



G20 COMPACT WITH AFRICA

COMPACT MONITORING REPORT

Africa Advisory Group Meeting

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WHAT IS THE G20 COMPACT WITH AFRICA

The G20 Compact with Africa (CwA) was initiated under the German G20 Presidency to promote private investment in Africa, including in infrastructure. Launched in 2017, the CwA's primary objective is to increase the attractiveness of private investment through substantial improvements of the macro, business, and financing frameworks. It brings together reform-minded African countries, international organizations, and bilateral partners from G20 and beyond to coordinate country-specific reform agendas, support respective policy measures, and advertise investment opportunities to private investors. The initiative is demand-driven and open to all African countries. So far, 13 countries have joined. With the Africa Advisory Group (AAG) as a regular G20 working group, the CwA is firmly anchored in the G20 finance track. It is currently co-chaired by Germany and South Africa.

WHAT ARE THE COMPACT WITH AFRICA COUNTRIES



Benin



Egypt



Guinea



Senegal



Burkina Faso



Ethiopia



Morocco



Togo



Côte d'Ivoire



Ghana



Rwanda



Tunisia



Democratic
Republic of Congo

WHAT IS THIS REPORT

The monitoring report informs the AAG meeting, which is held twice a year in May and November. The meeting comprises all the CwA countries' representatives, CwA co-chairs Germany and South Africa, CwA partners, and G20 partners. The report describes the impact of the CwA Initiative on private investment, with updates on the macroeconomic outlook, foreign direct investment, trade, reforms, entrepreneurship, and learning. The monitoring report also shares best practices in boosting private investment with other countries and existing or potential private sector investors.

FIND OUT MORE

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ABBREVIATIONS AND ACRONYMS

AAG	Africa Advisory Group
ACET	African Center for Economic Transformation
AE	advanced economy
AFAWA	Affirmative Finance Action for Women in Africa
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AforE	Alliance for Entrepreneurship in Africa
ATI	African Transformation Index
AU	African Union
BOA	Bank of Africa Group
BSTP	Bourse de Sous-Traitance et de Partenariats
CBI	cross-border investment
CCDR	Country Climate and Development Report
CIDT	Compagnie Ivoirienne pour le Développement des Textiles
C-JET	Competitiveness for Jobs and Economic Transformation
CPSD	Country Private Sector Diagnostic
CSP	Country Strategy Paper
CwA	Compact with Africa Initiative
CwA-GBF	Compact with Africa–Green Business Fund
DRC	Democratic Republic of Congo
EMDE	emerging market and developing economy
ESO	Enterprise Support Organization
F4D	Finance for Development
FDI	foreign direct investment
fintech	financial technology
GAFSP	Global Agriculture and Food Security Program
GDP	gross domestic product
GHG	greenhouse gas

IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
ISCA	International Finance Corporation Support to the Compact with Africa
LAC	Latin America and the Caribbean
LDC	least-developed country
M&A	mergers and acquisitions
MDB	multilateral development bank
MIGA	Multilateral Investment Guarantee Agency
MNE	multinational enterprise
MoU	memorandum of understanding
MSME	micro, small, and medium enterprise
NA	North Africa
NSO	non-sovereign operation
PPP	public-private partnership
SME	small and medium enterprise
SSA	Sub-Saharan Africa
TAP	Think Africa Partnership
UNCTAD	United Nations Conference on Trade and Development
WDI	World Development Indicators
WTO	World Trade Organization

All currency is in U.S. dollars unless otherwise noted.

Fiscal year 2023 (FY23) refers to July 1, 2022–June 30, 2023.



EXECUTIVE SUMMARY

Amid global uncertainties, climate shocks, and debt vulnerabilities, in 2022, Compact with Africa (CwA) countries registered higher gross domestic product (GDP) growth rates and a surge in exports and foreign direct investment (FDI), with the latter being driven by investments in renewable energy in Egypt and Morocco. However, CwA countries are projected to register an economic slowdown in 2023 with a decline in GDP growth and trade (in goods). Going forward, CwA countries' efforts in reform implementation, including investment policy reforms and the implementation of the African Continental Free Trade Area (AfCTA), are expected to foster investment, regional integration, and trade. In this regard, CwA countries have benefited from technical assistance support from the International Monetary Fund (IMF), African Development Bank (AfDB), World Bank Group, and African Center for Economic Transformation (ACET) in reform implementation, policy framework strengthening, capacity development, advisory services and diagnostics, lending operations, and knowledge sharing through peer learning events.

In an assessment of CwA countries' performance in expected key development outcomes over 2010–22 (including the five years of existence of the CwA initiative), evidence shows that despite the COVID-19 shock and other global uncertainties, CwA countries as a group have outperformed non-CwA countries in FDI, exports, domestic investments, and GDP growth rates. The good macro-economic performance of the CwA countries group hides significant within-country group heterogeneity, with CwA-North African countries driving up the group averages. When looking at countries' effectiveness in creating jobs and firms, evidence indicates that CwA countries have been lagging non-CwA countries, and the COVID-19 shock has even widened the gap. Going forward, urgent actions are needed to reduce these gaps, including targeted CwA initiatives supporting CwA-Sub-Saharan African countries to speed up economic growth and high-quality entrepreneurship development at faster and sustained levels, which will all contribute to creating more and better jobs for their growing youth population (See Chapter 7 for more key assessment findings). Preliminary analysis seems to indicate some of the superior economic performance of CwA countries could be associated with CwA-funded activities (for example, Country Private Sector Diagnostics, peer learning, technical assistance, and investor outreach). In-depth impact evaluation of CwA-funded activities will be conducted as part of CwA 2.0.

Thus, and despite their efforts in reform implementation, major challenges remain to scaling up private sector investment in CwA countries. Priorities include regional integration to drive economies of scale; implementation of

institutional, governance, and policy/regulatory reforms; greater competition and a more even playing field in view of state-owned enterprises and state-owned banks; and design and implementation for public-private partnership reforms.

There has been good progress on the implementation of CwA 2.0 reforms unanimously approved on December 8, 2022, which should greatly help CwA countries address these challenges. Progress along each of the three reforms has been as follows (see Chapter 9 for more details).

- **To formalize the admission procedure, keeping membership to reform-minded countries.** The Democratic Republic of Congo (DRC) was the first country admitted following the new formalized process, bringing the number of CwA countries to 13: Benin, Burkina Faso, Côte d'Ivoire, DRC, Egypt, Ethiopia, Ghana, Guinea, Morocco, Rwanda, Senegal, Togo, and Tunisia. A growing set of countries has expressed interest in joining the Compact.
- **Responding to requests from CwA countries, CwA 2.0 will enhance technical assistance to strengthen the Compact Country Teams, peer learning, and investment promotion (\$100 million needed to fund this technical assistance over the next five years).** Discussions have taken place with each CwA country to follow up on their written request for strategic technical assistance, whereby a few U.S. millions of strategic technical assistance will help mobilize and increase the impact of U.S. billions from international organizations and G20 public/private partners. This will be done by formalizing Compact Country Teams as part of Country Platforms (adapted to the country context, relying as much as possible on existing institutional arrangements).
- **To enhance the understanding of entrepreneurial activities in CwA countries to identify concrete and country-specific policy recommendations.**
 - **The International Finance Corporation (IFC) has significantly expanded its analytical work on entrepreneurship in Africa, including in CwA countries.** Many of these research initiatives are being prepared as background studies for a forthcoming IFC flagship report, *Unlocking Investment Opportunities in Digitalization for African Businesses*. The studies found that Africa, including CwA countries, lags in the creation of high-potential firms capable of generating good-quality jobs for its growing working-age population. Entrepreneurship quality is strongly associated with development and is key to increasing the size of the formal sector. The African tech startup ecosystem, albeit from a low base, is among the fastest growing in the world. Over 50 percent of tech sector firms in Africa are in Egypt, Kenya, Nigeria, and South Africa. Countries such as Ghana, Morocco, and Tunisia are gradually increasing their participation. Regarding disruptive technologies, cloud computing and mobile payments are key. However, Africa still lags in artificial intelligence and machine learning. Technologically disruptive firms are more likely to enter ecosystems with a higher prevalence of more capable firms, hence the importance of using diagnostics to assess entrepreneurial ecosystems and inform policies. The World Bank has developed a new tool for assessing entrepreneurial ecosystems that will be applied to CwA countries. See Chapter 5 for more details.
 - **AfDB is driving an African entrepreneurship empowerment agenda through its Jobs for Youth in Africa Strategy (JfYA) to achieve inclusive employment, human capital development, and better labor market links.** As one of the initiatives to implement this strategy, AfDB created the Innovation and Entrepreneurship Lab in 2019. The Lab has five pillars to address the challenges and opportunities for entrepreneurship: (i) market analysis and networking; (ii) capacity building; (iii) knowledge and exchange platform; (iv) providing financial support to startups; and (v) innovation and incubation. To address the status of firm distribution and entrepreneurship in Africa, the Lab conducted research and data of the African entrepreneurship ecosystem, mapping all key ecosystem actors, market needs, and technology opportunities.
 - **Also, the World Bank Group is deploying and updating its diagnostics to help CwA countries identify private investment and job creation opportunities (including the ones related to the green and digital economy) together with barriers standing in the way.** These include the recent Country Private Sector Diagnostics sector deep dives, Country Climate and Development Reports, and Jobs Diagnostics presented

in the report. The World Bank Board of Directors has recently approved a new generation of CPSDs, called CPSD 2.0, as a core World Bank diagnostic, an upgrading of the CPSD to help scale up private capital mobilization and bring private sector development to the frontlines. The World Bank is also developing the Country Economic Memorandum (another core diagnostic of the World Bank) into the CEM 3.0, which will emphasize the micro-economic foundations of growth.



1. MACROECONOMIC OUTLOOK

Key Messages

- **Growth.** CwA countries experienced higher growth in 2022 than non-CwA African economies, at 5.4 percent versus 3.0 percent. The average growth in CwA countries is expected to decrease to 4.1 percent in 2023 due to high inflation, restrictive monetary policies, currency depreciation, and tighter financing conditions.
- **Exports.** CwA countries experienced strong export growth in 2022, primarily led by Egypt and Morocco, while exports in Sub-Saharan CwA countries increased marginally. Imports also rose in 2022, contributing to an increase in the average current account deficit to 4.5 percent of GDP in 2022.
- **Debt.** Debt vulnerabilities have increased in recent years in CwA countries, driven by the effects of the pandemic and the much-needed policy response. In 2023, the projected average debt-to-GDP ratio for CwA countries stands significantly higher (78 percent) compared to other African economies (59 percent). Average debt-to-GDP ratios are expected to reach 58 percent in Sub-Saharan African CwA countries and 89 percent in Northern African CwA countries.
- **IMF and other support.** From March 2020 to August 2023, IMF-approved financing requests reached \$25.7 billion. In the last 12 months up to August 2023, 9 percent of its capacity development direct country spending went to CwA countries. All CwA countries receive assistance from the African Training Institute and regional technical assistance centers.
- Due to lack of time, the DRC (which officially joined the CwA at the end of September 2022) was not included in this assessment. The country will be included in future CwA monitoring reports.

1.1. Compact with Africa Countries Face Complexity and Uncertainty

Growth in CwA countries increased to 5.4 percent in 2022 while reaching only 3.0 percent in non-CwA African economies.¹ The CwA countries' robust growth followed a strong rebound in 2021 on par with non-CwA African economies (4.9 percent vs. 4.8 percent). The large discrepancy in 2022 reflected not only the higher resilience of CwA countries in recent years, but also how ubiquitous growth has been. In 2022, Sub-Saharan African CwA countries (CwA-SSA) grew by 5.3 percent despite the compounding impact of lingering pandemic effects and spillovers from

¹ Group averages are PPP-weighted unless mentioned otherwise.

Russia's war on Ukraine. Northern African CwA countries (CwA-NA) grew by a slightly faster pace (5.5 percent). Eight out of twelve CwA countries grew by 4 percent or more in 2022. Among CwA-SSA countries, the best performers were Côte d'Ivoire and Rwanda with estimated growth rates of 6.7 percent and 8.2 percent, respectively. Among CwA-NA countries, Egypt's growth reached 6.7 percent, strongly driving the group's average. Among CwA-SSA countries, the weakest performers were Burkina Faso and Ghana, which grew by 1.5 percent and 3.1 percent, respectively, reflecting security challenges (Burkina Faso) and macro imbalances exacerbated by high inflation and large currency depreciation, and debt sustainability issues (Ghana). In the CwA-NA group, Morocco and Tunisia grew at a more moderate pace (1.3 percent and 2.5 percent, respectively), amid worsening terms of trade (for both countries), severe drought (Morocco) and a large increase in sovereign bond spreads (Tunisia).

After a strong rebound in 2021 (6.3 percent), global growth experienced a sharp deceleration in 2022 (3.5 percent). This lower growth reflected the synchronized effects of more restrictive monetary policies in advanced economies (AEs), following the sharp rise in inflation rates and the effects from Russia's war on Ukraine, which fueled further ongoing inflationary pressures. As a result, monetary policy in AEs was tightened faster than anticipated. This led to a sharp decline in growth rates in AEs (2.6 percent in 2022 vs. 5.6 percent in 2021). The weakening global momentum carried on to 2023. The estimated global growth for 2023 (3.0 percent) has recently been slightly revised upwards. Notably, despite much lower expected growth in 2023 (1.5 percent), AEs, especially the United States, have shown remarkable resilience against the sharp increase in interest rates and the financial sector turmoil earlier in the year. As a result, the likelihood of a soft landing in the United States has increased as headline inflation has fallen faster than anticipated while the labor market remains strong. On the other hand, the China reopening boost is losing steam partially due to continued weaknesses in the real estate sector. Despite the recent decline in food prices, many developing countries face high prices and a cost-of-living crisis, adding to longstanding food security challenges—particularly in Africa—which have been magnified by climate change-related shocks and conflicts. In addition, tighter global financial conditions have led to capital outflows and currency depreciation in several countries and created an important funding squeeze in Sub-Saharan Africa.

