Marshall Plan and Compact with Africa: A Critical Comment on the *New* EU-Africa Partnerships

The German Federal Government did not show much interest in African affairs in the period after World War II and preferred to leave Africa to the French and the English who had much closer connections to their former colonies. One exception was Horst Köhler. As President of the Republic, he frequently travelled to Africa, brought Africa's concerns to the attention of the German public. He will always be remembered for his statement: for a new relationship between Europe and Africa "on equal level". The government used his rhetoric but did not take up his concerns.

What motivate the new interest in Africa?

That the German government and the European Union have made some attempts to shape a different relationship with our neighbouring continent, is due to the geopolitical changes since the turn of the century. Now, China is present and active in almost all countries in Africa, and in 2015 invested some 35 Billion Dollars and has surpassed the US as Africa's main trading partner. China and other countries from the global South are about to push the ex-colonial powers out of the African market. Europe is trying to save what can from the impending loss of its market place.

Indeed, what makes Africa so attractive for all industrialised nations is its abundance of raw materials, especially those needed for the digital age. One aim of the EU-Africa policy is to assure access to Africa mineral resources. The recent Africa-initiatives follow one common strategy: to attract private capital to invest in development project. Thanks to the loose finance policies of the US, Japan and the EU, the capital market is flooded with money that looks for profitable investment opportunities. At the same time, African countries have a huge need for foreign capital. Adequate infrastructure development alone would require an estimated 100-billion-dollar capital investment every year. The obvious solution is to bring the offer and the demand together with the help of public development agencies.

Thus, the more immediate trigger for the recent interest in Africa is, without doubt, the increasing number of Africans reaching the European Union. What frightens Europeans, in particular, is the rapid population increases in Africa. Africa's population is at present about 1.2 billion and could, according to some estimates, increase to over 4 billion in the year 2100. Added to this, is the likelihood that climate change will affect Africa more than any other region in the world and that dryness will make agricultural production impossible in some areas. All these factors are likely to increase migration of people within Africa and towards Europe at a scale that could threaten its political stability. The different initiatives in favour of African development have the intention to kick off economic development with the help of private investment and so increase employment possibilities for young people to keep migration within acceptable limits.

A G20 Project

To give Africa a more prominent place on the international agenda, the German Government used the G20 Summit of 2017, where it held the Chair and could influence the agenda. During the summit in Hamburg in July 2017, the 20 leaders mostly industrialised countries accepted the *Compact with Africa* (CwA) as a priority programme to push economic development in Africa. The idea had been developed by the German Ministry of Finance whereas the Cooperation and Economic Development had proposed an ambitious *Marshall Plan with Africa.* In the end, the two were joined to form one masterplan. What are the strengths and weaknesses of the *Marshall Plan* and the *CwA*?

The Marshall Plan with Africa

The introduction to the *Marshall Plan – a new partnership for development and peace* says: *"Our aim is an Africa that is both prosperous and at peace, where development benefits all and is powered by the African people. We want African solutions to African challenges."*[1]

The document is rather comprehensive but presents an idealistic vision of a true partnership between Africa and Europe. It has taken up many ideas and proposals of the German and African civil society. Remarkable is that, it mentions the responsibility of the industrialised nations for some of the problems of the continent, like unfair trade agreements, tax avoidance and arms exports. The main aims and priorities make up the ten theses.[2] The "future contract with Africa" rests on three pillars: economy, trade and employment; peace and security; and democracy and the rule of law. Areas that will receive special attention are: food security and agriculture; sustainability; energy and infrastructure; heath, education and social security. For each area, the document spells out what are the roots problems, what Africa has to do and what Germany and the international community should contribute. The conclusion sums up the key issue: "*The most important question that must be answered by the Marshall Plan is: How can 20 million new jobs be created that give young people prospects for their future without destroying the environment."*

Both the analysis of the situation and the action proposals go in the right direction. The title *Marshall Plan* has earned much criticism especially from Africa and is indeed

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1 Text: *http://www.bmz.de/en/publications/type_of_publication/information_flyer/information_brochures/Materialie270_africa_marshallplan.pdf*

2 **10 starting points for a Marshall Plan with Africa**

1. **We need a new pact on the future of Europe and Africa**
2. **Africa needs African solutions**
3. **Prioritising jobs and opportunities for young people**
4. **Investment in entrepreneurship**
5. **Value creation not exploitation**
6. **Demanding the right political environment and supporting its development**
7. **Reform partnerships, not a blanket approach**
8. **Equitable global structures and institutions**
9. **ODA cannot provide all the answers**
10. **We will leave no one behind**

misleading. The conditions in Europe after the war are very different from those in Africa today and funds involved are not comparable. The invitation to the German civil society to comment on the first draft was very exemplary but why representatives from Africa were not involved in the preparation, remains a mystery.

