Compact with Africa: realizing the potential in Benin

Once again, African heads of government and German chancellor Angela Merkel came together to accelerate the implementation of the Compact with Africa (CwA). The key question driving the initiative is how to boost private sector investments and thereby create jobs in African countries. CwA is a platform for the coordination of various stakeholder groups in promoting economic, business and financial sector reforms. As it is a demand-driven process building on the individual needs and potentials of a country, the CwA offers a customized approach for each country. This factsheet presents most recent developments and some potentials of Benin in the context of the CwA.

The CwA is the central pillar of the G20 Africa Partnership, which was launched under the German Presidency of the G20 in March 2017. It aims to respond to some of the biggest challenges of the African continent, such as its rapid population growth and pervasive unemployment. As per the CwA, better macroeconomic reform contexts and increased private sector investments will in the long-run lead to an increase in demand for labour on African markets. Besides, African ownership is emphasized as an underlying policy objective of the CwA.

As of now, eleven countries (Benin, Côte d’Ivoire, Egypt, Ethiopia, Ghana, Guinea, Morocco, Rwanda, Senegal, Togo and Tunisia) have joined the Compact based on which they cooperate with the IMF, the World Bank, the AfDB and bilateral G20 partners. After voicing their interest and successfully joining the CwA, each country passes a so called “integrated granular analysis” that helps identify country-specific needs, which then shall lead to respective policy actions on the national and sectoral level. Such policy actions induce reforms of the macroeconomic, business and financial framework.

Benin has recently joined the Compact with Africa within a second accession round. Despite being one of the poorest countries in the world, Benin presents a stable and secure political environment. The election of the current president, Patrice Talon, in April 2016 marked the beginning of a new era, which was underlined by his willingness to implement key economic policy measures and launch national and sectoral reforms. Benin’s cooperativeness in implementing policies in line with the CwA is particularly evident in the most recent governmental action plan (PAG) for 2016-2021. Under the title “Revealing Benin” the government schedules reforms in agriculture, tourism, infrastructure, digitalization and power generation. With regards to the status quo, the action plan appears rather ambitious. The CwA could thus become an additional stimulus for launching essential reform processes.
Beninese government actors perceive the CwA as a great opportunity to attract further private investment that can advance the local economy and create jobs. In this light, the CwA appears to be a fruitful basis for its ambitions. Since Benin’s participation in the CwA, a first self-evaluation of the current achievement of the targets has taken place. Moreover, a recent study of the German Cooperation in cooperation with the Ministry of Economy and Finance (MEF) and the Ministry of Planning and Development (MPD) on the role of public and private investments in Benin has revealed some obstacles to and recommendations for the successful implementation of the Compact. According to the results, Benin needs to pay special attention to the reinforcement of the energy sector, improved infrastructure, ICT and tax compliance.

Benin’s strong commitment to undergo reforms in line with the CwA is also reflected in its reform matrix aligning the CwA into the greater national policy context. The matrix illustrates the following focus areas of reforms in Benin: maintaining macroeconomic stability, reducing investment risks, reinforcing public investment management and improving the business environment. The former includes better investor protection mechanisms as well as a management framework for public private partnerships. Besides, the matrix serves as an instrument for better donor coordination. Thus, the basis for further steps towards the achievement of the targets has been set.

Last year’s G20 conference with Africa marked another important milestone.

Benin’s president Patrice Talon along with 11 other African heads of governments attended the conference during which German Chancellor Angela Merkel promised to make available 1 billion € for new instruments to support private investment in African countries.

Beninese government actors work closely with the GIZ, particularly with the project on Macroeconomic Advisory for Poverty Reduction in the Context of the Agenda 2030 (ACMERP) on domestisizing and implementing CwA targets. They expressed that there is a strong need for exchange of experiences and good practices with other CwA- and West African countries. Furthermore, technical support was requested on improving macroeconomic stability and public investment management, which ACMERP seeks to provide. The German Cooperation can play a key role in enhancing public finance management, improving budgeting and costing of public investment and organising a regional forum on the CwA. Moreover, it may foster measures regarding the support of PPPs, anti-corruption activities and the reduction of administrative barriers. Digitalization can be crucial in attaining the anticipated results.

That said, bilateral and international partners as well as the private sector are urged to support the implementation of the Compact with Africa.