CwA countries' average growth is expected to decrease to 4.1 percent in 2023 (5.4 percent in 2022), reflecting several factors, such as high inflation, more restrictive monetary policies (especially in AEs), currency depreciation, and challenging policy tradeoffs, including due to tight financing conditions and low policy buffers. This lower average growth, however, hides diverging short-run prospects between CwA-SSA and CwA-NA countries. Growth in the CwA-SSA group is projected to reach 4.9 percent in 2023, almost half of a percentage point below the pace in 2022 (5.3 percent). In the CwA-NA group growth is projected to reduce significantly to 3.7 percent (5.5 percent in 2022) mainly due to lower growth in Egypt. Morocco's growth is expected to increase from 1.3 percent in 2022 to 2.4 percent in 2023. The growth gap between CwA-SSA and CwA-NA countries is expected to increase in 2024 as average growth is projected to increase to a robust 5.8 percent in CwA-SSA and decrease slightly in CwA-NA (3.5 percent). Medium-term (2024–28) growth is expected to remain lower in CwA-NA countries (4.7 percent) relative to CwA-SSA countries (6.0 percent). However, while for CwA-SSA countries growth is expected to be below the average seen in the five years prior to the pandemic (7.0 percent), the expected medium-term growth for CwA-NA countries (4.7 percent) would exceed their pre-pandemic five-year average by 0.5 percentage points. Further, the medium-term growth for both groups of countries is expected to substantially exceed growth in AEs (1.7 percent) and emerging market and developing economies (EMDEs) (4.0 percent). Despite the more sanguine outlook for CwA countries these projections involve heightened uncertainty due to more frequent climate-related shocks, potential further adverse spillovers from Russia's war on Ukraine, protracted funding squeeze in the region, and the broader risks associated with the international economic environment, including risk on China's economy and potential

worsening of geoeconomic fragmentation.² In addition, country authorities face difficult policy tradeoffs, with limited buffers and large development and social needs.

Exports from CwA countries rebounded strongly in 2022 (+15.0 percent), after recovering moderately in 2021 (+1.7 percent) following a sharp contraction in 2020 (-8.1 percent).³ The strong growth in 2022 was mostly driven by Egypt and Morocco, whose exports increased by 30.1 percent and 29.9 percent, as economies reopened on the back of increasing vaccination rates with tourism-dependent economies benefiting the most. Though exports from CwA-NA countries soared by 25.5 percent in 2022, exports from CwA-SSA countries increased only marginally by 0.3 percent. Nonetheless, robust exports in Rwanda (+14.8 percent) for the second year in a row and in Ethiopia (+11.0 percent) were recorded. In their turn, imports increased sharply in 2022 (+3.6 percent) following a small decline in 2020 (-1.9 percent) and modest growth in 2021 (3.2 percent) as economies reopened and food and oil prices surged in the first half of the year. As a result, the CwA average current account deficit is estimated to have increased from 4.0 percent of GDP in 2021 to 4.5 percent of GDP in 2022, reflecting higher deficits in CwA-SSA countries (5.8 percent of GDP in 2022) while decreasing slightly in CwA-NA (from 4.1 to 3.9 percent of GDP). Current account deficits are projected to fall in the medium term both in CwA-SSA (3.3 percent of GDP) and CwA-NA countries (2.8 percent of GDP) to levels below the average ratio in the five years prior to the pandemic (6.1 percent and 4.4 percent of GDP).

The policy response to the pandemic took a hefty toll on African economies as large fiscal relief packages needed to be deployed while output and tax collection plunged, forcing many countries to resort to additional borrowing. As a result, public debt ratios increased, pushing a few countries into debt distress and threatening debt sustainability in several others. The expected average debt-to-GDP ratio for CwA-SSA countries in 2023 (58 percent) stands 5 percentage points above its pre-pandemic level. The increase reaches 12 percentage points for CwA-NA countries with an expected average debt-to-GDP ratio in 2023 of 89 percent. Overall, the expected average debt-to-GDP for CwA countries is substantially higher in 2023 (78 percent) than for other African economies (59 percent). In the medium term, debt ratios for both groups of countries are expected to decrease although at a slow pace as fiscal adjustments are more challenging in a global environment more prone to shocks, including related to climate change, with difficult policy tradeoffs and large gaps (such as infrastructure and social gaps).

1.2. IMF Financial and Capacity Development Support

The IMF continues to support CwA countries by helping them strengthen their macroeconomic and financial policy frameworks (Pillars 1 and 3 under the CwA) and by providing financing through an UCT-quality program where feasible and emergency financing where needed. In addition, the Resilience and Sustainability Facility, which aims to help low-income and vulnerable middle-income countries address longer-term challenges, including those related to climate change and pandemic preparedness, has started to be implemented.⁴

- **IMF financial support.** From March 2020 until August 2023, the IMF approved 24 financing requests (including augmentation) across all CwA countries, totaling \$25.7 billion, to support the policy response to health, social, and economic crises. In addition, six of the poorest CwA countries received \$284 million in immediate debt relief under the Catastrophic Containment Relief Trust. Six countries were elected to participate in the Debt Service Suspension Initiative: Burkina Faso, Côte d'Ivoire, Ethiopia, Guinea, Senegal,

² In Sub-Saharan Africa, no country has been able to issue a Eurobond since spring 2022.

³ Average rates are trade-weighted.

⁴ Rwanda, a CwA country, was the first African country to benefit from the Resilience and Sustainability Facility. Burkina Faso and Guinea received a Rapid Credit Facility under the Food Shock Window on December 22, 2022, and March 27, 2023.

and Togo. CwA countries also received \$8.5 billion from the August 2021 SDR general allocation, which was pivotal to support countries in need.

- **Capacity development.** Support for CwA countries accounted for about 9 percent of the IMF's capacity development direct country spending in the last 12 months up to August 2023, including 248 capacity development country engagements. In FY23, IMF training reached 1,915 country officials in CwA countries. All CwA countries are assisted by the African Training Institute (ATI) and are members of a regional technical assistance center in Africa or the Middle East. The CwA serves as a framework for Europe's contribution to all AFRITACs and ATI.
- **Direct engagement between authorities and CwA country teams.** IMF CwA country teams actively engage with CwA country authorities and 11 of 12 CwA countries have Resident Representatives. Fund staff also directly engage in the monitoring and coordination of the CwA and maintain the CwA website, which provides relevant and transparent information to policymakers.



2. FOREIGN DIRECT INVESTMENT OVERVIEW

TERMINOLOGY

- FDI refers to both greenfield FDI and cross-border mergers and acquisitions (M&As), from quarterly data derived from the UNCTAD FDI/multinational enterprise (MNE) database (www.unctad.org/fdistatistics)
- Cross-border investment (CBI) refers to announcements of greenfield FDI projects in accordance with information from the Financial Times Ltd, fDi markets (www.fdimarkets.com).
- Though CBI data is based on announcements and not necessarily actual data or implemented investments, it is used in this report as a proxy for FDI because it is more up to date while the latest available FDI data by UNCTAD is for 2022.

Key Messages

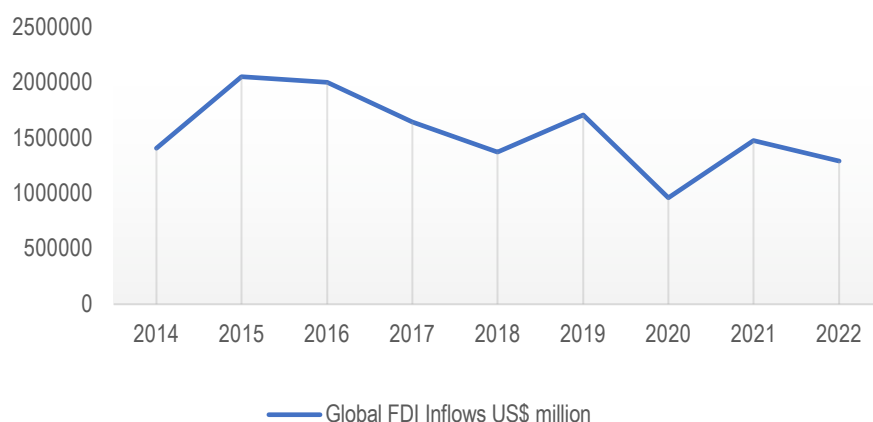
- **CwA investments.** FDI inflows to CwA countries increased by 25 percent in 2022 to reach \$24.3 billion, while FDI inflows in the rest of Africa fell by 66 percent to \$20.6 billion after rebounding strongly in 2021. Four of the 12 CwA countries have witnessed growth in their FDI inflows, namely Egypt, Togo, Cote d'Ivoire and Tunisia. However, in terms of country allocation for FDI inflows in 2022, Egypt came first, followed by Ethiopia, Senegal, Morocco, Côte d'Ivoire and Ghana.
- **CBI.** CBI announcements in CwA countries rebounded strongly in 2022, increasing 466 percent year-on-year to reach \$128.3 billion. The share of CwA countries in total CBI flows to Africa rose to 69.6 percent in 2022. Egypt was the leading investment destination in both FDI and CBI announcements. In the first half of 2023, CBI announcements in CwA countries fell short compared to the rest of Africa primarily due to a decline in Egypt.
- **Climate investments.** In 2022, the surge in CBI announcements in CwA countries was driven by large-scale renewable energy projects in Egypt and Morocco that focused on green hydrogen and clean energy.
- **Investment policy reforms.** Over the past decade, African emerging economies, particularly in CwA countries, led reforms to encourage private investment. In 2022, several CwA countries introduced such policies, including (i) Egypt's "golden license" for foreign investments; (ii) Morocco's Fnideq Economic Activities Zone; (iii) Côte d'Ivoire's favorable tax regime for new investments; and (iv) Ethiopia's new income tax exemption for investors.
- Due to lack of time, the DRC (which officially joined the CwA at the end of September 2022) was not included in this assessment. The country will be included in future CwA monitoring reports.

2.1. Global Foreign Direct Investment Dips in 2022 and Continues to Face Challenges in 2023

Global FDI flows declined in 2022 due to multiple crises and challenges. According to the latest UNCTAD World Investment Report (2023), FDI declined by 12 percent to \$1.3 trillion after nosediving in 2020 and rebounding in 2021. Russia’s war on Ukraine, high food and energy prices, risks of recession, and debt pressures in many countries negatively affected global FDI. International project finance values and cross-border mergers and acquisitions (M&As) were especially shaken by stiffer financing conditions, rising interest rates, and uncertainty in financial markets. The value of international project finance deals fell by 25 percent in 2022, while cross-border M&A sales were 4 percent lower. Among the components of FDI, retained earnings remained high in 2022, reflecting the continued high profit levels of the largest MNEs across all sectors, especially the extractive industries (Figure 2.1).⁵

FDI flows to developed economies fell by 37 percent to \$378 billion, whereas FDI flows to developing economies rose by 4 percent to \$916 billion—the highest level ever recorded. The increase was mainly the result of strong growth performance in Latin America and the Caribbean. Developing countries accounted for more than two thirds of global FDI, up from 60 percent in 2021. The impacts of the multidimensional crises, especially in food and energy, and financial and debt distress hit investment flows to the poorest countries disproportionately. Flows to the least developed countries (LDCs) fell by 16 percent; they continue to account for only 2 per cent of global FDI. On a global level, the United States remained the largest host for announced greenfield projects and international project finance deals, followed by the United Kingdom, India, the United Arab Emirates, and Germany.⁶

Figure 2.1. Global Foreign Direct Investment Inflows (2014–22)



Source: UNCTAD World Investment Report; IFC staff calculations, 2023.

