

Guest contribution of Finance Minister Olaf Scholz

Creating new opportunities at home

The Compact with Africa opens up new development opportunities for African partner countries, making support available to those driving their own reform.

The 21st century, Nelson Mandela once said, would be an African century. His words were a plea to the nations of the world to take more notice of Africa. He was right: Africa holds enormous potential. Comprising over 50 countries and a large number of megacities, this vast continent is home to great cultures, more than a billion inhabitants and a youth that is full of energy and drive. Economic success, which would provide prospects for the local populations, is both a humanitarian imperative and in the interest of all Europeans.

The Compact with Africa is a new way of lending economic development in Africa a lasting impetus. While conventional forms of development aid have achieved important results in terms of health care, education and food security, self-sustaining economic development is still a long way off for many African economies. Achieving sustainable growth and a high standard of living requires a private sector which has the capacity to invest and provide a sufficient number of new jobs, especially jobs for young people.

Launched under Germany's G20 presidency in 2017, the Compact with Africa aims to improve the environment for local start-ups and private investments in African partner countries. The Compact stands for a new quality of partnership and cooperation. Now it is the African partner countries deciding, from a local perspective, which reforms should be deployed in order to improve their macroeconomic environments and business climates. For example, the Compact countries can decide how to best go about establishing a functioning revenue administration, managing public debt and combating corruption. The members of the G20 and international organisations then offer specific support to help with implementation.

Thus the Compact with Africa overturns the approach whereby it is mainly the donor countries making decisions on public aid projects – an approach which, so far, has unfortunately often prevailed. The Compact provides incentives to encourage initiative-taking in the countries themselves. It puts the African partner countries in a position where they can establish reliable policies that boost confidence in their countries and attract investors. The Compact, as Akinwumi Adesina, President of the African Development Bank, has rightly stated, brings welcome “winds of change”.

Robust economic cycles and value chains translate into jobs. This is why one of the aims of the Compact with Africa is specifically to strengthen small and medium-sized businesses in Africa. But if all this is to genuinely create confidence, we must ensure that investments offer a real future and come with decent working conditions. For this reason, Germany has successfully advocated for training programmes for young people in rural areas to be

established alongside the G20 initiative. The Compact also helps improve education and training opportunities for girls and young women.

The Compact with Africa stands for a genuine form of partnership which transforms development cooperation into joint economic development. Benin, Côte d'Ivoire, Egypt, Ethiopia, Ghana, Guinea, Morocco, Rwanda, Senegal, Togo and Tunisia have already joined the Compact. Burkina Faso has recently joined as the twelfth country. Germany has mobilised substantial resources to support the Compact and the reform partnerships. We promote start-ups, provide guarantees for business transactions and help set up institutions. The German government will be releasing additional funds this legislative term to support investments and companies in Germany's Compact partner countries.

The Compact with Africa is being coordinated by the G20 finance ministers in consultation with the African Development Bank, the World Bank and the International Monetary Fund. As I could see at the G20 meeting of finance ministers three weeks ago, cooperation between partner countries and international institutions sends out an important signal of reliability.

Germany will continue to work to ensure that Africa and the Compact remain a priority for the G20. Creating new opportunities at home – that is the core idea of the Compact with Africa.

Olaf Scholz is Germany's Finance Minister and deputy chair of the SPD.