **Riccardo Crescenzi**, London School of Economics
Speakers:

• Challenges and regulatory responses for digital platforms in developing economies. **Antonio Andreoni**, SOAS University of London

• Market concentration and competition problems in South Africa, **Pamela Mondliwa**, Industrial Development Corporation of South Africa

• Ensuring competition through regulation: Insights from South African cases. **Dennis Davis**, previous Judge President of the Competition Appeal Court and Professor of Corporate and Competition Law, University of Cape Town

• How South Africa regulated WalMart's market entry. **Mike Morris**, Univ. of Cape Town

Within the context of global value chains (GVC), the focus should go beyond final goods especially when we think about the position of Africa in the global value chains. When taking into account FDI in Africa, we have to think about intermediate goods and how competitive advantages is something developed and sustained. It is important to say that the local business ecosystem must incorporate progressively more value locally through horizontal updating, to upgrade along the value chain. In this way, we can analyse the developmental impacts of participation in global value chains through the employment of FDIs.

Participation in the GVC is important and leads to a different paradigm: it shifts the discourse from the outcome in the global economy to the tasks in the global value chain, eventually changing also the spillovers expected from FDIs.

Actors involved in the global value chain:

- Multinational enterprises: they can exert their power in the GVC on the local economy through different channels, and when it comes to buyer-driven chains their role is to coordinate different suppliers.
- Public policies: opportunities stem from the additional impact of the proactive investment promotion actions by national investment agencies and their ability to

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attract high-knowledge investments. In this way, they can leverage FDIs to improve the local economy (a proactive region is able to attract 71% more of investments).

In the case of Chinese FDIs in Ethiopia a subregional analysis on how and to what extent these FDI can generate local benefits shows that there is a balance between positive and negative effects. In fact, impacts are negative for local firms not involved in the global value chain due to the competition effect, hence the big investor (China) mostly has a negative impact on the total employment and the local value chain. Instead, the firms that are able to become suppliers to the GVC stores contributing to the implementation of the GVC have significant and positive development opportunities. In Ethiopia, while in the medium-run the positive and negative effects are equal to zero, in the long-run of over a decade, positive effects start to materialize. Therefore, there is the potential for positive effects when the right conditions are provided on the ground.

Low-income countries face a Middle-Income Technology Trap, as digital platforms tend to increase structural power asymmetries and in most cases such asymmetries constrain market and industry development in these countries. It is important to analyse the influence of digital platforms in these countries and how they interact with the GVC. It must be noted that platforms are extremely heterogeneous in the functions, the processes and the power they can exert (i.e. the sophisticated way to shape market and industry). This raises a number of questions about how to address these platform-generated revenues. In the traditional monopoly capitalism literature, we have the influence of multinational corporations in development and their exercise of power in this market, which constrains potential future competitions. As new technologies can disrupt the market and new firms can enter, we are not just seeing market increasing concentration but also new forms of competition.
Middle-income countries such as South Africa, Tanzania, Ethiopia, face a number of challenges in the process of industrialisation:

1) To break in the global economy with a high level of concentration
2) Double-folded problem: how to link in the GVC and how to link back into the local economy. When these economies are struggling to gain benefits from digitalization, the main points are that digital platforms are heterogeneous and the way they provide capabilities to users is extremely diverse. On one hand, this means we have to look at which specific business models they are using, while on the other hand, we have to look at why they are disrupting the market as they also open the market to new opportunities and firms. Thus, not only does digitalization create

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concentration but it also leads to disruptive dynamics that support low-income countries on their path towards industrialization.

3) To keep pace with technological change, digital platforms and digital technology. Governing digital platform power, from a lower-middle-income country perspective, is about aligning competition policy and industrial policy, taking into account optimal competition and dynamic efficiency. In this way, they provide an integrated regulatory policy framework for the policy problem: industrial policies are used to leverage the platform functions, while competition policies are used to reach a level of optimal competition.

Market concentration has been a longstanding concern for South Africa for multiple reasons.