The global environment for international business and CBI remains challenging in 2023. Although the economic headwinds shaping investment trends in 2022 have somewhat subsided, they have not disappeared. Geopolitical tensions are still high, which is causing turbulence in financial markets. UNCTAD expects downward pressure on global FDI to continue in 2023. Early indicators for Q1 2023 show weak trends in international project finance and M&As. Greenfield investment trends provide a positive counterweight. The number of project announcements was up 15

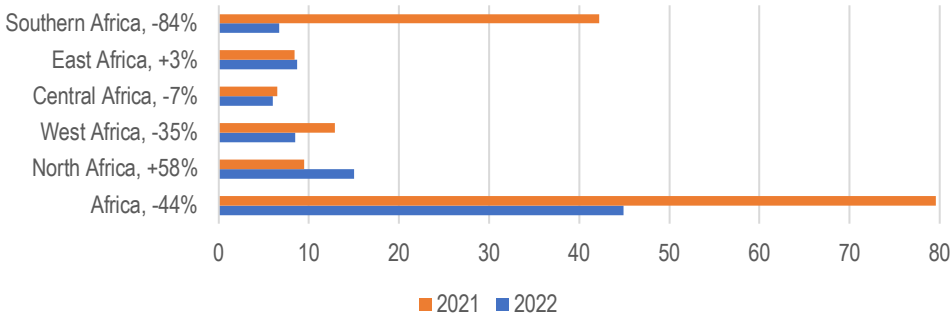
⁵ UNCTAD. 2023. World Investment Report. <https://unctad.org/publication/world-investment-report-2023>

⁶ UNCTAD. 2023. World Investment Report. <https://unctad.org/publication/world-investment-report-2023>

percent in 2022, and Q1 2023 data also shows resilience. Trends in international investment in real productive assets are therefore more positive than the headline FDI data suggests.⁷

FDI flows to Africa fell by 44 percent to \$45 billion in 2022 due to unfavorable base effects, following a record year in 2021 that was due to a single intrafirm financial transaction in South Africa. Excluding this deal, the change in FDI flows to Africa in 2022 would have increased by 7 percent. International project finance deals in Africa showed a decline of 47 percent in value (\$74 billion, down from \$140 billion in 2021), but a 15 percent increase in project numbers to 157. Across the African region, decreases in the values of project finance were registered in renewables, mining, and power. European investors remain by far the largest holders of FDI stock in Africa, led by the United Kingdom (\$60 billion), France (\$54 billion), and the Netherlands (\$54 billion). All sub-regions in Africa witnessed a decline in FDI inflows in 2022 except North Africa, which was led by increased investments in Egypt and Morocco (Figure 2.2).⁸ Africa's intraregional investment remained small despite an increase over the past five years. In 2022, intraregional greenfield project announcements (CBI) represented 15 percent of all projects in Africa (2 percent in terms of value) as compared with 13 percent (2 percent in value) in 2017.⁹

Figure 2.2. Foreign Direct Investment Inflows in Africa by Sub-region



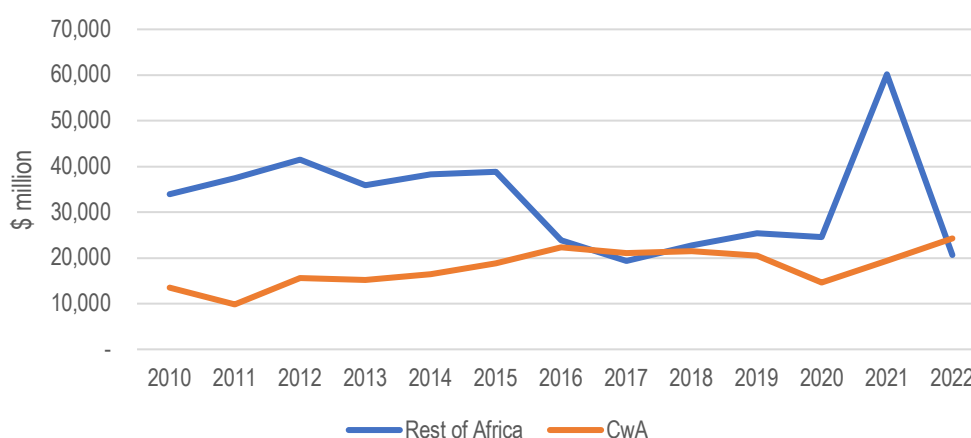
Source: UNCTAD World Investment Report; IFC staff calculations, 2023.

2.2. Compact with Africa Countries: Strong Rebound in Foreign Direct Investments and Cross-Border Investments in 2022 with a Slight Slowdown in 2023

FDI inflows in CwA countries steadily resumed their upward trend in 2021 and 2022 as they recovered from the COVID-19 pandemic and remained resilient in the face of multiple challenges. FDI inflows to CwA countries increased by 25 percent in 2022 to reach \$24.3 billion, while FDI inflows in the rest of Africa fell by 66 percent to \$20.6 billion after rebounding strongly in 2021 (Figure 2.3). In CwA countries, Egypt saw inflows more than double to \$11 billion with increased cross-border M&A sales. Announced greenfield projects there more than doubled in number to 161. International project finance deals rose in value by two thirds to \$24 billion. FDI flows to Morocco decreased slightly, by 6 percent, to \$2.1 billion. FDI to Côte d'Ivoire increased significantly by 67 percent to reach \$1.5 billion. Tunisia increased by 8 percent to reach \$0.7 billion in 2022. FDI flows to Ethiopia reached \$3.7 billion, a 14 percent decline from 2021. In Senegal, FDI flows remained flat at \$2.6 billion. FDI flows to Ghana fell by 39 percent to \$1.5 billion.¹⁰

⁷ UNCTAD. 2023. World Investment Report. <https://unctad.org/publication/world-investment-report-2023>
⁸ UNCTAD. 2023. World Investment Report. <https://unctad.org/publication/world-investment-report-2023>
⁹ UNCTAD. 2023. World Investment Report. <https://unctad.org/publication/world-investment-report-2023>
¹⁰ UNCTAD. 2023. World Investment Report. <https://unctad.org/publication/world-investment-report-2023>

Figure 2.3. Foreign Direct Investment Inflows (Total) in Compact with Africa vs. the Rest of Africa, 2010–22



Source: UNCTAD World Investment Report 2023; IFC staff calculations.

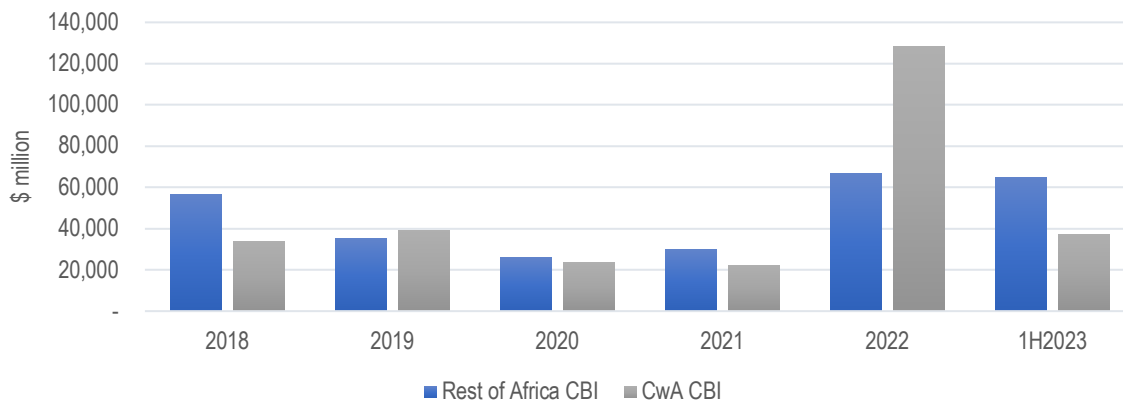
Further, CBI announcements in CwA countries witnessed a strong rebound in 2022, surpassing the general trend on the African continent with also positive trends exhibited in H1 2023.¹¹ After witnessing sharply weaker inflows over 2020¹² and a moderate increase in 2021, CwA countries experienced high growth in CBI volume in 2022 that exceeded pre-pandemic levels. CBI flows to CwA countries rose by 466 percent year-on-year in 2022 to \$128.3 billion from about \$22.7 billion in 2021, exhibiting the extreme resilience of CwA countries in the face of multiple global crises. Though the number of projects also increased by 63 percent year-on-year in 2022 to reach 345 projects, they remained slightly below pre-pandemic levels, still highlighting the significance of large investment deals in the CwA. As a share of total CBI flows to Africa, CwA countries' share increased significantly to 69.6 percent of total announced CBI in 2022—higher than their share of 42.5 percent in 2021 and 26.5 percent in 2020.

In terms of country allocation for FDI inflows in 2022, Egypt came first, followed by Ethiopia, Senegal, Morocco, Côte d'Ivoire and Ghana. However, in terms of country allocation in CBI announcements, Egypt maintained its position as the number one investment destination among CwA countries, followed by Morocco. Egypt was the leading investment destination among CwA countries two years in a row, attracting a record \$111.75 billion worth of CBI in 2022, representing 84 percent of total CBI inflows to CwA countries. Morocco, with \$13.34 billion of CBI attracted in 2022 (compared with \$2.35 billion in 2021) saw its share of total CBI in CwA decrease to 12 percent in 2022 from 17 percent in 2021. Higher volumes and number of projects in 2022 were due to numerous announced large-scale renewables projects in Egypt and Morocco. There were several large-scale renewables projects (hydrogen, wind) in Egypt by companies from Australia, France, India, United Arab Emirates, United Kingdom, and others and one large-scale project by Eren Groupe (LUX) in Morocco.

CBI announcements in the first half of 2023 exhibit different trends where CBI in CwA fall short of those made in the rest of Africa. This is due to a decline of 60 percent of announcements made in Egypt likely on the back of increased macro challenges and worsened investment sentiment. Except for Egypt and Senegal, most CwA countries witnessed an increase in CBI announcements in 1H 2023 (Figures 2.4 and 2.5).

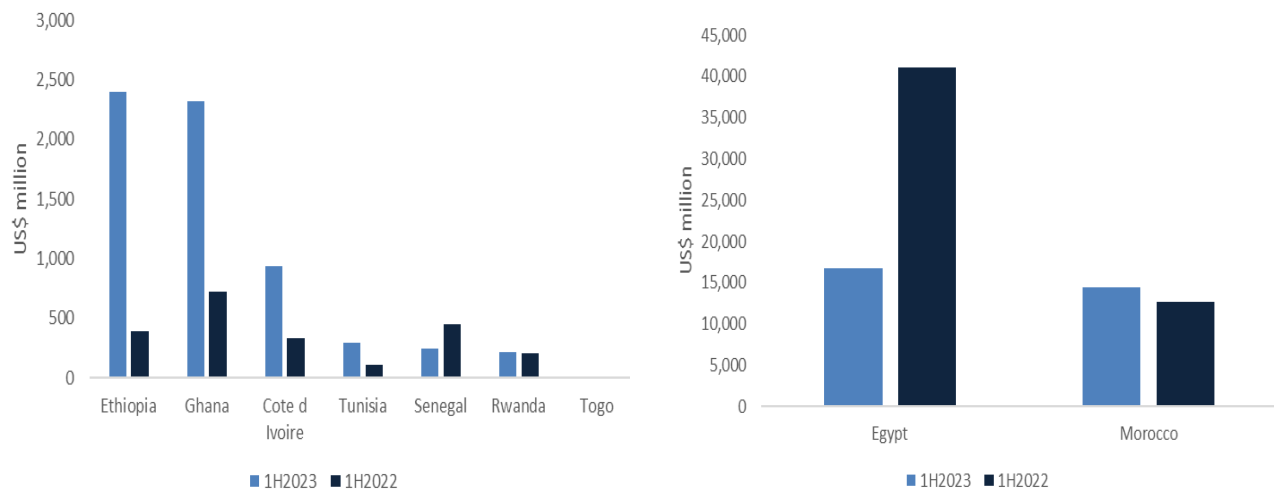
¹¹ Financial Times' fDi Markets Database (<http://www.fdimarkets.com/>), a service from the Financial Times Ltd.; calculations by Country Economics and Engagement (IFC)/Global Macro and Market Research (IFC).

Figure 2.4. Cross-Border Investment Announcements of Compact with Africa vs. the Rest of Africa



Source: FT's fDi Markets, a service from the Financial Times Ltd.; IMF International Financial Statistics and Balance of Payments database; IFC staff calculations.

Figure 2.5. Cross-Border Investment Announcements of Compact with Africa, 1H 2023 vs. 1H 2022



Source: FT's fDi Markets, a service from the Financial Times Ltd.; IMF International Financial Statistics and Balance of Payments database; IFC staff calculations.

Figure 2.6. Share of Cross-Border Investment among Compact with Africa Countries by Volume, 1H 2022

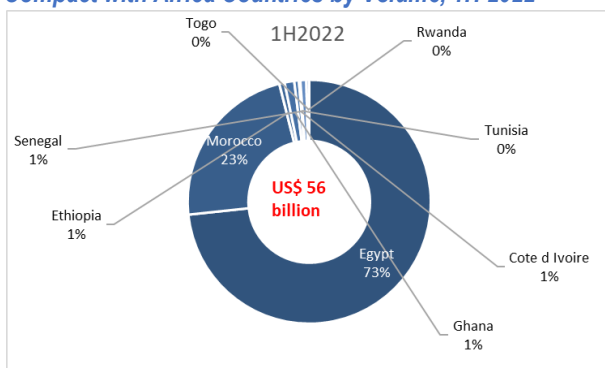
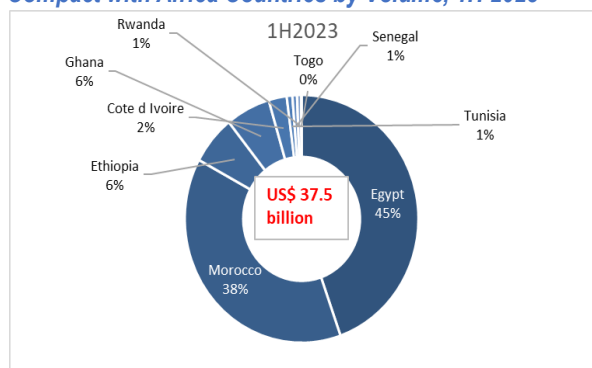
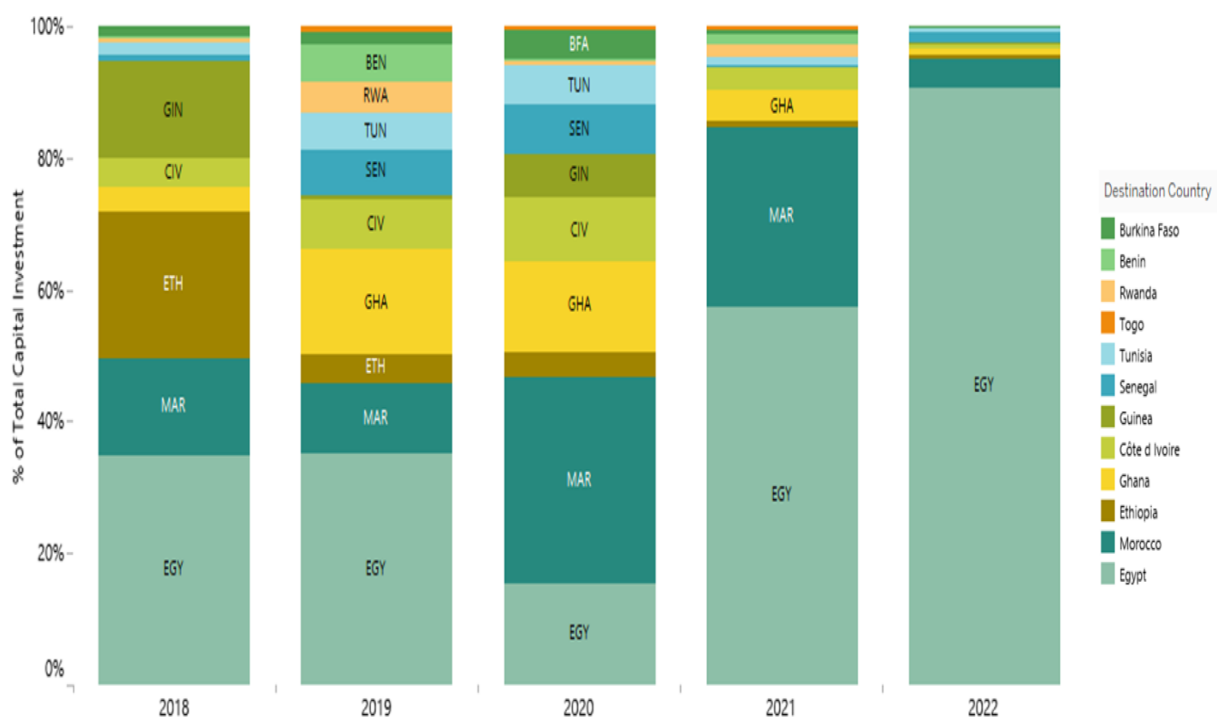


Figure 2.7. Share of Cross-Border Investment among Compact with Africa Countries by Volume, 1H 2023



Source: FT's fDi Markets, a service from the Financial Times Ltd.; IMF International Financial Statistics and Balance of Payments database; IFC staff calculations.

