

G20 Compact with Africa

On the occasion of the Summit, France and Germany have reaffirmed their strong commitment to the G20 Compact with Africa (CwA), which was launched under the German G20 presidency in 2017. France and Germany have agreed to present a joint proposal to further strengthen the G20 CwA.

The G20 CwA offers a partnership approach aimed at implementing reforms improving the macroeconomic, business and financing environments as well as attracting private investments in member states (*12 African countries so far: Ivory Coast, Ethiopia, Morocco, Rwanda, Ghana, Senegal, Tunisia, Benin, Egypt, Guinea, Togo, Burkina Faso*). The Franco-German proposal is aligned with existing Compact objectives. Its goal is to level up the impact of the G20 CwA in order to create favourable conditions for a strong private-sector driven economic recovery.

The proposal is based on three pillars:

- Encourage further like-minded and reform-oriented African countries to join the CwA, willing to implement private sector-oriented reforms.
- Reinforce incentives for African partner countries engaging in business environment reforms, through enhanced financial support as well as strengthened financial offers to African entrepreneurship, by generating synergies and better coordination and efficiency.
- Provide enhanced technical support for the implementation of reforms through capacity building instruments in order to help African partner countries conduct those reforms in line with the best international standards.

The Franco-German proposal (see below) will be discussed and examined further within the G20 and with all relevant stakeholders of the initiative. It has been presented in particular to South Africa, which is chairing the G20 Africa Advisory Group (the CwA's governance body), the Italian G20 Presidency, the World Bank, the African Development Bank, the European Commission, gathering first informal positive feedbacks.

Strategic Considerations for further strengthening the G20 Compact with Africa

We believe the G20 Compact with Africa is a major initiative to foster investment and reforms in Africa. The Summit offers the opportunity to further strengthen the existing partnership, in the wake of the COVID-19 pandemic. This proposal should be seen as a strategic impulse to be considered and examined further with all relevant stakeholders of the initiative, in particular within the G20 context.

A partnership to accelerate structural reforms and foster the growth lever that constitutes the private sector:

We reaffirm the ambition of the participants to work together, on the basis of a shared diagnosis, to promote the development of the private sector in Africa and the amplification of the entrepreneurial dynamic of the continent as conditions for a robust endogenous economic growth, based on and in line with the sustainable development goals (SDG), in particular addressing climate change and environment issues, targeting education and vocational training needs, promoting affordable and efficient healthcare systems and focusing on the creation of formal jobs for African youth.

We reconfirm our support to the G20 Compact with Africa. Building on its success, we intend to further strengthen the overall ambition to promote private sector development and investment of the private sector to achieve sustainable economic growth and generate decent jobs especially for youths and women. This partnership is open to all reform-oriented African countries, including less advanced ones; it is aimed at enhancing financial and technical incentives and at mobilizing various existing instruments (TA, guarantees, subsidies and loans) by better coordination and efficiency. We encourage further reform-oriented African countries to join this strengthened G20 Compact.

Three steps to meet this ambition:

- i) **Support a stable, transparent and predictable business environment by accelerating reforms** aimed at unlocking the growth potential of the private sector in Africa and removing the most structural roadblocks to its development.
- ii) **Provide enhanced technical and financial support to create incentives and offer support for the implementation of these reforms** in order to enable African partners to deliver their contribution.
- iii) **Strengthen the financial offer to entrepreneurship**, by supporting local financial actors and by developing instruments dedicated to start-ups and MSMEs' development, both in terms of equity and credit funding, including risk mitigation mechanisms.

These three axes could be recommended to be included in a **strengthened G20 Compact with Africa**, in coherence with previous G20 work, the « Team Europe » initiative for Africa and supported by the international community, combining a coordinated support and an action plan in terms of reforms.

This support would bring together technical assistance, financing facilities for African MSMEs, including equity, and strengthen the local financial system (banks and microfinance institutions). **We encourage specific initiatives and the allocation of a part of the existing budget supports from multilateral (World Bank, IFC, AfDB, etc.) and bilateral development institutions, as well as the European Union, to support the targeted reforms in participating countries.**

1. On the African side

As part of this partnership, **national authorities would define, on a voluntary basis and with the support of the international financial institutions, the reforms that they consider priorities to carry out, e.g. in the areas of: i) the legal framework for businesses, ii) the taxation framework, in particular to encourage the formalization of MSMEs, iii) the financial regulation, and iv) the mobilization of domestic resources for the benefit of the private sector.**

These priorities should be determined with regards to the fundamental challenges of the partner country with a specific view to jobs creation. The targets to be reached and the timetable for the deployment of these reforms would be defined according to a partnership approach, which would take place within the country platforms of the Compact framework.

2. On the international community side

International players would commit to mobilizing financing for the benefit of African companies more efficiently, to generate synergies and to better coordinate their financing and technical assistance tools. To this purpose, they could use, scale up and build upon the Compact's country platforms under the shared objective of developing the African financing

ecosystem based first of all but not exclusively on African private and public investors. Teaming up with African partners, international and bilateral development institutions would target the scaling up of the main relays of African growth, e.g. very small, small and medium enterprises, the ecosystem of digital start-ups, the agricultural and the whole value chains of food processing, infrastructures.

3. A joint effort for strengthening technical capacities

The technical support jointly mobilized by the local and international financial community within the framework of this partnership would make best use of African expertise and talents and would target:

- **The implementation of reforms in the areas of the legal framework for business, taxation, financial regulation, support for central banks and regulators** in their commitment to the financial inclusion of entrepreneurs, the organization of public support and support for businesses - towards their formalization and / or for their financing - and the mobilization of domestic resources for the private sector financing;
- **The strengthening of domestic capacities in tax matters, via dedicated technical assistance programs and training actions;**
- **The support for partnerships between African and non-African private sectors**, in order to better integrate African companies into international value chains (jointventures, participation in public contracts).

A pan-African capacity development facility could promote African expertise by making it more visible, facilitating its mobilization by African states, and promoting the exchange of good practices between the countries of the continent.