In 2021, a small economy study that measures the levels and trends in concentration by the local competition authority observed that there is a persistence of high-level market concentration. It showed that about 40% of industries are considered as highly concentrated and it also found out that highly concentrated markets were found to be more likely to increase their level of concentration overtime. The study noted that increasing concentration levels were observed in 43% of industries, so that the economy in South Africa has been grappling for some time. The reason for concern is that this economic condition can undermine competition which is important for catalyzing development. This occurs when competition between firms does not involve an impetus to improve through a process of rivalry, testing oneself against others in offering goods or services to customers or their ability to upgrade and improve their productive capabilities, their chances to enter the market and bring in new goods and services. That's why when firms are able to leverage their market power to undermine or block these processes, then this can really undermine economic dynamism with detrimental impacts for development. One case study is the supermarket sector in South Africa, in which there are four big supermarkets as a very highly concentrated market due to the economies of scale and scope coupled with urbanization and consumption patterns and few smaller ones. If we consider how this links to global value chains in the governance issues is that fast-moving consumer goods value chains are governed by supermarkets through two distinctive ways. On one side, through the standards they set for products that can be listed in the supermarket and on the other side, potentially through strategic conduct which can be considered as an abuse of market power. Consequently, they can possibly increase barriers to entry and exclude smaller supplies from participating in those value chains as well as prevent those that are participating from being able to upgrade into higher value addition levels of the value chains.

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Another case study is the petrochemicals sector, with a focus on the SASOL company. SASOL is a vertically integrated dominant firm that received continued state support over the years. At the same time state aids' supporters actually ensured that the company stayed dominant in the petrochemicals sector and they have been able to leverage its vertical integration in the market. This system created a specific value chain, which is difficult to interrupt. Therefore in the plastic polymers industry, SASOL is both the monopoly supplier of the input and is also a competitor in the dual duopoly market for the supply of polypropylene. As it is possible to notice, SASOL has been able to use its market power to restrain its competitors and to expand by strategically limiting the input. As a matter of fact, the market power at different levels of that value chain has allowed SASOL to effectively control value creation and capture all the power in the same. The consequence of such achievement is the creation of a vicious cycle of low margins and limited investments in capability upgrading, which de facto undermines the competitiveness of that industry.

However, market concentration is a wide and polarizing issue. Indeed, there is not just a unique point of view on the matter. As it emerged from the discussion, what should really concern us is that, when we talk about GVC and regional value trends, the real issue is the extent to which the abuse of market power in that sort of structure is going to have a significant effect on fair competition. If we think about people within developing countries, it is possible to assess that they actually exercise substantive economic citizenship and that, therefore, the problem is somewhere else, i.e., that industrial policy dominates competition law. In this framework, some questions arise such as where the boundary line between competition law and industrial policy stands and in particular, since competition law requires the regulation by tribunals and judges, authorities should ask themselves developmental questions that certainly are not within the domain of competition. Notwithstanding, competition law has to offer interesting deliberations to the current debate. Firstly, when competition law went into effect during the time of the Chicago School of Economics, it influenced competitive nations, while before all that market concentration was ignored and it did not infect consumers or business. Moreover, as noted by Robert Bork, competition was not inherently bad and effective. Competition had enormous consequences on online platforms, such as Google, Amazon, Facebook and Apple which were able to expand, to buy up competitors and to reduce the level of competition. On the opposite, Dennis Davis believes that the evidence suggests a slowdown of the rate of creation of new business, which was concomitant to the increase of top firms' market share and also reduces furniture labour markets list (labour, drop mobility, rising share of income going to capital as opposed to labour). However,

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there is no doubt that as a result of these concerns, competition now is at an inflection point, which means that the issue of how hard it should extend is up for debate. Thus, competition law should be concentrating on normal traditional concerns, i.e. consumer welfare.

Furthermore, the absence of competition is regarded as the natural outcome of market regulation, but a couple of things must have been taken into account. The most prominent has been to allow these large gaffer operations to utilize merger law in circumstances where they just gobbled up all the small firms. The consequence of such an action is that competitors instead of reducing innovation only exacerbated concentration. Therefore, when one is looking for the role of competition law in this kind of developmental process, it has first to identify where these abuses are. Following, the relation between competition law and market arise two kinds of questions: the first concerns the development of a nuanced competition law to deal with the abusive market partners; and the other regarding global value chains that entail cross-border transactions, which raises quite squarely the problem of the jurisdiction of the competition authority. An example, regarding the jurisdiction problem, was provided by the judge Davis, which illustrated a recent case based on a cocktail trade. The judge had to decide whether the South African Court had jurisdiction over a company without any physical prior business in South Africa. The jurisdictional question raised two fundamental points, whether it is possible to address market power to some extent through competition law and how this can be done either regionally or globally. The answer is open to debate, by taking into consideration that the WTO was not able to develop competition law. Moreover, it has been underlined that a real scope for the African Free Trade Agreement, which will have a competition component, might be to essentially employ competition law to curb the excesses of market power, which in turn create monopolies that preclude all forms of entry into the market whether upstream or downstream.