Compact with Africa

The G20 summit did not focus on the *Marshall Plan,* but on the *Compact with Africa*. The word compact means concluding a pact with someone. The G20 countries will conclude a pact with some willing African countries. Up to now, ten countries have applied for it: Morocco, Tunisia, Senegal, Ivory Coast, Ghana, Ethiopia, Rwanda, Egypt, Benin and Guinea. Eventually, each one will eventually sign an investment treaty with one of the G20 states. The responsibility of the African partner is, in cooperation with the international finance institutions, to execute reforms which make the country attractive for investors and propose to potential investors concrete projects in the areas that it considers most important: e.g. infrastructure, energy, water or agriculture. The G20 partners must look for interested investors or companies and provide guarantees that diminish the risks for the investor.

In the case of Germany which has chosen Ghana, Tunisia and Ivory Coast as future partners, there is a division of labour within the different ministries. The Ministry of Finance will accompany the reform proposals, the ministry of Development will use the funds foreseen by the Marshall Plan to finance the investment risks and follow up the realisation of the projects.

Critical comments

Often, these initiatives to boost Africa's economy come clothed as win-win situations. Many civil society organisations in Africa and Europe are rather sceptical. Radical critics doubt whether a programme based on a neo-liberal economic model can bring about sustainable development and fear that it will rather lead to greater social inequality. A recent study of *Südwind* comments: "Whereas the Marshall Plan contains elements of a social orientation, the *Compact with Africa* reads like a neo-liberal catalogue of the usual policies such as privatising state enterprises, abolishing all barriers for foreign investment, deregulating and liberalising trade as well as cutting down government structures..." The suspicion that the aim of these initiatives is not so much about development of Africa but rather promoting German exports. To end poverty and hunger worldwide, which are the first two aims of the SDGs, do not play a significant role in the *compact*. Church development organisations criticise the absence of clear social and environmental criteria, labour regulations and human rights obligations. The planned projects will most likely be via Private-Public-Partnerships (PPP) channel. Experience in many countries shows that PPPs are not without risks and often turn out to be more expensive.

There are also criticisms from the Africa side. In a common press statement, the organisations *AFRODAD a*nd *ADIN* express their fear that the new initiatives could be a revised version of the disastrous Structural Adjustment Programmes of the 80s and 90s or may function as an appendix to the Economic Partnership Agreements. If they are to succeed, the African civil societies must be carried along at all stages, and the investment projects integrated into existing national, regional and continental development plans, such as the Agenda 2063 of the African Union.

Private investment is the new magic formula for development. The history of private investment in Africa, most of it in the mining sector, so far is indeed sobering. Usually, the companies pocket the lion's share of profits while a small and often corrupt elite enriches itself by taking the rest. Rarely does the population profit from the large-scale investments whether in mining or agriculture. Too often they are the great losers; they lose the use of their environment.

That the credits taken up by the African partner countries to finance the projects, increase their debts, is usually ignored. Organisations like EURODAT and AFRODAT which specialise on sovereign debt warn since a long time that a new debt crisis is coming. Germany's partner countries Ghana, Tunisia and Ivory Coast, have all critical levels of indebtedness, which could worsen if they take up new credits.

There are other reasons to doubt whether the *Compact with Africa* can boost the development of the African partner countries. The interest of German and European companies to invest in Africa is so far very limited. Markets in Asia and Latin America offer better and safer chances. Whether African governments have truly the political will to respect an independent judiciary and to fight corruption effectively, the biggest obstacle to development is still debatable! There have been a dozen similar Africa-Initiatives in the last two decades; none of them has resulted in a break-through.

Despite all the legitimate critique, Europe's new interest in Africa is welcome. European governments have understood more clearly that a new approach in development cooperation with Africa is badly needed to prevent that more countries turn into failed states; more young people join terroristic movements or risk their lived in the attempt to seek a future in other countries. *Marshall Plan* and *Compact with Africa* are unfinished attempts to formulate a new development strategy. They need a clear focus on the Agenda 2030 to become effective instruments for Africa's development.

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