The members of the G20 Africa Advisory Group (AAG) met on 16 November 2023. The AAG welcomed Dr Duncan Pieterse, the newly appointed Director-General of the National Treasury, Republic of South Africa, who will co-chair the AAG meetings going forward.

The AAG welcomed the Democratic Republic of Congo as the 13th member to the Compact with Africa. We appreciate the Democratic Republic of Congo’s commitment to economic reforms and work in this multilateral initiative. We take note of the growing interest of other countries to join the Compact.

The meeting underscored the value of close multilateral cooperation, which is vital in these globally turbulent times in which numerous regions are affected by multiple crises. The global macroeconomic outlook continues to be influenced by these global shocks and remains subdued. Medium-term growth prospects are at their lowest in decades, underscoring the need for well-calibrated macro policies, growth-enhancing structural reforms and enhanced multilateral cooperation. Fiscal sustainability to ensure governments’ scope of action remains one of the most pressing and important challenges currently faced by many countries.

In light of these global developments, G20 Compact with Africa (CwA) member countries, in tandem with multilateral and G20 partners as part of the multi-stakeholder initiative, continue to promote private-sector development and increase investment activities to foster economic growth and boost economic resilience. The success of these efforts is clear: CwA countries are experiencing comparably stronger economic growth and higher investment levels than non-CwA countries, despite ongoing global, regional and domestic challenges including climate change, wars and energy insecurities.

The AAG welcomed the most recent Monitoring Report prepared by the World Bank Group (WBG) in collaboration with the African Development Bank (AfDB) and the International Monetary Fund (IMF). The report underlines the strong economic performance of CwA countries over the past years, which shows their economic resilience. Announcements of foreign direct investment increased sharply in 2022, which is why investment flows to Compact countries are expected to rise considerably in 2023 and beyond, driven mainly by investments in the renewable energy sector. Despite this, challenges and vulnerabilities remain in many countries that should be addressed in a joint effort.

Compact countries reiterated their commitment to implementing reforms to strengthen macroeconomic fundamentals and business environments. Compact countries are also actively engaged in peer-learning activities and have held Compact Team meetings. These efforts, which are in line with the measures to strengthen the CwA agreed upon at the AAG meeting in December 2022 (the CwA 2.0 reform package), will further increase the tangible
benefits resulting from cooperation under the CwA. These benefits could increase further with a transition to CwA 2.0, which responds to the growing demand from Compact countries for strategic technical assistance and peer-learning.

Moreover, members underscored the need for further regional economic integration (leveraging the African Continental Free Trade Area – AfCFTA) and cooperation to foster economic growth and strengthen economic resilience, particularly against external shocks. During this AAG meeting, members shared experiences on domestic reform priorities, including on trade integration and increasing connectivity, digitalisation, technical and vocational training, and support for small and medium-sized enterprises (SMEs). There was broad consensus among Compact countries, G20 partners and International Organisations that the transition to net zero represents a generational opportunity for Compact countries to attract additional investment in green energy production, while also greening and upgrading domestic value chains in key transition products to support overall industrialisation processes and job creation in Compact Countries. Macroeconomic and business environment reforms supported through the CwA initiative are crucial levers to increase local value added in green value chains. The G7 Partnership for Resilient and Inclusive Supply-chain Enhancement (RISE) was mentioned as a possible lever to accelerate cooperation in this area.

The AAG also discussed the importance of Domestic Resource Mobilisation (DRM) in financing economic development and achieving the Sustainable Development Goals. Tax-to-GDP ratios are still relatively low in most African countries, including in Compact member countries. There is a dynamic process underway in several CwA countries to reform and digitalise tax systems. Members were in agreement that increasing the tax base is vital for sustainable economic development and the state’s ability to provide public goods. Furthering DRM, particularly with respect to the implementation of international tax reforms, will require continued technical assistance by development partners and international organisations.

The AAG Co-Chairs would like to thank all partners for their ongoing commitment to and support for the CwA initiative as also reiterated in the G20 New Delhi Leaders’ Declaration. In particular, we appreciate the Indian G20 presidency’s support for our ongoing efforts and very much look forward to working with the Brazilian G20 presidency in 2024. At the meeting, there was a shared understanding that the potential of the CwA can be best utilised if all G20 members and international partners contribute within their respective means to the initiative, including through contributions to the trust funds lined up by the WBG and AfDB to respond to the request by Compact countries for more technical assistance and peer learning in the context of CwA 2.0.

The Africa Advisory Group is scheduled to reconvene in April 2024; the format and exact date will be communicated in due course.