Figure 2.8. Share of Cross-Border Investment Among Compact with Africa Countries by Volume, 2018–22



Source: FT's fDi Markets, a service from the Financial Times Ltd.; IMF International Financial Statistics and Balance of Payments database; IFC staff calculations.

The surge in the volume and number of projects of CBI in CwA in 2022 was mainly attributed to large-scale projects in Egypt and Morocco, all in renewable energy due to momentum in climate investments post COP27. The surge of CBI flows to Egypt can be attributed to a handful of high-value deals in clean energy. Of noteworthy importance are the following large deals announced in 2022:

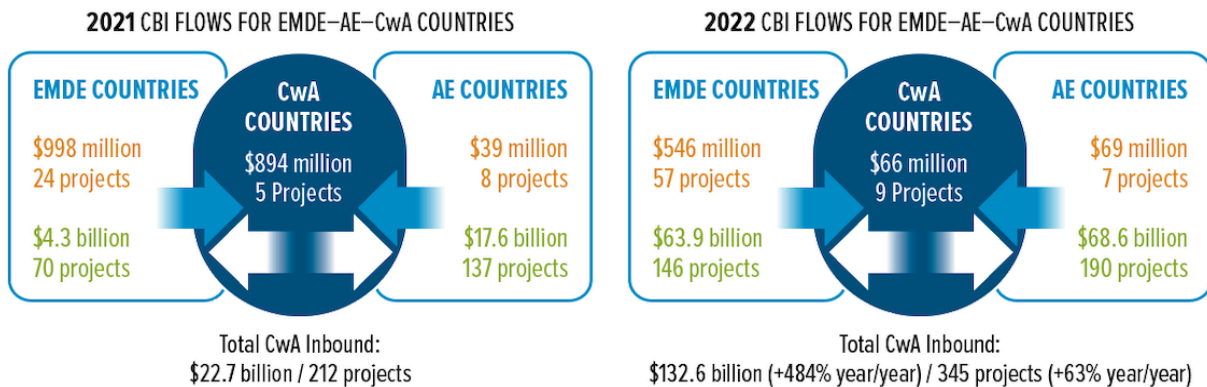
- India's Acme Group signed a memorandum of understanding (MoU)¹³ with Egypt for an investment of \$13 billion to build a plant in Sokhna to establish a green hydrogen production plant with a total capacity of 2.2 million tons annually.
- U.K.-headquartered Globaleq signed an MoU with Egypt to establish a green fuel production plant with an annual production capacity of 2 million tons with a total investment of \$11 billion.
- French energy-focused group Total Eren launched a \$10.2 billion green hydrogen and ammonia production plant in Morocco's southern region Guelmim-Oued Nour.
- Fortescue Future Industries (FFI), an affiliate of the Australian iron ore company Fortescue Metals Group (FMG), has signed an MoU with the Egyptian government to conduct studies to develop green hydrogen production in the country, including a project with a 9.2 gigawatt installed capacity. The project would produce green hydrogen from solar and wind.
- French major TotalEnergies is the latest firm to sign an MoU as part of Egypt's green hydrogen/ammonia drive. In May, Egypt's cabinet announced it had signed an MoU with TotalEnergies and Africa-focused investor Enara Capital to build a state-of-the-art facility at the Suez Canal Economic Zone to produce 300,000 tons annually of green ammonia in its first phase, with the potential to raise capacity to 1.5 million tons annually.

¹³ These types of MoUs are frequent and yet to be implemented into tangible investments.

- Emirati firm AMEA Power finalized agreement with the Egyptian government to build a solar park and a wind farm with a combined capacity of more than a gigawatt in a \$1.1 billion deal.
- Sponsored by ACWA Power (Saudi Arabia) in collaboration with the National Water Company of Senegal, invested in the development of a 300,000 cubic meters per day reverse osmosis plant for \$671 million.

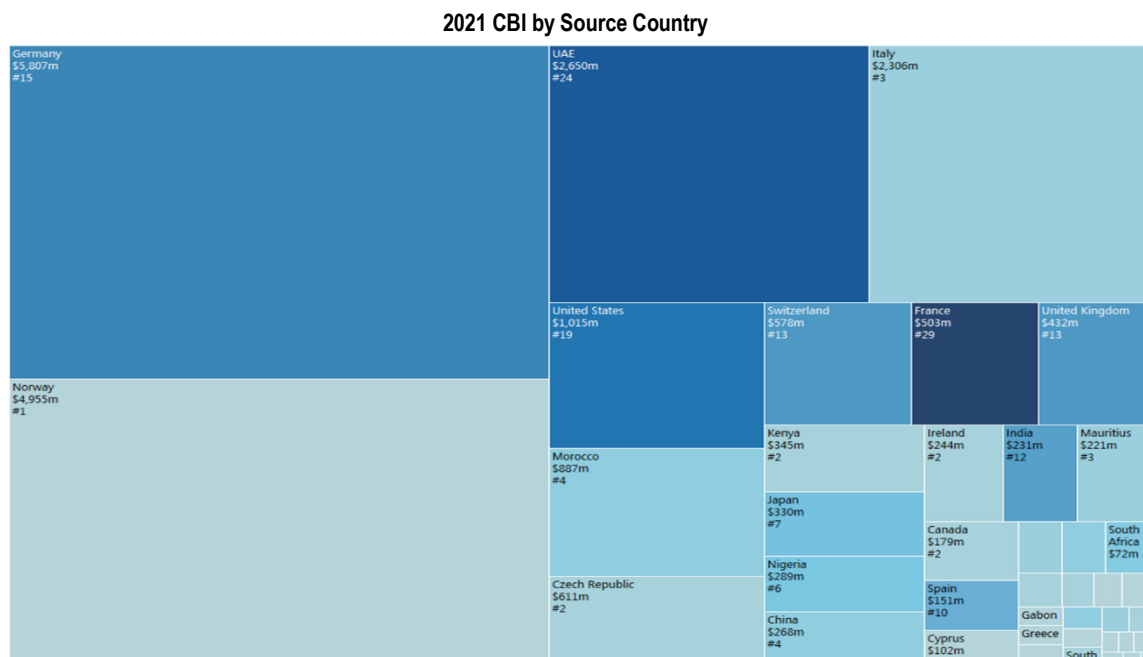
The analysis of FDI source countries in CwA reveals a balanced composition with similar shares of foreign investments coming from both AEs and EMDEs (Figure 2.9). Investments coming from advanced economies to CwA countries reached \$68.6 billion in 2022 from \$17.6 billion in 2021, while investments coming from EMDEs reached \$63.9 billion in 2022 up from \$4.3 billion in 2021. In source countries by size of investments, Australia, India, Luxembourg, and the United Kingdom represent the top investor nationalities in 2022 (Figure 2.10).

Figure 2.9. Cross-Border Investment Flows: Emerging Market and Developing Economies–Advanced Economies–Compact with Africa Countries

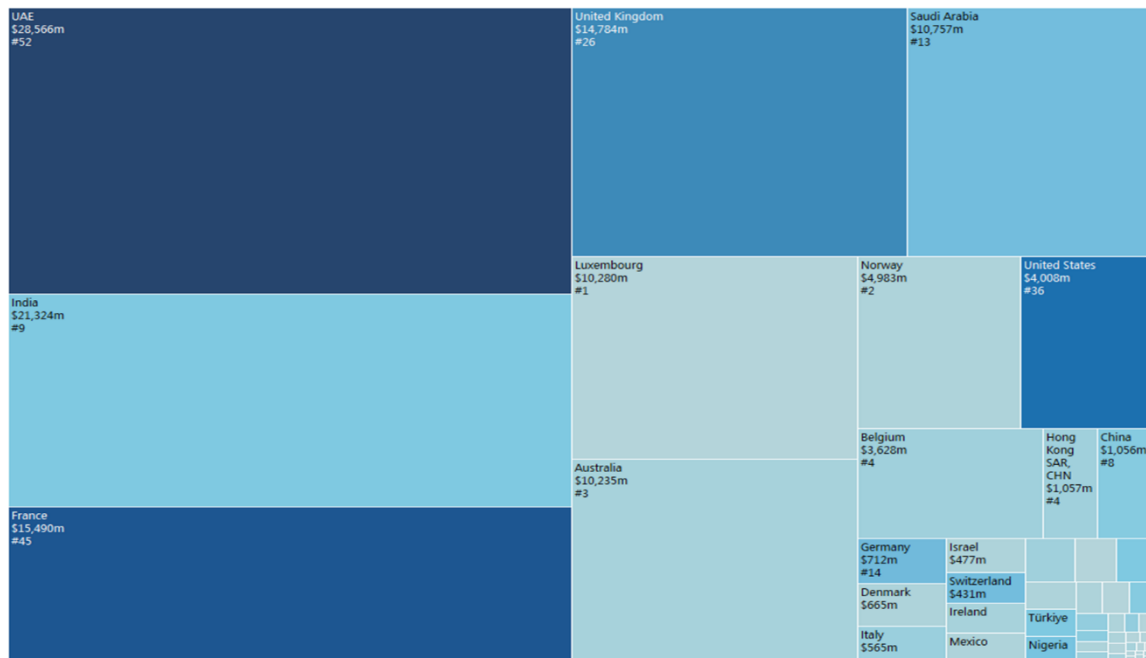


Source: fDi Markets (www.fDimarkets.com), a service from the Financial Times Ltd.; IFC staff calculations.

Figure 2.10. Cross-Border Investment Volumes by Source Country, 2021 and 2022



2022 CBI by Source Country



Source: fDi Markets (www.fDimarkets.com), a service from the Financial Times Ltd.; IFC staff calculations.

2.3. Sector Trends in Foreign Direct Investment

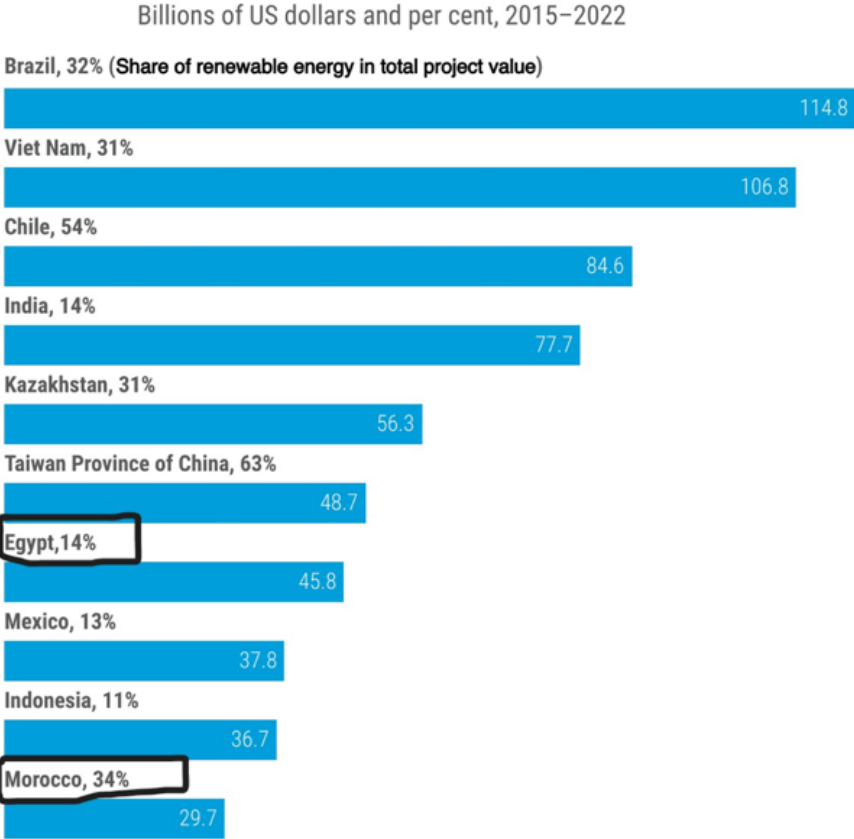
International investment in renewable energy generation, including solar and wind, also continued to grow—but at a slower 8 percent than the 50 percent growth recorded in 2021. Projects announced in battery manufacturing tripled to more than \$100 billion in 2022. UNCTAD also notes that major oil companies are gradually selling fossil fuel assets—at a rate of about \$15 billion per year—mostly to unlisted private equity firms and smaller operators with lower disclosure requirements. Industries struggling with supply chain challenges, including electronics, semiconductors, automotive, and machinery, saw a surge in projects in 2022, while investment in digital economy sectors slowed.

