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Africa – continent of opportunity

Working together to create perspectives

Cooperation with Africa has never been this exciting!

Interview with Helmut Gauges, head of KfW's Africa Division, about the continent's progress and opportunities.

Which three challenges do you see for Africa that KfW also has to deal with?

At first glance, the challenges are very similar to those of other continents and developing countries. The biggest problem in Africa is poor governance, dysfunctional government administrative structures and widespread corruption. The second serious challenge is inadequate infrastructure in all areas. The inadequacies are much greater than on all other continents – they span education and health systems, but also transport systems and energy and water supply. For example, it is more expensive and takes longer to transport goods from one side of Africa to the other than from China to Africa.

The third major challenge is the rapidly growing population that continues to grow. Africa has a very young population structure, combined with the risk of high youth unemployment and lack of opportunities.

I would also like to mention a fourth challenge, which is perhaps not yet quite as visible: we are all talking about climate change, about an increase of two degrees in the global average – this poses a particular challenge for Africa, because there is no resilience or capacity to deal with the consequences of the change. This means that droughts in parts of Africa will continue to increase,

while severe weather events will increase in other areas and ultimately the food supply will dwindle. Take the example of Mozambique, which has already been hit hard by two cyclones this year. Incidentally, malaria has also returned to the country with the floods.

If all four challenges are taken together, it's easy to predict that migratory pressures will increase – if we don't overcome these challenges.

Africa is high on the agenda – also due to the issue of migration. What does this mean for KfW Development Bank?

The migration and refugee flows that we have experienced in recent years have made it clear to politicians and society that Africa's problems are not just problems faced by a neighbouring continent. Europe's well-being is inextricably linked to that of our neighbour Africa. A prosperous Africa is essential to achieving sustainable growth and stability, both in Africa and in Europe. Human trafficking and illegal migration can only be overcome if there are economic prospects for young people. In this respect, one of the measures adopted by both the German Federal Government and the European Commission is to increase funding for development cooperation in Africa, and this of course also applies to KfW. As a result, we have significantly increased our FC commitments with Africa.

You have travelled to Africa many times to have a look at projects on the ground. What has made a lasting impression on you and what makes you optimistic in spite of the challenges?

When you are on site, you can see and measure the progress that's been made. For example, you meet children who are happy they are allowed to go to school; women who can now take family planning into their own hands.

We meet mothers who have got access to safe drinking water so that their young children don't become ill or even die from water-induced diseases. We see households with electricity – where the people who live there can now read and study in the evening. Not to mention the many young entrepreneurs that we extend loans to and who want to grow their businesses and create new jobs. These observations are underpinned by socio-economic evaluations that show significant progress in terms of life expectancy, infant mortality, school enrolment rates, growth rates and more.

The image of Africa conveyed in the media, poor and without hope, lost in wars, plagued by epidemics – is not the full picture from the ground. Sure – the positive trends just mentioned are not as newsworthy as the renewed outbreak of Ebola or a military coup...



KfW director
Helmut Gauges
on the road in
Morocco.

Africa is a very, very rich continent. Africa has so many resources, for example, the potential for renewable energy – enough to supply the entire continent, but untapped to date. Africa has wind and hydropower but also solar energy – with twice as much potential as Germany. Experts estimate the capacities for solar energy at 9,000 to 11,000 gigawatts – in Sub-Saharan Africa. By way of comparison: in 2016, the region generated a total of only 122 gigawatts.

So, Africa is a rich continent and there are good reasons to be optimistic. The potential has either not yet been fully exploited or is unevenly distributed.

What new approaches is the German Federal Government pursuing and how is KfW helping to implement them?

The German Federal Government has realigned some things with its focus on Africa. The Federal Ministry for Economic Cooperation and Development (BMZ) has presented a Marshall Plan with Africa that addresses the above problem areas with an integrated and partnership-based approach and supports six selected “reform champions” in “reform partnerships”. In these new partnerships, reform commitments are agreed as well as substantial financial support, i.e. requirements and expectations are defined. Where we can, we finance these reform efforts both with the BMZ’s federal funds as well as with our own funds. The reforms aim to improve the overall conditions for private investments. We at KfW Development Bank support partner governments, for example, in reforming the energy sector, expanding a deposit guarantee

fund to improve financing for small and medium-sized enterprises and in risk hedging for private-sector investments. We are seeing the first reform steps, for example in Tunisia, and are confident that other countries will follow suit.

