

# Guidance Note on the Compact with Africa's Formal Procedures for Accession

This note lays out the actions countries need to take to engage and make a formal request to join the [G20 Compact with Africa \(CwA\)](#). It also clarifies the purpose of the initiative and for what type of country it is aimed at.

## Background

The G20 CwA was created in 2017 and aims to increase attractiveness of private investment in member countries through substantial improvements of their macro, business, and financing frameworks. It involves close cooperation between African countries, international organizations – AfDB, IMF, and the WBG, hereafter referred to as IOs – and bilateral partners to coordinate country-specific reform agendas, support respective policy measures and advertise investment opportunities to private investors. In other words, it aims to address economic and institutional challenges to create a conducive environment for private investment and sustainable growth in Africa.

The Compact is based on the premise that a coordinated and country-specific analysis of policies and institutional weaknesses curbing private investment in African economies could achieve sufficient progress in removing those constraints. For that, key factors are political buy in and domestic ownership. Therefore, the CwA is geared towards **reform-driven** governments that could deliver on substantive reforms that would unlock private investment.

Thus, Compact countries compile reform commitments in Compact reform Matrices that showcase investment opportunities. Each individual matrix establishes priority areas for reforms and measures to better mobilize private investment in three areas: macroeconomic environment, business climate, and financing frameworks. The G20 Africa Advisory Group (AAG), jointly chaired by Germany and South Africa, oversees the initiative, and coordinates bi-annual reports to G20 and Compact members and Governors on investment trends and targets.

Finally, besides benefiting from an enhanced and formalized coordination mechanism between the IOs in support of targeted policy reforms, by joining the CwA members would also benefit from Compact's partners: a) peer-to-peer learning for reform implementation, with the support of the African Center for Economic Transformation and the European Commission; b) training and technical assistance; and c) promotion of entrepreneurship, with the support of the Alliance for Entrepreneurship, and efforts to link smaller firms with global supply chains and to intensify private sector outreach.

## Formalizing Accession Requests

Countries that assess they qualify to join the CwA and believe would greatly benefit from joining the initiative should formalize their intentions to join the Compact as follows:

1. Authorities should engage with the representatives of the IOs in their country to discuss the objectives of the CwA, the country's current reform progress and the prospective reform agenda. The IOs will advise them on accession procedures, relevant timelines, building the country's Compact team, and

the content of policy matrices, as the suitability of a country to join the CwA hinges primarily on its reform matrix.

2. Countries should express their intention to join the CwA by writing a formal letter to the G20 presidency and AAG Co-Chairs requesting to join the initiative.<sup>1</sup> The letter should explain why the country is a good candidate and how joining the CwA fits into its economic and development plans. The letter should also indicate that the engagement with the local representatives of the IOs has started and that the country is working or will begin to work with the IOs to develop a reform matrix.
3. To build their case, in consultation with the IOs, countries should develop a reform matrix summarizing ongoing and planned reforms, reflecting the commitments and ambitions of the authorities in three key areas: (i) macroeconomic environment; (ii) business climate; and (iii) financing framework. The reform matrix should clearly delineate government actions, measurable indicators and targets, and support from development partners, including the IOs. It should be complemented by an investment prospectus showcasing investment opportunities in key specific sectors and factors that make the country attractive to private investors.
4. The reform matrix and the investment prospectus should be sent to the Co-Chairs and the local IOs representatives. Based on the information provided, AAG Co-Chairs, in consultation with the IOs, will assess the country's membership potential. The country will be invited to the next AAG meeting, where it will present its objectives in joining the CwA and its reform matrix.
5. Subsequent to the country's presentation, AAG members will have the opportunity to openly discuss the prospects of the country's membership. The country will only be present at the AAG meeting for its agenda item.
6. In the end, CwA countries will be invited to vote in a written procedure after the AAG meeting on the country's admission. The CwA countries' voting should only be based on financial and economic aspects regarding the candidate country. The final decision on the admission of a country to the CwA will be consensus-based considering the votes cast. In case of a consensual positive voting of the CwA countries, AAG co-Chairs will send a formal letter to inform the country of the decision. The official accession of the candidate country will be announced at the subsequent AAG meeting. In case of non-consensus, the Co-Chairs will decide on how to proceed further and will make a proposal to the CwA members on the further process.

## Additional Information

To facilitate the application process, countries are encouraged to form their Compact teams. For that, they should designate a **Compact coordinator** to oversee the process. This is typically a high-level public official, such as a senior advisor to the President or a Deputy Minister.

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<sup>1</sup> The letter should copy the local representatives of the IOs.

In addition, they should choose technically strong staff from key government bodies (e.g., ministries of finance and development, central bank, investment agency) to serve as IO counterparts and support the Compact coordinator.

**The Compact team**, formed by the country and IO's representatives, as well as in-country bilateral partners and private sector representatives, produce 3 deliverables to support the application to join the CwA:

1. A country **Policy Matrix** that establishes priority reforms and measures in three areas to better mobilize private investment: macroeconomic, business and financial environment. A stable and predictable economy, ensuring adequate public infrastructure, including via well-designed PPP legislation, and a friendly business environment, including an adequate financing framework, are key to foster private investment.
2. An **Investment Prospectus**, elaborated with IFC and AfDB support, defining 3–4 niches/sectors the country wishes to highlight.
3. A **presentation** summarizing objectives and policy matrix to be circulated to AAG prior to meeting.

Recently admitted Compact countries—in collaboration with the IOs—will then focus on **concrete reform measures for implementation**, based on the priority areas mentioned above.