Although renewable energy investments have nearly tripled since the adoption of the Paris Agreement in 2015, most of the money has gone to high-income countries. While developing countries need about \$1.7 trillion each year in renewable energy investments—including for power grids, transmission lines, and storage—they only attracted about \$544 billion in 2022. The UNCTAD report shows that more than 30 developing countries still have not registered a large international investment project in renewables. In most of the 10 developing countries with the highest levels of international investment in renewable energy, investment in renewables represents between one tenth and one third of total FDI. Egypt and Morocco are among the CwA countries that have attracted the most investments in renewable energy (Figures 2.11, 2.12, 2.13).

The cost of capital is a key barrier to green energy investments in developing countries, which are seen as riskier. Partnerships between international investors, the public sector, and multilateral financial institutions can greatly reduce the cost of capital. Bringing in international investors, for example, lowers the spread on debt finance by 8 percent. Adding multilateral development banks (MDBs) lowers it by 10 percent. And combining the two with governments in public-private partnerships (PPPs) reduces it by 40 percent. Although most developing countries have

set targets for transitioning to sustainable energy sources, only one third of them have turned the targets into information on investment requirements.

Figure 2.11. Top Developing Economies by International Investment in Renewable Energy, 2015–22



Note: Includes international project finance and greenfield investment values.
Source: UNCTAD World Investment Report 2023.

Figure 2.12. Trends in Sector Composition of Cross-Border Investment, 2018–22



Source : fDi Markets (www.fDimarkets.com), a service from the Financial Times Ltd.; IFC staff calculations.

Figure 2.13. Top Cross-Border Investment Projects, 2022

#	Parent Company	Source Country	Dest. Country	Sector	Investment, \$m	#	Parent Company	Source Country	Dest. Country	Sector	Investment, \$m	#	Parent Company	Source Country	Dest. Country	Sector	Investment, \$m
1	ACME Group (ACME Cleantech Solutions)	IND	EGY	Renewable energy	13,000	11	Volitalia	FRA	EGY	Renewable energy	4,955	21	Fawaz Alhokair Group	SAU	EGY	Real estate	1,475
2	Globeleq Generation	GBR	EGY	Renewable energy	11,000	12	Ackermans & van Haaren	BEL	EGY	Renewable energy	3,600	22	Fawaz Alhokair Group	SAU	EGY	Real estate	1,475
3	Mubadala Investment Company	ARE	EGY	Renewable energy	10,815	13	Alfanar	SAU	EGY	Renewable energy	3,500	23	Al Nowais Investments	ARE	EGY	Renewable energy	800
4	Eren Groupe	LUX	MAR	Renewable energy	10,280	14	H2 Industries (H2 Industries)	USA	EGY	Renewable energy	3,000	24	SDX Energy	GBR	MAR	Coal, oil & gas	753
5	Fortescue Metals Group	AUS	EGY	Renewable energy	10,000	15	Electricite de France (EDF)	FRA	EGY	Renewable energy	3,000	25	ACWA Power International	SAU	SEN	Coal, oil & gas	671
6	ReNew Power Ventures	IND	EGY	Renewable energy	8,000	16	Alcazar Energy	ARE	EGY	Renewable energy	2,000	26	Orange (France Telecom)	FRA	MAR	Communications	574
7	TotalEnergies (Total)	FRA	EGY	Renewable energy	5,000	17	ACWA Power International	SAU	EGY	Renewable energy	1,500	27	AMEA Power	ARE	EGY	Renewable energy	550
8	Scatec AS	NOR	EGY	Renewable energy	4,955	18	Actis	GBR	EGY	Renewable energy	1,500	28	AMEA Power	ARE	EGY	Renewable energy	550
9	AMEA Power	ARE	EGY	Renewable energy	4,955	19	URB	ARE	EGY	Real estate	1,475	29	AP Moller - Maersk	DNK	EGY	Transportation & Warehousing	500
10	KK Power	ARE	EGY	Renewable energy	4,955	20	Rawabi Holding	SAU	EGY	Real estate	1,475	30	Endeavour Mining	GBR	CIV	Metals	448

Source : fDi Markets (www.fDimarkets.com), a service from the Financial Times Ltd.; IFC staff calculations.

2.4. Investment Policy Trends: Increased Push Toward Investment in Sustainability

The global environment for international investment changed dramatically with the onset of Russia's war on Ukraine, which occurred while the world was still reeling from the impact of the pandemic. Investor uncertainty and risk aversity have put significant downward pressure on global FDI in 2022. The need for investment in productive capacity, in the Sustainable Development Goals and in climate change mitigation and adaptation is enormous. Current investment trends in these areas are not unanimously positive.

Investment policymaking activity surged in 2022, as many countries adopted measures to counter the expected economic downturn. The number of global measures considered favorable to investment by UNCTAD reached 102, nearly doubling from the previous year and regaining their pre-pandemic share of total measures. However, the trend toward increased screening of FDI continued. The number of countries conducting investment screening on national security grounds increased to 37. The introduction or tightening of national security regulations affecting FDI represented almost half of the policy measures less favorable to investment. Most of these measures were introduced by developed countries. In total, countries with FDI screening regimes accounted for 68 percent of FDI stock in 2022. The number of M&A deals withdrawn because of regulatory or political concerns increased by a third.¹⁴

Investment facilitation measures featured prominently in both high-income and developing countries. Most measures adopted by developing countries focused on facilitation and the opening of new sectors or activities to FDI. For the first time since the pandemic, the number of measures favorable to investment also increased significantly in developed countries. Measures included investment facilitation initiatives and the introduction of incentives¹⁵ to promote renewable energy and other climate-related investments. Countries at different levels of development adopt different policy measures to promote renewable energy investment. Developing countries, including LDCs, often use tax incentives that do not require initial expenditures of scarce public funds, whereas developed economies favor financial incentives as well as more sophisticated instruments such as feed-in tariffs. The use of auctions and tenders for renewable energy projects as common instruments to attract renewable energy investment has gained momentum across all country groups. Text negotiations on the WTO's Investment Facilitation for Development Agreement, the first global investment agreement, were concluded in July 2023. The adoption of this will have a similar effect as the Trade Facilitation Agreement in driving investment facilitation reforms in developed countries and LDCs.

African emerging economies have led the reform drive for the past decade with 77 percent of the LDCs in the continent adopting reforms in investment compared to 63 percent of LDCs in Asia and 25 percent of Island LDCs.¹⁶ Over the last decade, 10 African LDCs (half of which are CwA countries) introduced or amended investment-specific legislation (Angola, Benin, Burkina Faso, Burundi, Ethiopia, Guinea, Mauritania, Rwanda, Sudan, and Uganda). Angola was the most active country in this respect, introducing six investment-related instruments during the review period. About 85 percent of the new or revised laws dealt with investment promotion and facilitation, indicating the willingness of African LDCs to encourage private investment. More than half were adopted between 2018 and

¹⁴ UNCTAD. 2023. World Investment Report. <https://unctad.org/publication/world-investment-report-2023>

¹⁵ It is worth to note that fossil fuel subsidies around the world amounted to \$1 trillion in 2022—a record level, and eight times the value of subsidies provided to renewable energy. Fossil fuel subsidies represent a disincentive to investment in the energy transition because they make it more challenging for renewable energy to compete, especially when it does not receive the same level of support. Although phasing them out is complex, particularly for developing countries, doing so would help encourage investment in renewable energy.

¹⁶ UNCTAD. 2022. Investment Policy Monitor, Special Issue 7, March.

2021, reflecting a recent momentum to enhance their investment climate. Half of the revisions to the investment legislation addressed FDI entry and establishment conditions and typically opened new sectors or activities to FDI or streamlined the entry process. Seven dealt with treatment standards and operations of foreign investors, generally removing instances of discrimination in the conduct of business operations.¹⁷ The Africa Continental Free Trade Area (AfCFTA) and its Protocol on Investment, which has been agreed between all but one African country, is an important instrument and will be a major source of investment reforms.

In 2022, many CwA countries introduced new policies and measures to increase and facilitate investments.

The Government of Egypt announced the introduction of a special license for foreign investments in three specific fields. The Prime Minister granted the so-called golden license to several projects in a bid to attract foreign investments to projects in sectors, including green hydrogen, electric cars, infrastructure, seawater desalination, and renewable energy projects. The license allows investors to bypass several procedures for establishing projects. Egypt announced incentives on FDI-funded projects in key industries and areas of up to 55 percent of the value of the tax on the income generated. The incentives will be granted if at least 50 percent of the investment project or its expansion is financed by foreign currency. Further, Egypt approved its state ownership policy in 2023, whereby it will sell many of its state-owned assets to give the private sector a larger share in the economy and level the playing field. Morocco's Fnideq Economic Activities Zone (ZAEF) opened its doors for businesses, officially welcoming the first batch of business owners. Through the project, Morocco aims to stimulate regional socio-economic development. Côte d'Ivoire adopted a more favorable tax regime for investment in 2022. The Tax Annex to the Finance Law for 2022 (Law no. 2021-899 of 21 December 2021), which entered into force on January 4, 2022, provides for a favorable tax regime for new investment. This includes income tax exemptions for a period of 15 years, exemptions on capital gains from the sale of securities and from registration fees. Ethiopia adopted new investment incentives in 2022. On July 12, 2022, the Council of Ministers of Ethiopia issued Investment Incentives Regulation No. 517-2022, which offers income tax exemption for investors from the date of obtaining the business license or expansion permit, as provided in the schedule attached to the Regulation. The Regulation also allows investors to import capital goods, construction materials and motor vehicles free from custom duties. Finally, it expands the incentives' eligibility to the mining, petroleum, and geothermal sectors. Ethiopia implemented income tax exemption for investors from the date of obtaining a business license or expansion permit and allowed investors to import capital goods, construction materials and motor vehicles free from customs duties. Ethiopia announced the privatization of 40 percent of Ethio Telecom, the public telecommunication operator. The process is open to foreign investors.

¹⁷ UNCTAD. 2022. Investment Policy Monitor, Special Issue 7, March.



3. INTERNATIONAL TRADE OVERVIEW

Key Messages

- **Trade in 2023.** CwA countries' goods exports in current U.S. dollars declined in the first half of 2023 relative to 2022, amid weak global demand and declining global commodity prices, with the drop milder than in the rest of the Africa. The group's imports declined over the same period; in contrast, services exports expanded, driven by the travel rebound. These trends in CwA countries aligned with trends in global trade.
- **AfCFTA potential.** The African Continental Free Trade Area (AfCFTA)—if fully implemented – is expected to boost Africa's income from \$450 billion to \$571 billion by 2035. The AfCFTA presents CwA countries with vast opportunities to access new markets and gives reform-minded CwA countries a role as strategic leads in its implementation by leveraging CwA support. All CwA countries are signatories, and all of them, except for Benin, have also ratified the Treaty.
- **National-level initiatives.** The Guided Trade Initiative (GTI) started in 2022 with eight African countries, including four CwA countries (Egypt, Ghana, Rwanda, Tunisia). The GTI has demonstrated its ability to match businesses and products for export and import. Continuing to set up and operate National AfCFTA Implementation Committees (NICs) remains critical to ensure the elimination of tariff and non-tariff barriers.
- **Country strategies.** With assistance from various international partners, nine of the 13 CwA countries have already developed and validated their national AfCFTA implementation strategies. The focus should now shift to building the capacity required to implement the national strategies and supporting NICs in all CwA countries.
- Due to lack of time, the DRC (which officially joined the CwA at the end of September 2022) was not included in this assessment. The country will be included in future CwA monitoring reports.

3.1. Global Trends in International Goods and Services Trade

The global goods trade contracted in the first half of 2023 amid weak global demand while services increased, led by a strong rebound in travel. The goods trade declined by 1.4 percent in volume terms (constant U.S. dollars) and by 5 percent in value terms (current U.S. dollars) from January to June 2023 over the previous year as demand weakened due to tight monetary conditions, lingering inflationary pressures, and elevated geopolitical tensions. Meanwhile, the services trade continued to recover with travel on track to exceed 2019 pre-pandemic levels in 2023,

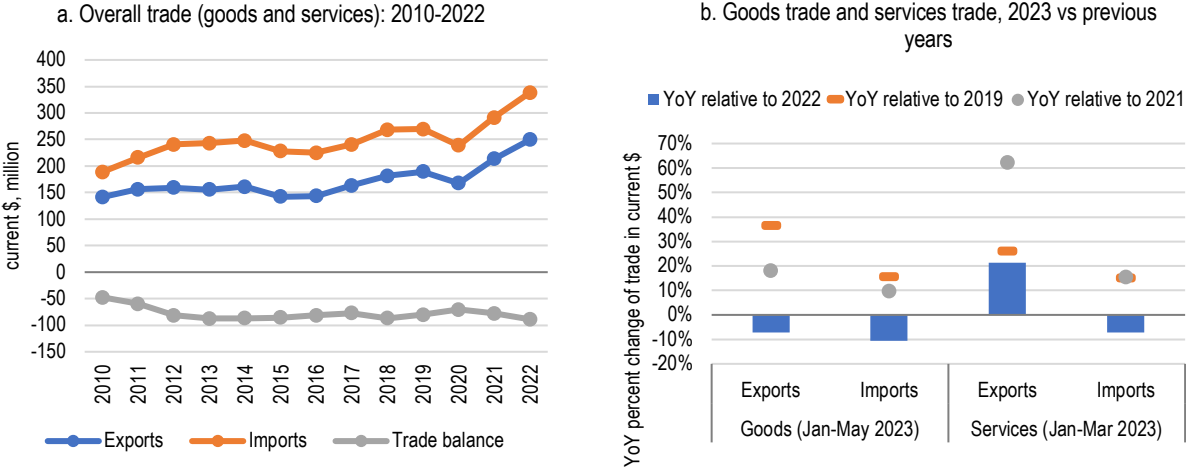
particularly in China and the rest of East Asia. Shipping capacity constraints remained relaxed and rates low through August 2023 despite persistent stress at the Black Sea and in Asia and the traffic jam at the Panama Canal.¹⁸

3.2. Recent Trade Trends in Compact with Africa Countries

In 2022, trade in the CwA group was buoyed by the post-pandemic demand, elevated commodity prices, and recovering travel exports (Figure 3.1a). Goods and services exports exceeded pre-pandemic levels in 2019 by 32 percent in value terms (current U.S. dollars) and by 13 percent in volume terms (constant U.S. dollars). Over the same period, imports grew by 26 percent in value terms and by 9 percent in volume terms. However, 2022 was also a year of deepening trade deficits for CwA countries. After shrinking in 2020 and remaining below pre-pandemic levels 2021, the overall trade deficit of the group increased by 14 percent in 2022, back to the pre-pandemic levels in 2018, as fuel and food prices peaked in the aftermath of Russia’s invasion of Ukraine and currencies depreciated due to monetary tightening in Advanced economies.