Last but not least, I want to mention that we are working very hard on the development investment fund of EUR 1 billion announced by Chancellor Angela Merkel at the Africa Summit. The aim is to support European and African companies, both in the SME sector and young innovative enterprises, with their investments in Africa. Given the scale, this will trigger completely new catalysts to stimulate economic development in Africa.

Cooperation with Africa has never been this exciting!

*The questions were asked by
Susanne Schröder*

Paradigm shift in cooperation with Africa: focus on investments

Africa harbours great potential: abundant resources, entrepreneurial spirit, innovative capability and cultural diversity.

Sub-Saharan Africa shows robust economic growth of 3 per cent on average; Ethiopia, Côte d'Ivoire, Ghana and Rwanda are even higher than 7 per cent. The population is also growing rapidly: Africa's population will double by 2050. The continent will have the largest labour supply in the world by 2035. 20 million new jobs will be needed every year. To actively address the challenges, the countries of the African Union adopted Agenda 2063 in 2015.

This is the starting point for our cooperation: we must help our African partners to better leverage economic potential and create more jobs. The private sector can and must make a much bigger contribution to sustainable development. Against this background, the German Federal Government is now increasingly focusing on improving overall investment conditions. This was also the aim of the Compact-with-Africa initiative launched under the German G20 presidency in 2017. In “compacts” between individual African countries, international organisations (World Bank Group, African Development Bank, IMF) and bilateral partners, all participants coordinate concrete measures to mobilise local private-sector investment.

The Federal Ministry for Economic Cooperation and Development (BMZ) also established a new cooperation model to implement Agenda 2063 of



Dr Stefan Oswald
Head of Directorate-General 2, Marshall Plan with Africa; displacement and migration

the African Union: the reform partnerships. Under these partnerships, we strengthen the principle of personal accountability and ask for more reforms and personal contributions from our partners. The first pilot projects are underway in Côte d'Ivoire, Ghana and Tunisia. In Côte d'Ivoire and Ghana, the reform partnership focuses on the private sector's expansion of renewable energy and energy efficiency; in the reform partnership with Tunisia, cooperation focuses on the financial

and banking sectors. Since 2017, the BMZ has supported the implementation of the first three reform partnerships with additional funds totalling around EUR 800 million. Three other reform partnerships with Ethiopia, Senegal and Morocco are set to be finalised by the end of 2019. The new “Special Initiative Training and Employment” and the Development Investment Fund also support private investments with EUR 1 billion.

First successes: reform partnership in Tunisia

In Tunisia, the reform partnerships have triggered important reforms in the financial and banking sectors. For example, the anti-corruption authority was expanded and the state credit guarantee fund was reformed to enable more investment in reliable overall conditions.

Dr Stefan Oswald



A Marshall Plan with Africa

Africa needs African solutions. As a result, the Federal Ministry for Economic Cooperation and Development (BMZ) has realigned its cooperation with Africa.

http://www.bmz.de/de/laender_regionen/marshallplan_mit_afrika/index.html

You can read about how KfW is sustainably improving living conditions in Africa on KfW Stories in the Africa dossier. Learn more, for example about clean energy from the Moroccan desert, the expansion of mobile communications in the Congo and smart national park management.

<https://www.kfw.de/stories/dossier-afrika.html>

German farming machinery technology for Ethiopian vocational schools

Ethiopia is a multi-ethnic country that is home to 100 million people and has incredible potential in the fields of agriculture, industry and tourism. In recent years, the country's economy has seen some of the strongest growth in the world.

It is a nation with breathtaking landscapes, its own script and a history that stretches back thousands of years. Not without reason is Ethiopia called the “cradle of humanity”. The country was already inhabited about 3 million years ago, as proven by a skeleton discovered in 1974: “Lucy” is now housed in the National Museum in Addis Ababa. Coffee, an important export product, originated in Ethiopia, while other agricultural products include cereals and cut flowers. Agriculture is the cornerstone of the economy, accounting for more than 40 per cent of GDP and about 85 per cent of exports.