The entrance of WalMart in the South African market has been discussed by Mike Morris. WalMart is a large conglomeration of different companies. The multinational has been opposed in South Africa by trade unions and by the Department of Trade Industry (DTI). The reasons concern the motives behind the acquisition mastered by Walmart. As a matter of fact the case has been acknowledged as “the Global Value Chain case”.

The WalMart case makes one reflect on whether it is an unfair case of unfair economic competition or whether the problem here is that the other big retail supermarkets were actually involved in this acquisition. It is quite clear that they were not going to be disadvantaged. Therefore the reason behind this merger and acquisition was that they

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wanted to scare competition, rather than anything else, due to the control of the Global Value Chain.
The impact of any merger acquisition, in terms of public interest issues, has to be taken into account and not to be seen just as a simple pricing issue. In this respect, labor leaders must be able to argue and oppose the acquisition, as it happened, in order to avoid retrenchments.
Nonetheless, when the judge decided over the WalMart case, he discussed the case in a competition appeal court and made clear that the issue was a public interest one.
In light of the judge's decision, two main points were clarified: a guideline dealing with the new owner's requests was released and then the big issue at stake was discussed, i.e. the DTI's position. As already mentioned, the DTI opposed such an acquisition because of a 100 million Rand concession to be given to the Ministry.
Eventually, the case was labeled as GVC issues, but it was later realized that this was a general issue around the impact of big companies on SMEs' development in the country, that could have been used instead as an opportunity for development.

Fourth Panel: Policy implications of recent FDI trends

Initial statement: **Tilman Altenburg** (IDOS)
Speakers:
• **Ana Novik**, OECD
• **Emmanuel Owusu-Sekyere**, African Center for Economic Transformation
• **Christoph Kannengiesser**, German-African Business Association

In the last part of the conference, institutional views on the trends and recommendations discussed have been provided.

Starting from OECD's perspective, OECD is thinking not only about investments in other areas but also about how to engage better in their work with Africa. Three points raised in the discussion were addressed by OECD's representative:

1. How to engage with the African countries, to enhance the games, by using the African continental free trade agreement, in particular the investment protocol;
2. the role of FDIs in helping to develop this title, using the new framework that African countries have. In addition, how to ensure that these kinds of benefits are captured by Africa was discussed;
3. Lastly, whether the policies' instruments should be at the continental level, at the regional level, or at the country level. Regarding this point, there is a general agreement that we do not have to choose one or another, we need some kind of

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harmonization at the continental level, in order to facilitate the implementation at regional and community level. However, it is agreed that the final implementation should be at the entry-level.

Regarding the second point, it is important to contextualize the current geopolitical situation. Moreover, the digital political issue between China and the United States or China-Western countries, should not involve other countries, i.e. that we should not push countries to take a position. FDI's trade has to be used as a tool to integrate.

An important perspective was also discussed by the African Center for Economic Transformation, which underlined how the investment promotion agencies, throughout the region, definitely have policy deficits in FDIs area. The issue was addressed from the African government's perspective. A main problem that affects African governments' policies concerns the lack of important questions posed at the very beginning of a project, in the planning and design preparation phase. According to the speaker, policies should have a triple-bottom-line approach: an economic dimension, a social dimension and an environmental dimension. In terms of the economic dimension, local spillovers, the potential for job creation, the potential for human capital should be analyzed *ex-ante* to the implementation. An example of the lack of inquiry, entails Chinese investments in the continent. As a matter of fact, Chinese investors import expertise for local issues from China, restraining the opportunity for spillover effects into employment creation or skills transfer, graphic technology transfer. This leads to a situation in which not only the effects of the GVC appear later, but also the industry is not yet materialized. So, their transmission mechanisms into the broader macroeconomy do not happen.
Following this assessment and stage, the social dimension can be examined. With the social dimension you have the simple cycle that is present in the extractive sector: the mining companies' class and the local communities. The issue affecting the social dimension is in terms of the impact of explosives and dynamics on housing. The latter are destroying infrastructure, and damaging water bodies and natural pastures. The voice of communities and civil society organizations should be then heard and governments should assess what the possible impacts of this investment will be on the quality of lives of the people in the community. The other dimension to be examined is the environmental one. Already water bodies have been mentioned, as well as pastures, what has not been mentioned is the loss of vital elements which are indeed affected by climate change and industries.
The second thing addressed from the African government's perspective is the lack of investments. However, it is worth noting that in 30 years, most African countries have

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beautifully designed their developing agenda and agreed on developing plans and long-term deals. Notwithstanding the developing plans, the implementation has been awful, given that after plans are set up, there is no intention of making the final investment to a particular country or to specific development needs and growth aspirations.