In early 2023, the group’s overall goods export values declined amid weaker global demand and lower commodity prices. From January to May 2023, goods exports in current U.S. dollars dropped by 7 percent over the corresponding months in 2022 while remaining above the levels in 2021 and the pre-pandemic levels in 2019 (Figure 3.1b).¹⁹ The decline was driven primarily by Egypt, albeit contractions also affected Benin, Ethiopia, Ghana, Guinea, and Morocco (Table 3.1).

Figure 3.1. Compact with Africa’s Decline in Goods Trade Values and Recovery in Services Exports, Early 2023



Source : World Trade Organization.

¹⁸ See the World Bank’s Trade Watch for more details on recent global trade trends.

¹⁹ Estimates of actual growth in trade volumes (constant U.S. dollars) are not yet available in 2023 for the CwA group. Unlike trade values, trade volumes control for changes in trading prices.

Table 3.1. Decline in Trade in Compact with Africa Countries, 2023

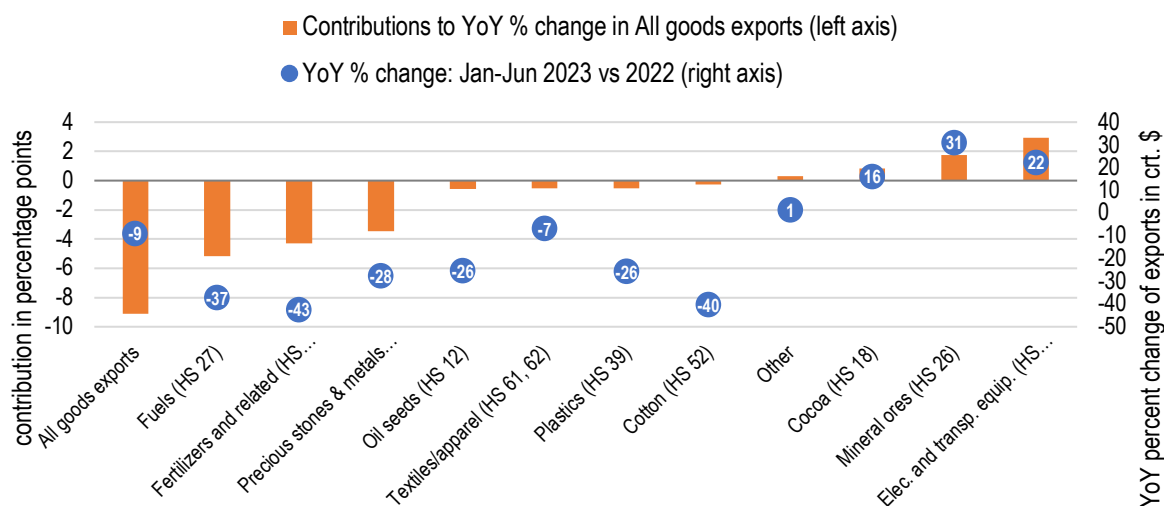
Country	Year-over-year percent change of exports in current US\$				Year-over-year percent of imports in current US\$			
	Goods		Services		Goods		Services	
	2022 vs. 2021	2023 vs. 2022 (January–May)*	2022 vs. 2021	2023 vs. 2022 (January–March)**	2022 vs. 2021	2023 vs. 2022 (January–May)*	2022 vs. 2021	2023 vs. 2022 (January–March)**
Benin	3.3	-29.6	5.6	n.a.	9.5	23.4	5.5	n.a.
Burkina Faso	-10.4	63.4	-10.9	n.a.	19.3	6.1	11.8	n.a.
Côte d'Ivoire	7.2	34.0	5.3	n.a.	28.1	14.4	-1.7	n.a.
Egypt	19.7	-26.8	44.2	9.6	17.0	-28.1	9.8	-21.7
Ethiopia	0.5	-19.6	25.8	n.a.	16.8	14.1	14.2	n.a.
Ghana	18.8	-12.4	-9.5	-0.6	7.3	-19.7	-3.9	0.8
Guinea	-25.3	-48.3	439.2	155.8	11.7	7.8	-22.3	8.3
Morocco	15.7	-2.9	42.6	31.3	23.7	-6.2	25.3	22.2
Rwanda	37.9	12.5	52.5	40.4	23.3	15.4	31.7	9.2
Senegal	4.1	4.0	-8.0	n.a.	11.4	-2.4	-6.0	n.a.
Togo	8.3	11.2	-3.8	n.a.	6.8	6.8	4.2	n.a.
Tunisia	11.2	8.3	52.7	37.8	18.5	-2.0	17.4	8.0
CwA	11.3	-7.2	31.4	21.3	18.5	-10.5	8.0	-7.3
CwA-NA	16.7	-12.9	44.2	25.0	19.7	-15.7	14.3	-10.5
CwA-SSA	2.9	2.7	4.6	3.0	15.8	3.7	1.1	1.7
Other Africa	19.0	-17.3	30.4	n.a.	19.1	4.0	24.8	n.a.

Source : World Trade Organization statistics; World Bank Global Economic Monitor; IMF Direction of Trade.

Notes : The CwA services trade aggregates are based on 6 of 12 countries with data available. *For goods trade, the reference period for Egypt and Morocco is January to June and for Tunisia it is January to July. **For services trade, the reference period for Morocco is January to July.

Fuels, fertilizers, and precious stones were the top drivers of the drop in the CwA's goods exports according to bilateral trade reported by 43 CwA trading partners that account together for 60 percent of the CwA's goods export basket (Figure 3.2). Fuel exports plunged by 37 percent on average from January to June 2023 relative to the previous year and contributed significantly to the decline in the CwA's goods exports due to reduced fuel exports by Côte d'Ivoire, Egypt, Ghana, and Togo (see Appendix A for the country-specific charts). Exports of fertilizers and related inputs dropped by 43 percent over the same period due to declines in Egypt, Morocco, and Senegal. Exports of precious stones and metals dropped by 28 percent on average, reflecting reduced gold exports in Guinea and Senegal. Egypt also saw export declines in plastics and apparel as did Ethiopia in apparel and coffee. By contrast, the CwA's exports of cocoa, mineral ores, and machinery increased in the first half of 2023 relative to the previous year. Cocoa exports rose by 16 percent due mainly to Côte d'Ivoire, with Ghana and Guinea also contributing. Exports of mineral ores surged by 31 percent, as increases in Ghana, Guinea, and Rwanda offset declines in Burkina Faso. Finally, exports of electrical machinery and transport equipment increased by 22 percent due to Morocco and Tunisia. Among the 43 destinations countries in the sample, India and the United States had the largest negative contributions to the export decline in 2023 relative to 2022. Exports to Australia, Brazil, the European Union, South Africa, and Switzerland have also dropped while those to China grew.

Figure 3.2. Compact with Africa's Goods Exports, January–June 2023 vs. 2022

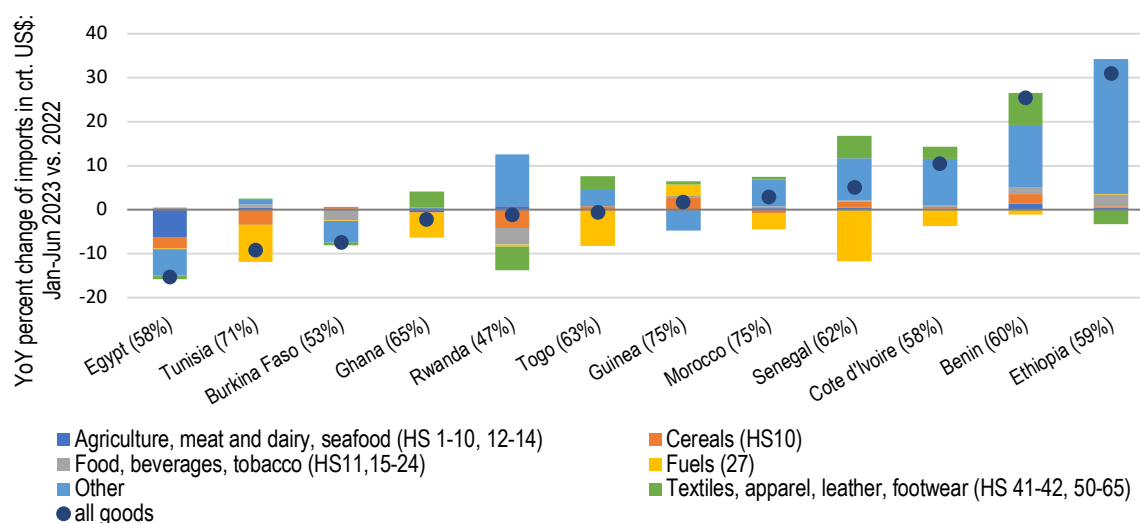


Source : Staff calculations based on data from China customs, Eurostat, Japan customs, U.S. Census, and UN Comtrade.

Note : Based on mirror trade data reported by 43 CwA trading partners accounting for 63 percent of the CwA's goods exports (2019–22). Labels indicate product group's Harmonized System codes. See Appendix A for country-specific charts.

CwA's collective goods import values declined as well due to reduced global fuel prices and import contraction in Egypt, which has been severely affected by macroeconomic imbalances. From January to May 2023 CwA's goods imports in current U.S. dollars contracted by 10 percent relative to 2022 even as those in the rest of Africa grew (Figure 3.1b, Table 3.1). Egypt's imports dropped by 28 percent on a year-on-year basis, down to the pandemic level in 2020 (Table 3.1). Ghana, Morocco, Senegal, and Tunisia also experienced declines. Reduced fuel import bills contributed negatively to import growth in almost all CwA countries according to bilateral trade data for 2023 reported by 43 CwA trading partners that account for 64 percent of CwA's goods imports (Figure 3.3). In Egypt, goods import contraction was across the board, affecting most product groups.

Figure 3.3. Compact with Africa's Goods Imports, January–June 2023 vs. 2022



Source : Staff calculations based on data from China Customs, Eurostat, Japan Customs, US Census, UN Comtrade.

Note : Based mirror trade data reported by 43 countries accounting on average for 64 percent of the CwA's goods imports (2019–2022). Labels indicate product group's HS codes. The share of the 43 countries in the imports of each CwA member are indicated in parentheses. The growth rates may be inconsistent with figures reported in Table 3.1, particularly in CwA countries with small coverage of the 43 reporters.

CwA's services exports strengthened in the first quarter of 2023 as travel continued to recover from the pandemic slump, while services imports declined due to declines in Egypt. Services exports of 6 of the 12 CwA countries with available data increased collectively by 21 percent in the first quarter of 2023 from a year ago, driven by Egypt, Morocco, and Tunisia (Figure 3.1b, Table 3.1). In Egypt, services exports rose by 9.6 percent over the same period, boosted by an increase in travel services by 26 percent. In Tunisia, services increased by 38 percent, with travel services rising by 44 percent. Services exports also increased in Rwanda by 40 percent overall and by 87 percent for travel. In Morocco, services exports rose by 31 percent from January to July 2023 versus 2022, reflecting an increase in travel services by 53 percent. Meanwhile, services imports declined by 7 percent in the first quarter of 2023 over the previous year due to a drop in Egypt's services imports by 22 percent that offset increases in other countries.

In 2023, CwA's export values remained relatively resilient compared to the rest of Africa. Both groups saw their good export values decline in 2023 amid declining global commodity prices, however, the drop was milder in the CwA group (7 percent) than in the rest of Africa (17 percent) (Table 3.1). This extended the pattern of relative resilience in the CwA's exports observed in recent years. Specifically, in 2020, the goods exports values of the CwA members stagnated, while the goods export receipts in the rest of Africa plunged by 23 percent. Moreover, the recovery in services exports was faster on average in CwA countries relative to the rest of Africa: in 2022, the CwA's services exports exceeded pre-pandemic levels by 14 percent while those of the rest of Africa were still lower by 5 percent than the corresponding level in 2019. Finally, since 2017, CwA's share in Africa's total export values, averaging 27 percent, exceeded the share between 2010 and 2016 by 7 percentage points.