The education sector plays a key role in advancing the country's economic development and creating

opportunities for its growing population. Since the 1960s, KfW Development Bank has been committed to improving vocational schools and teacher training – including in the agricultural sector – and has provided more than EUR 1 billion to date. Problems that stand in the way of increased productivity: a low level of mechanisation, defective agricultural machinery and spare parts that are difficult to procure. In many places, there are no mechanics who can maintain and repair the machinery. In 2019, KfW Development Bank will provide EUR 8 million to twelve agricultural vocational schools to equip them with tractors and other “medium technology level” machinery on behalf of the Federal Ministry

for Economic Cooperation and Development (BMZ). Teachers and students are trained in operation, maintenance and repair. To this end, a training cooperation was agreed with the German agricultural machinery manufacturer Claas, which supplies the necessary machinery including spare parts and – as the only company in the country – operates a training centre with twelve mobile workshops.

Samrawit Kiros Haylu has been working as a teacher at the Wukro Agricultural College since October 2018. She holds a bachelor's degree in agricultural engineering and was one of the first to benefit from the practical training after the tractors arrived. What exactly does her job involve? “I work as a driving instructor – this of course also includes driving with auxiliary equipment like a plough. But I'm also responsible for repairs and maintenance, along with instruction in safety and theory.” About half of the almost 800 students and about 40 per cent of the teaching staff are women. And what is it like for male students to be taught mechanics and tractor driving by a woman? “When we have the opportunity as women to prove ourselves in a job, we are very tough and conscientious. A good prerequisite for successful instruction,” Samrawit says.

Susanne Schröder

Samrawit Kiros Haylu in front of one of the new tractors. She is the first driving instructor ever in Ethiopia.



Help with digital technology

For ten years, KfW Development Bank has been participating in the Social Cash Transfer Programme (SCTP) in Malawi, which helps to ensure that the basic needs of the poorest families are met. The donors use digital technologies to guarantee targeted and efficient disbursements and transparent processes.

The programme targets the poorest ten per cent of needy households in Malawi. They receive cash payments not subject to conditions, so they can decide for themselves how to spend the money. The government sets the amount of the transfer payments based on the need for food, clothing, health care, school attendance and other things.

Cash payments are limited to a certain period of time. The plan is to support the selected target group for four years. Data will then be collected again.

Since many poor families in Malawi do not have a bank account, other ways had to be found to disburse the money. The families can collect their money every two months at paypoints, which are set up on a village square or in front of a school, for example. The process is coordinated via a management information system – a computerised database that stores all the data.

The beneficiaries are issued an “ID card” that proves their status as authorised claimants. The card contains a barcode, which the employees of the district authorities scan on site. This allows the recipient’s data to be accessed directly. The district officials then know how much the person is due to receive for his or her household and the sum is handed over in cash.

The process is still quite complex. The district official sets up a folding

table and IT equipment supported by a mobile power unit at the paypoint, as there is almost no public electricity supply in Malawi. The administrative employee goes through the process from identification to payment with each client on site.

KfW would like to make more use of digital processes such as e-payment in Malawi in the future. However, the necessary conditions have not yet been created for this to be possible across the board. The beneficiaries – often elderly people – lack the most basic technical knowledge and have not yet used more modern payment methods. This makes it difficult to use these technologies. “The administrative workload has already been considerably reduced through improved

processes,” says department director Bettina Tewinkel.

External evaluations attest to the success of the programme: “It has made an effective contribution to alleviating poverty in Malawi and the living conditions of the families have improved. They eat more regularly, more children go to school and stay in school longer overall,” explains Tewinkel.

KfW Development Bank is implementing the SCTP on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) and the European Union (EU) in 14 of Malawi’s 28 districts, covering around 130,000 households occupied by more than 580,000 individuals.

Sabine Balk



At the paypoint.

A pioneer in challenging markets

They learn how to expertly assemble gypsum boards, how to install windows and doors in drywall construction or how to ensure good soundproofing and fire safety: since April, carpenters, painters, architects and even young people with no formal education have been trained at the Knauf training centre in the Ghanaian capital Accra.

