

Current Africa Initiatives of the German Government to Support Economic Development

Carl Frederick Luthin, German Africa Foundation

Guidelines for the Africa Policy of the German Government (AA)

- Further development as a strategic superstructure of the German Africa policy
- Promotion of sustainable economic development, employment-generating economic growth and an increase in tax income as well as a reduction of dependency on development cooperation
- Further goals: promotion of peace and security, reduction of causes for flight and migration, strengthening of a rule-based world-order with Africa, deepening of civil-society partnerships

G20 Compact with Africa Initiative (CwA)

- Initiative of the German G20-Presidency 2017 in collaboration with the World Bank, the International Monetary Fund, the African Development Bank and African partner countries
- CwA-partner countries: Benin, Burkina Faso, Côte d'Ivoire, Egypt, Ethiopia, Ghana, Guinea, Morocco, Ruanda, Senegal, Togo, Tunisia, further interested countries welcome to apply to join
- Implementation of reform programs to improve trade and investment conditions, expand infrastructure and create jobs

"Development Investment Fund" (Entwicklungsinvestitionsfonds)

- Connected to the *Compact with Africa*, implementation 2019 until the end of 2021
- Target region primarily partner countries of the *Compact with Africa*
- Objective: Promote private investments and thereby create jobs

Funded by Federal Ministry for Economic Cooperation and Development (BMZ): 800 million EUR

→ AfricaConnect: EUR 400 million, Implementation by DEG

- Support of investments of German/ European companies on the African continent through loans and investments, primarily in CwA countries
- Provision of finance: EUR 750.000 up to 4 million, loans up to 70% of the investment sum
- Financing is linked to a specific purpose/investment
- allocation of funds, support and consultation through DEG
- Structure of implementation will be verified without prejudging the outcome

→ AfricaGrow: EUR 400 million, implementation by KfW development bank

- Provision of risk capital for African SMEs and start-ups through *Funds of Funds-Structure*, primarily in CwA countries
- Investments in running/ new developing SME-funds through structured *AfricaGrow*-funds, focus on SME-funds with preferably high economic and employment growth
- Primarily liable equity tranche of KfW of budgetary resources, KfW recruits development banks and financiers as investors for the funds
- Implementation structure will be verified with an open outcome, allocation of funds through KfW

→ Economic Network Africa of the Federal Ministry for Economic Affairs (BMWi): EUR 200 million

- Gradual adoption of the network in 2019
- Referring to selected growth markets, first in CwA countries: pilot testing in Ghana, Ethiopia and Morocco
- Assistance of German companies regarding investments in Africa; Expansion of German Chambers of Commerce Abroad network and GTAI; development of new modules, e.g. consistent initial consultation, market development and training programs, advising development cooperation

Current Africa Initiatives

Reform partnerships: “Marshallplan with Africa”: > EUR 1 billion (BMZ)

- Support of CwA through bilateral partnerships with the aim to improve the framework for investments and employment in specific sectors
- So far EUR 794,1 million in implementation: Tunisia for the development of the banking industry and finance sector (EUR 511,5 million); Ghana (EUR 173,7 million) und Côte d'Ivoire (EUR 108,9 million) for the commitment of the private industry towards renewable energies
- Negotiations on new partnerships: Ethiopia, Morocco and Senegal (each up to EUR 100 million)
- Selection of reform partnership countries based on CwA membership and the successful reform of the rule of law and democratic structures
- Gradual disbursement of concessionary loans after implementation of the agreed reforms

Special Initiative “Training and Employment”: EUR 250 million (BMZ)

- Targeted support of regional business locations and industry-specific clusters to create up to 100.000 jobs until 2021 and improvement of the working conditions
- Promotion of sustainable investments and creation of opportunities in the private sector with German and African companies
- Selection of countries based on CwA membership and regional employment potential
- Current partnerships with Ethiopia in the textile sector, with Tunisia in the car and aviation sector, with Morocco in the car sector and food industry, consideration of expansion of partnership to Rwanda and Egypt

“Pro!Africa“ Concept: EUR 100 million (Ministry for Economic Affairs: BMWi)

- Advancement of instruments for a fair partnership on equal terms
- Management and transformation partnerships, energy partnerships
- Promotion of vocational training
- Export initiative for German energy and health economy

Improved Risk Protection for Export and Investments (BMWi)

- Protection of payment risks of German exports to public customers: regular damage excess of 5 %, applies for the following CwA countries: Egypt, Ethiopia, Benin, Côte d'Ivoire, Ghana, Morocco, Rwanda, Senegal, Tunisia
- Protection of investments of German companies against political risks in CwA countries, damage excess can be reduced from 5 % to 2,5 % if the project is suitable
- No application fee for new exporters within the first three deals in CwA countries
- Existing cover restrictions can be repealed if CwA countries act according to reform steps

Expansion of double taxation agreement with African countries (BMF)

- Completed DTA about income and assets with Egypt, Algeria, Côte d'Ivoire, Ghana, Kenya, Liberia, Morocco, Mauritius, Namibia, Zambia, Zimbabwe, South Africa, Tunisia
- In negotiations with Angola, Ethiopia, Botswana, Nigeria, Rwanda, Senegal

Africa Strategy of the Federal Ministry of Education and Research (BMBF)

„Forming perspectives!“: min. 300 million EUR

- German-African cooperation in education, science and research
- Collaboration to address global challenges such as demographic development, youth unemployment, food security, climate change, urbanization, energy supply
- Measures in sectors of knowledge transfer and innovation, higher education and academic trainees, employability of university graduates, research cooperation

This overview does not claim to be exhaustive.

Published by
Deutsche Afrika Stiftung e.V.
Ziegelstr. 30, 10117 Berlin
info@deutsche-afrika-stiftung.de
29th May 2019