Foods security remained a global concern in 2023 with multiple countries affected by domestic food inflation, international food prices still at historically high levels, albeit off 2022 peaks, and progress toward reducing food insecurity stagnating or reversed due to the difficult international context.²⁰ Within the CwA group, Egypt, Rwanda, Ghana, and Guinea are in the top 10 list of countries with the highest real food inflation as of August 2023. Egypt is also the fourth country with the most people facing acute food insecurity in August 2023. Restrictive measures, such as export bans to alleviate food insecurity, surged in the pandemic years, and many are still in place in 2023, including in Burkina Faso (on millet, maize, and sorghum flours) and Tunisia (on fruits and vegetables), both due to expire in December 2023. Export-limiting measures may undermine rather than enhance food security in the long run because they weaken the incentive to invest in the production of agricultural products. Rather, countries should prioritize policy responses to a short-term food price shock, such as emergency food support and building capacity for food security over the long-term (for example, access to seeds, fertilizers, and so on).

3.3. Africa Continental Free Trade Area and Compact with Africa Countries: Recent Progress

The establishment of the AfCFTA continues to be a beacon of hope for Africa's development amid a very challenging international and regional context. Despite the increase in trade protectionism in many parts of the world, greater geopolitical tensions derived from Russia's war on Ukraine, political instability in the Sahel, and recent natural disasters in the continent—some exacerbated by climate change— the commitment of most African governments and regional institutions to make the AfCFTA a reality remains solid. As the implementation continues in its third year, now more than ever, the agreement stands to support resiliency and economic recovery, and buffer the continent from current and future economic shocks.

²⁰ World Bank food security update (September 28, 2023).

The African Union's designation of the year 2023 as the “Year of AfCFTA: Acceleration of the AfCFTA Implementation” is anticipated to drive a stronger political commitment, thus providing an added boost to expedite the AfCFTA implementation. The AfCFTA also encourages economic diversification, mitigating reliance on a few export commodities by promoting a wider range of industries and services. The structure of intra-African trade shows a higher composition of intermediate and sometimes finished goods than does trade with the rest of the world in which African exports are typically unprocessed raw materials and imports are often finished goods. The AfCFTA—if fully implemented—is expected to lead to a boost in Africa’s income ranging from \$450 to \$571 billion (a 7 percent and 9 percent gain, respectively) by 2035 and lift between 30 to 50 million people out of poverty, depending on the depth of integration.²¹

The AfCFTA is the preferential free trade agreement with the highest number of parties in the world—54 countries—and represents a combined market of 1.3 billion people and a GDP of \$3.4 trillion. The agreement has already been ratified by 47 African governments.²² The unprecedented pace of ratification signals a strong political will to make the AfCFTA a reality. The current state of construction of the AfCFTA entails two simultaneous fronts. First, ongoing negotiations, and second, implementation and monitoring of already agreed commitments.

Regarding ongoing negotiations, though the bulk of norms and disciplines covering trade in goods, trade in services, investment, competition policy, and intellectual property have already been concluded (covering the Protocols of both Phases I and II of the negotiation process) as of September 2023, a few items remain to be ironed out. For instance, on trade in goods, agreement is pending on a limited number of rules of origin and tariff concessions for sensitive products. Tariff offers and concessions submitted so far cover 47 AfCFTA member states and 90 percent of tariff lines and a similar percentage of rules of origin. On trade in services, certification of schedules of specific commitments undertaken is being concluded, and the negotiation of sector-specific normative frameworks for the five services priority sectors is underway, starting with financial and telecommunication services.²³ The most important Protocols still being negotiated are one on digital trade and the other on women and youth.

Regarding implementation, specific steps have been taken by the AfCFTA Secretariat and other African institutions at the continental and regional levels and by many country governments at the national level. At the continental level, an important recent development has been the approval of the World Bank-funded project, “Building Institutions and Systems to Harness and Realize Agenda 2063” (BIASHARA) in June 2023. The grant, comprising \$50 million, is the second in an ongoing World Bank engagement to support the African Union (AU) by investing capacity in the AU Commission and the AfCFTA Secretariat to facilitate continental integration. The BIASHARA project (which means trade in Swahili) focuses on the effective implementation of the AfCFTA Treaty, as well as on the execution of the Single African Air Transport Market (SAATM) Treaty, and the Free Movement of Persons (FMP) Protocol.

²¹ The lower bound is from <https://au-afcfta.org/about/>. The upper bound is from the World Bank and assumes that the AfCFTA will go beyond trade liberalization (tariffs, non-tariff barriers, and trade facilitation measures) to cover deeper provisions for investment, competition, and intellectual property rights, also factoring in the expected boost in FDI flows stimulated by the deeper AfCFTA. See <https://www.worldbank.org/en/topic/trade/publication/free-trade-deal-boosts-africa-economic-development>

²² As of September 2023, the most recent country ratifying the AfCFTA Treaty has been Mozambique. The countries still remaining to ratify the AfCFTA are Benin, Liberia, Libya, Madagascar, Somalia, South Sudan, and Sudan. Eritrea is the only country that has not yet signed the agreement.

²³ The five priority sectors selected to start negotiations are tourism, transport, business services, communication services, and financial services.

Within this context, among other critical steps²⁴ during the last quarter of 2023, the AfCFTA Secretariat will be able to execute the plan to fully operationalize the Dispute Settlement Mechanism (DSM), the development of a framework for periodic review of implementation of trade policies in areas covered by the AfCFTA, and a design for systems to collect data on the trade benefiting from preferences derived from the AfCFTA treaty. The operationalization of the DSM is critical to foster greater effectiveness in compliance with trade commitments undertaken by AfCFTA signatories and to promote greater fairness for countries with different quotas of political and economic power. Further, and equally important: a rule-oriented DSM provides greater prospects of predictability and certainty to traders and investors to plan their business in the long term. Similarly, a trade policy review mechanism will advance transparency in implementation of the treaty by enhancing adherence by State Parties to the commitments in the AfCFTA Agreement, including its related protocols and additional decisions. The review mechanism would also be an extra avenue for handling emerging problems and reduce opportunities for litigation. Finally, the development of systems to collect data necessary to identify and monitor evolution in the use of trade preferences is critical to assess progress of the commitments on the ground.

Implementation efforts at the national level have started to render concrete results. During 2023, work has continued under the Guided Trade Initiative (GTI), which started in 2022 in eight countries: Cameroon, Egypt, Ghana, Kenya, Mauritius, Rwanda, Tanzania, and Tunisia. The GTI has already enabled a strong demonstration effect in showcasing matching of businesses and products for export and import and jumpstarted commercially meaningful trade among participating countries. In the last quarter of 2023, the number of countries joining the GTI will increase and a specific guided trade initiative to facilitate trade in services will be launched. All CwA countries are signatories of the AfCFTA, and all of them, except for Benin, have also already ratified the treaty. Further, some CwA nations, including Egypt, Ghana, Rwanda, and Tunisia, are actively participating in the GTI, and five CwA countries are ranked by the Overseas Development Institute among the top 10 of the readiness of African countries to participate and lead on the AfCFTA issues index. The AfCFTA not only presents CwA countries with vast opportunities to access new markets for their goods and services but also offers a great role for reform-minded CwA countries to take a strategic lead in the AfCFTA implementation leveraging CwA support.

In addition to the GTI, implementation efforts at the national level have continued in setting up and operating AfCFTA National Implementation Committees (NICs) in various countries. The Decision of the 31st Ordinary Session of the Assembly of Heads of State and Government of the AU, held in July 2018 in Nouakchott, Mauritania, committed to establish NICs on the AfCFTA in each signatory country to ensure meaningful participation of all stakeholders and the design of national AfCFTA and boosting intra-Africa trade strategies. The role of NICs will be critical to enact mechanisms ensuring the elimination of tariff and non-tariff barriers for trade in goods and services on the ground. With assistance from various international partners, 9 of the 13 CwA countries have already developed and validated their national AfCFTA implementation strategies, including Burkina Faso, Benin, Côte d'Ivoire, DRC, Ethiopia, Rwanda, Senegal, Togo, and Tunisia. The CwA initiative can support its member countries to build the capacity required to implement these national strategies and support the effective operation of AfCFTA NICs in all CwA countries.

²⁴ The AfCFTA Secretariat has developed various mechanisms to support the implementation of the AfCFTA on the ground, including the web-based and mobile-based AfCFTA Application for Business; trade documents at the national level (based on a template in the Protocol on Trade in Goods); the African Trade Observatory; national-level preparations to start trading under the AfCFTA; national AfCFTA implementation strategies; the Pan-African Payment and Settlement Systems; the AfCFTA Adjustment Facility; and the African Business Council.

In late spring of 2023, with international support, the AfCFTA Secretariat published a report summarizing the incipient experiences of NICs in those countries that have already set up those committees, including some CwA countries—Côte d'Ivoire, Ghana, Kenya, Nigeria, and Rwanda.²⁵ The report identified 10 critical functions for these committees: supporting trade negotiations; facilitating implementation; developing plans and strategies; reporting; monitoring and evaluating activities and plans; coordinating capacity building events; raising awareness; enabling meaningful collaboration with the private sector; including vulnerable groups; and providing an interface between the AfCFTA Secretariat and countries. Further, the AfCFTA Secretariat is suggesting a five-step template for the formation of NICs appropriate to each country setting: form multi-stakeholder committee(s); develop a clear mandate; provide adequate resources; engage in consultation and outreach; and monitor and evaluate.

²⁵ AfCFTA Secretariat, Sebahizi, P., et.al. 2023. From negotiations to implementation: Building Effective AfCFTA National Implementation Committees: Scoping options and support mechanisms, Overseas Development Institute (ODI). <https://cdn.odi.org/media/documents/ODI-AfCFTA-Report-18Apr23-FINAL.pdf>



4. KEY DIAGNOSTICS IN COMPACT WITH AFRICA COUNTRIES

Key Messages

Diagnostics related to sustainable and inclusive private sector-led growth are essential to inform the reforms and investments of CwA country governments together with the related programs of their development partners (see Figure 9.3). Such diagnostics include Country Private Sector Diagnostics (CPSDs), which focus on private investment opportunities and related constraints (conducted jointly by IFC and World Bank); Country Climate and Development Reports (CCDRs), which focus on measures to reduce greenhouse gas (GHG) emissions and enhance climate adaptation (conducted jointly by IFC and the World Bank); and Jobs Diagnostics, which focus on impediments to more and better jobs, including in the informal sector.

- **CPSDs.** Over 50 CPSDs have been completed since 2017, including for all 13 CwA countries. In Côte d'Ivoire, a CPSD sector deep dive focused on horticulture, which holds private sector growth potential. In Ethiopia, a sector deep dive focused on tourism, which holds employment potential, especially for women and youth.
- **CCDRs.** As of this report, 30 CCDRs have been finalized, with 14 in Africa and 5 in CwA countries (Burkina Faso, Egypt, Ghana, Morocco, and Rwanda). This chapter presents key findings from the most recent CCDRs (still to be published) that cover Benin, Côte d'Ivoire, DRC, Senegal, Togo, and Tunisia.
- **Jobs Diagnostics.** Across CwA countries, challenges center on underemployment rather than unemployment. Job diagnostics help inform policy that increases productivity among informal firms and facilitates growth of the formal sector. These types of reforms are critical if countries are to capitalize on the increasing youth population and generate a positive spiral of growth and job creation. This chapter presents key messages from the most recent jobs diagnostics for Burkina Faso, DRC, Ghana, and Togo.

4.1. Country Private Sector Diagnostics

The CPSD aims to identify market opportunities where the private sector could have a larger positive development impact and to recommend actions that will enable transformative private investment in the short to medium term. CPSDs are jointly produced by the World Bank, and IFC. Since its creation in 2017, over 50 CPSD have been completed, including for all 13 CwA countries. To operationalize CPSD recommendations, IFC conducts phase II sector deep dive granular assessments to identify opportunities to create markets and drive investment into client countries. Results can help identify investment opportunities and enabling policy reforms to facilitate IFC and

other private investors, including both domestic and foreign investors. IFC support for the G-20 Compact with Africa Initiative (or ISCA) MDTF has funded several CPSD phase I and phase II sector deep dives in strategic sectors. In Togo, IFC has started a deep dive in the cashew value chain market assessment and a study on fertilizer production. In the DRC, IFC has conducted a deep dive in the agribusiness sector that is at the final stage. Below is a quick summary of the main takeaways from the Côte d'Ivoire and Ethiopia deep dives.

Côte d'Ivoire Deep Dive

The CPSD Deep Dive on Horticulture for Côte d'Ivoire was finalized in February 2022. The CPSD for Côte d'Ivoire—a joint IFC-World Bank report finalized in 2020—identified cotton, cashew nut, rubber, palm oil, and horticulture as value chains that hold significant private sector growth potential and can propel the country's growth trajectory toward the upper middle-income country status aspired to in its National Development Plan for 2021–25 and Vision 2030. The diagnostic also discussed sectoral and cross-cutting constraints that need to be removed to realize the full growth potential of these value chains. Cross-cutting constraints include access to finance, transport, digital connectivity, lack of skilled labor, and a difficult business environment. In phase II of the CPSD, deep dives are conducted into specific areas that could not be adequately covered by phase I. Following a detailed review of the priority sectors identified in the CPSD, it was unanimously agreed that there are substantial gaps in knowledge regarding the horticulture value chain. Specifically, there is uncertainty about which sub-sectoral value chains hold the most promise and whether specific obstacles need to be overcome to fully tap into their growth potential. The deep dive found the greatest potential among vegetables, mangoes, banana, pineapple, and dried and frozen fruits.