The courses last between one day and two weeks and there are about 800 spots per year. “The construction sector in Ghana is booming, yet there is a huge shortage of skilled workers,” explains Daniel Thomann, specialist coordinator for the develoPPP.de programme at DEG – Deutsche Investitions- und Entwicklungsgesellschaft. “This is very much in line with the project.”

The centre, which opened in February, is part of a large-scale training campaign by Knauf, an internationally operating building materials manufacturer based in Germany, DEG and the Federal Ministry for Economic Cooperation and Development (BMZ). A total of nine drywall construction training centres in six African countries and Iraq are planned in the current project phase. The centre in Tanzania opened in June 2018, Ghana is the second and a centre in Erbil will follow in October. Knauf is providing EUR 2.8 million for the project and DEG a further EUR 2.3 million from the BMZ’s develoPPP programme. In subsequent project phases, drywall construction training centres will be built in other African countries as well as in the Middle East and Asia.

“Knauf already has many years of experience with training centres of this kind, for example in Tunisia and Algeria,” says Thomann. “They are

The first course is looking forward to start.



doing very well – the company has professionalised the training process.” Graduates have a good chance of finding a job or, if they had previously worked in the construction sector, more opportunities than before. Many also go freelance. This was shown by evaluations in Tunisia. “We want to systematically collect data about what happens to the people in the new centres,” says Thomann.

The overall goal of the project is to create at least 2,000 jobs. According to Thomann, this is a conservative estimate considering that 12,000 people are to be qualified within three years. Drywall construction is still unusual in Africa – brick construction is the prevailing method – but it has advantages that are becoming

increasingly important there: drywall construction requires less energy and water and houses can be completed more quickly and designed more individually.

For Knauf, the main advantage is to make its products better known and tap into new markets. DEG has already supported several of the company’s investments and sees it as a “pioneer in challenging markets”, as Thomann says. “Knauf is an early mover and has a pull effect for other German companies.” It is important to DEG to offer more than just financing: its support gives Knauf more confidence in Ghana and other countries and opens up new sales channels.

Katja Dombrowski

Desks, tables, windows – and dry floors

What a difference a good learning environment can make: a primary school teacher in Maputo explains.

The children used to sit on the floor. They had no desks, no chairs and in most classrooms there was also no electricity. This was uncomfortable, especially for the girls, some of whom still wear a capulana, a traditional dress. “This made it difficult for them to sit on the floor,” recalls primary school teacher Felizarda Zaqueu.

She generally found it difficult to provide a creative environment under these conditions. “I couldn’t create a pleasant learning environment,” says the 55-year-old teacher, describing the situation several years ago. Especially since the school was also built on a kind of swamp. When it rained, everyone’s feet got wet and dirty. Water and moisture were not only unpleasant; they also posed a serious health hazard.

Thankfully things have changed since then. Today the pupils sit in a dry place: in renovated classrooms, on sturdy desks, on solid stone floors. The walls are nicely painted, the windows let in enough light. And: Felizarda Zaqueu also has teaching materials, books and blackboards at

her disposal. “Now the students can concentrate on learning,” says the teacher.



Professora Felizarda Zaqueu in Maputo.

She teaches at Escola Unidade 30 in the capital of Maputo, a primary school that has been renovated in recent years with support from Germany. The work was part of a larger programme to build or modernise 1,000 classrooms a year in Mozambique. After all, the country

has set itself the goal of increasing the rate of school enrolment in line with the sustainable development goals (SDGs) and noticeably improving the quality of teaching.

The first successes have already been achieved: almost 85 per cent of all six-year-old children now attend school, compared with just over 80 per cent a few years ago. On behalf of the German Federal Government, KfW is financing construction measures in the education sector together with a number of other donors to remedy the serious shortage of adequately equipped classrooms. The shortfall was recently estimated at 38,000 classrooms throughout the country.

Escola Unidade 30 with Professora Felizarda Zaqueu is no longer included in this figure. She has been teaching there for 23 years and does not, under any circumstances, want to return to the old learning environment. “Everything is easier today,” says the mother of three. “Now we have everything we need to encourage the children’s development. I am very happy about this.”

Friederike Bauer

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