African agenda has been defined as an apolitical global agenda, which is based on the electoral cycle. Every four years, a new government is established and the new agenda is created, avoiding the previous investment plans. That has been a very serious problem for African countries, which feel the absence of a long-term plan, of a coordinated implementation, infrastructure development and the lack of a direction for the economy. Another important aspect of investments concerns the continent's available population, which in five years time will be a bomb, unless we create jobs in time for this bulky young population.
The last thing discussed regards the issue of donors' community side. It is an issue of accountability list, to hold African governments accountable, and including a clearly designed program, an agenda, that has milestones deliverables assured that they can be achieved. Considering that what you have in African countries is a selective development, where developed areas are areas that got other strongholds of the ruling elite, accountability observations should be made before its implementation.

From the German private sector's perspective, they noticed that there are more German companies in the African continent due to current developments. However, political developments on the African continent still do not make it easy to invest. Step by step German FDIs on the African continent increase, compared to the record years of German foreign direct investment in 2018 and 2019 and they keep being stable also during the recent crisis. One can notice that German foreign direct investments are getting regionally more diverse, thus, investments are made also out of the traditional investment destinations of German companies, such as the Republic of South Africa or in the northern African countries, namely in Tunisia. Furthermore, investments are being extended also in the so-called compact African countries. Even though these are not extremely big projects, i.e. pilot projects, major investments are still provided, such as the broad production site in Kenya or the hydrogen project in Namibia, which is attracting an investment sum of over 10 billion U.S. dollars in the next couple of years. It is possible to assess that a broad spectrum of new initiatives and new sectors, such as the food industry, are attracting German foreign direct investment. In the long run more and more German companies will be aware that Africa is an interesting investment destination. This is a process already been on course from a couple of years, there are also political initiatives, i.e. the compact with Africa, that is trying to raise awareness for the opportunities on the African continent,

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but there are also more or less recent developments which are able to mobilize investments, the carbonization of industry for instance. Africa has in this field much more opportunities to produce green power which is needed for industrial production.
This might be a driver more of the future than of the present, but it is known that German companies are looking at one aspect: the lack of human resources. Despite this deficiency, German companies are aware that Africa has everything we lack in Europe: sun, wind, people. Therefore investors must get aware that there are opportunities and they need to take advantage of these assets.

Another point discussed is the relocation of funds. Direct investments from German industry to Africa will surely have a very positive impact on the development of African countries. This relocation is due to the fact that German foreign direct investment may be a bit different from other players: they have very few purely financial investments, for instance, they don't invest in extractive industries, they don't or they have very few investments in agriculture, they even don't invest in supermarkets. Taking into account the negative impacts of local competition, German companies do not want to become part of this story, therefore they are not active in these fields. This makes it a bit easier from the German perspective to talk about quality investment. German companies invest more or less in good labour, in technology transfer and they invest in professional education, that is not only in the DNA of German companies, but it is also an economic equity when it comes to two frameworks, i.e. the OECD framework and the framework concerning the instruments to motivate more German companies.

German companies have an instrument called investigations investment guarantees. In this scheme, of the German federal government, there is a quality assessment index. Under the quality assessment, every investment guarantee or investment is flanked by an investment guarantee of the German federal government; It is assessed *ex-ante* and it is not only assessed in terms of the positive impact to German labor market needs, but also to local needs and to potential local risks. Nonetheless, the German-African Business Association believes that the government should incentivize these investments due to development needs on the African continent, but also due to economic needs for diversification of their own industry. These are two sides of the same coin and in this context, we also should have a critical view on the OECD framework. We need to rethink this framework and re-evaluate whether they really encourage investments, who risk insurance on ATC or whether they pose additional barriers for potential investors. An example: according to the OECD export guarantee country categories, almost all African

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countries are either category 6 or 7 and therefore are in the lowest categories with the least favorable conditions. Therefore, we need to rethink *risk* and improve *supporting instruments i*n order to make the policy interesting for German companies ready to trade and invest on the African continent.

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