Ethiopia Deep Dive

Tourism was selected for a deep dive in Ethiopia due to its strong potential for employment—especially for women and youth—and its role in contributing to GDP and foreign exchange earnings. Tourism was selected for further analysis during phase 1 of Ethiopia's CPSD. The government designated tourism as one of five priority sectors in the Homegrown Economic Reform Agenda, which was launched by the Prime Minister in September 2019. With its brand tagline "Land of Origins," Ethiopia highlights its profound cultural heritage and anthropological history. The destination boasts a compelling unique selling proposition with its impressive array of raw assets. These include breathtaking landscapes, rich historical sites, a remarkable nine UNESCO World Heritage Sites, a globally renowned cuisine, and coffee culture, all supported by excellent connectivity provided by a top-tier airline. These raw assets offer a significant advantage for the sector's development. However, due to inadequate commercialization, packaging, and supporting infrastructure, they have not reached their full potential.

Box 4.1. Second Generation of CPSD

To deliver on the World Bank’s new vision to “Create a world free of poverty on a livable planet,” the World Bank will need to scale up private capital mobilization (PCM) and bring private sector development from the sidelines to the frontlines. This calls for more continued systematic, rigorous, and strategic assessment of private sector opportunities to inform the World Bank country engagement process. It is in this context that the World Bank will upgrade the CPSD to make it a core analytical piece to meet its new vision and objective.

Objective: Second generation of CPSDs will continue to identify priority actions to accelerate private sector development, increase PCM and identify enabling reforms (PCE). The CPSD will specifically:

- Identify granular opportunities within key sectors for scaling private sector investment and World Bank Group PCM that can feasibly be achieved within 3–5 years.
- Propose specific policy and regulatory reforms and the complementary public investments required to remove binding constraints and realize the investment and mobilization opportunities identified, including sequencing of such reforms.

Changes: The major changes to the new CPSD compared to its initial conception include the following:

- A focus on granular identification of opportunities for private sector growth at the sector level, PCM, and PCE.
- More sector assessments (4-6) will be conducted at a greater level of granularity in terms of private investment opportunities.
- A clear prioritization and sequencing of a reduced number of reform recommendations.
- Reduced length and accelerated delivery timeline.
- Upgrading of CPSDs to a core World Bank Group Advisory Services and Analytics product to facilitate follow-up through WBG Country Partnership Framework, and advisory and investment programs and projects.

Pilots: In early October 2023, under IFC leadership, IFC and the World Bank launched the production of five pilot second generation of CPSDs for Bangladesh, Jordan, Nigeria, Paraguay, and Zambia.

4.2. Country Climate and Development Reports

The World Bank Group’s CCDRs are new core diagnostic reports that integrate climate change and development considerations. CCDRs help countries prioritize the most impactful actions that can reduce GHG emissions and boost adaptation while delivering on broader development goals. CCDRs build on data and rigorous research and identify main pathways to reduce GHG emissions and climate vulnerabilities, including the costs and challenges as well as benefits and opportunities from doing so. The reports suggest concrete, priority actions to support the low-carbon, resilient transition. As public documents, CCDRs aim to inform governments, citizens, the private sector, and development partners and enable engagements with the development and climate agenda. CCDRs feed into other core World Bank Group diagnostics, country engagements, and operations, and help attract funding and direct financing for high-impact climate action. CCDRs are a product of the World Bank Group, prepared by the World Bank in partnership with IFC and the Multilateral Investment Guarantee Agency (MIGA) and coordinated with the IMF. They also benefit from engagements with government counterparts, the private sector, academia, think tanks, and civil society. The CwA Monitoring Report of November 2022 introduced this new diagnostic tool and discussed its rationale.

As of publication of this report, 30 CCDRs were finalized and published globally. In Africa alone, 14 countries have had their CCDRs published, some of which were part of the G5 Sahel CCDR. Five CwA countries have had their CCDRs published: Burkina Faso, Egypt, Ghana, Morocco, and Rwanda. The following main lessons were drawn from the initial batch of CCDRs:

- First, climate change poses a major threat to long-term development objectives, especially poverty reduction.
- Second, climate objectives can be achieved without compromising development, but only if key conditions are met.
- Third, success requires challenging policy reforms, reallocation of scarce public resources, increased PCM, and increased financial support from the international community.

In each country, a government-led prioritization and sequencing exercise is an essential step to translate the diagnostic into a country-owned strategy and implementable investment plan. Beyond the World Bank Group portfolio, a CCDR can be an opportunity for governments and private sector investors, citizens, international financing institutions, and World Bank partners to engage on development and climate action with better country-level coordination.

This section presents key findings from the most recent CCDRs, including for the following countries: Benin, DRC, Côte d'Ivoire, Senegal, Togo, and Tunisia. The publication of the Tunisia CCDR is imminent, while the CCDR for Côte d'Ivoire, Benin, DRC, Senegal, and Togo— are currently undergoing the necessary processes.

[Democratic Republic of Congo Country Climate and Development Report](#)

The DRC faces formidable climate risks to achieving sustainable development that require not only immediate attention but sustained commitment if it wants to exploit the full potential of its natural resources, strategic location, and youthful growing population. Under different development scenarios, without adaptation climate change could result in up to 13 percent in GDP losses. If not addressed, climate change will impose large costs on the economy and exacerbate household vulnerability. Renewable natural capital is the second-most important component of national wealth after its vast mineral reserves worth a trillion dollars. The DRC has a critical role to play in the future of global climate action, especially in the uptake of GHG through the conservation and management of its forests, the generation of renewable energy, and as a supplier of clean energy. To guarantee the sustainable management of its forests and protection of its peatlands, the DRC needs to ensure the conservation and restoration of its degraded forest landscapes by prioritizing and managing its existent timber concessions in a more integrated way to ensure that ecosystem services are maintained while increasing the number of forest-dependent jobs. If exploited sustainably, the DRC's cobalt mining-intensive industry could create important opportunities for economic growth and private sector development by implementing green technology, creating green jobs through the value chain, defueling conflict and violence, and supporting the transition to a low-carbon economy. Robust actions are needed to ensure a just, inclusive process in any scale up of DRC's green minerals, including fostering supply chain transparency, improving working conditions, eradicating child labor, and promoting gender equality.

The involvement of global and regional players is essential, as is an enabling environment that includes stronger institutions, more transparency, and a functioning financial market to attract external investments and enhance private sector engagement in renewable and clean energy and climate smart agribusiness. Critical to this is responsible private sector investment in resource-intensive sectors that undertakes a “do no harm” conflict-sensitive approach and identifies and manages risks related to climate-fragility challenges with local communities and seeks to maximize positive impact on the ground. The CCDR focuses on four action areas that are urgent and possible

for the DRC to be better prepared for climate change: (i) underpinning the DRC as the “solutions country,” (ii) increasing agriculture productivity, (iii) developing climate-resilient infrastructure and cities, and (iv) enhancing governance.

Senegal Country Climate and Development Report

To exit the trap of low growth and high poverty, the Senegalese authorities adopted an overarching policy framework called the Plan Senegal Emergent in 2014. The Plan calls for Senegal to be an emerging market by 2035 through structural reforms to boost private investment and continued fiscal consolidation to generate fiscal space for higher public investment in human capital and public infrastructure. However, climate-related imbalances weighed heavily on growth from the supply side. Being partly a Sahelian country, Senegal is highly exposed to climate change and natural hazards, particularly droughts, floods, and locust invasions, while the economy primarily relies on the agriculture sector. As such, the country has been fostering climate-related policy, culminating in the Nationally-Determined Contribution (updated in 2020), but implementation—particularly coordination—needs to be stepped up. The CCDR aims to deepen the analysis in critical areas, including productive landscapes (agriculture, water resource management, forests and ecosystems, mining, rural economies and connectivity); sustainable cities (urbanization and its implications on planning, disaster-risk management, transport, housing, waste management, peri urban agriculture); human capital (social protection and jobs, human health, education, migration); and energy and hydrocarbons (with a focus on gas-to-power generation) to help the government incorporate granular climate-related considerations into specific policy actions in its Priority Action Plan 2024–28 while mobilizing private sector participation in climate financing.

Côte d'Ivoire Country Climate and Development Report

The CCDR for Côte d'Ivoire is still in the process of being finalized—having received extensive comments from the government—and should aim for publication in November 2023. Côte d'Ivoire is at a crossroads. Climate change impacts are already affecting the country as temperatures increase, rainfall and other weather events become more extreme and less predictable, and sea levels rise. But Côte d'Ivoire now has an opportunity to put its growth on a more sustainable path, both realizing the aspirations of a growing population and better adapting to the growing impacts of climate change. The CCDR shows negative impacts from climate change will reduce economic performance and over proportionally impact the poor. The report analyzes various opportunities in energy, agriculture, land use, urban development, and interconnectivity that have the potential to make the country's development more sustainable and inclusive. These opportunities aim to improve living standards and enhance resilience in the face of climate change. Dealing with a changing climate is a national imperative that involves both the public and private sectors. Choices need to be made for the structural transformation of the economy, transitioning from outdoor low-earning sectors, such as agriculture, to more value-added industrial and service activities. The country's vibrant private sector is poised to play a central role in fostering climate resilience and helping the country achieve its stated NDC targets—through financing, innovation and technology transfers, and implementation of mitigation and adaption projects. Côte d'Ivoire still has tremendous potential for mobilizing funding, including from the private sector. Though climate finance has hitherto been under-exploited, significant opportunities also exist for Côte d'Ivoire to tap into that climate finance.

Benin Country Climate and Development Report

High growth over the last decade has allowed Benin to make progress on poverty reduction, but gains need to be sustained. Benin, a small open economy in West Africa, transitioned to lower middle-income status in 2020 due to above average growth during the last decade. Poverty over this period has gradually declined, but it remains high. The poverty incidence (share of population under the national poverty line) declined steadily—from 47 percent in 2010

to 42 percent in 2015, falling to 38.5 percent in 2018/19. The road ahead is challenging as Benin needs to find ways to sustain its growth momentum and drive the structural transformation outlined in its Vision 2060 to achieve upper-middle income status. Gaps in human capital and infrastructure create significant financing needs going forward. Worsening climate change impacts will make it harder to improve living standards equitably. Despite its low contributions to GHG emissions, Benin is one of the most vulnerable countries to climate change. The country contributes only 0.05 percent of global GHG emissions and is ranked 149 out of 188 countries for its per capita emissions. While GHG emissions are expected to increase as the country develops, Benin's main challenge is its vulnerability to climatic shocks, ranking 152 out of 181 countries for extreme climate vulnerability (181 being the most vulnerable). Climate change's impact is magnified by high levels of poverty and inequality. Natural wealth per capita has also declined over recent decades, with deforestation amplifying the negative effects of climate change.

In the next 30 years Benin will need to build a strong private sector-led economy—based on greater human and physical capital and labor productivity growth—that is resilient to climate change and avoids carbon lock-ins. Both labor supply and labor demand will need to change to achieve the development objectives. This will imply a change in the structure of economic output and employment and subsequently in the distribution of people and markets across space. In addition, this shift will need to happen under increasing vulnerability to climate change. It will also require making sure that policy choices balance the risks of carbon lock-in given greater global commitment toward low-carbon pathways. Currently, the world is facing the dual challenges of the COVID-19 crisis and the impact of Russia's war on Ukraine, both of which are limiting sovereign financing resources and creating macroeconomic vulnerabilities. Benin is also dealing with growing regional security concerns in the Sahel, coupled with climatic stress.

Tunisia Country Climate and Development Report

Tunisia is navigating an economic crisis amidst a complex political context and a changing constitutional framework. The political reforms that followed the 2011 revolution led to a fragmented political situation without accompanying economic reforms to tackle pervasive barriers to investment, innovation, and economic activity. A series of negative shocks—including the conflict in Libya, terrorist attacks, and, more recently, the COVID-19 pandemic and commodity price increases linked to the Russian invasion of Ukraine—compounded this fragility. As a result, economic growth slowed (averaging 1.4 percent between 2011 and 2022, down from 3.5 percent between 2000 and 2011), and progress on reducing poverty stalled. Rising unemployment and inflation exacerbated social discontent and political instability, eventually leading to political changes in July 2021 that include a new constitution and the introduction of a presidential system. With a faltering economy, Tunisia has increasingly relied on recurrent public expenditures to meet citizens' needs without tackling the root causes of poor economic performance. This rapid rise in recurrent expenditures, exacerbated by recent shocks, has led to growing fiscal and current account deficits as well as a mounting stock of debt that is increasingly difficult to finance.

Tunisia's economic challenges have been compounded by an increasing vulnerability to climate change. The country's location makes it one of the most exposed to climate change in the Mediterranean region, with temperature increases expected to be accompanied by reduced and more variable precipitation; a rising sea level with saltwater intrusion; an increase in forest fires; and escalating extreme weather in the form of floods and droughts. These climate-linked effects will deplete natural resources, exacerbate water scarcity, and drive losses of agriculture and coastal infrastructure. Some of these effects are already taking a toll. Four years of drought conditions culminated in a significant drop in Tunisia's agricultural production in 2022/23. Vulnerability to increasingly frequent and severe extreme weather events (especially flooding) and sea-level rise will also increase, as will the costs of coping with these risks. Some of these issues will drive energy demand (for example, for desalination, pumping, and cooling), resulting in higher emissions and air pollution while increasing dependency on imports.

This CCDR establishes the case for a new economic model to address Tunisia’s challenging economic and social context and vulnerability to climate change. Building on extensive analyses and consultations, the CCDR calls for a new model that emphasizes the role of the private sector in generating most jobs, while the state focuses on its regulating function, funding expenditures with the highest social and economic returns and directing resources to interventions that are both economically and environmentally sustainable. The proposed model would involve major changes, such as using pricing to rationalize the consumption of resources and creating economic conditions that support private investments in climate adaptation and decarbonization. It would also involve a shift from recurrent public expenditures to public investments in adaptation and decarbonization.

Togo Country Climate and Development Report

Togo’s development trajectory over the last decade provides optimism, though poverty reduction and structural transformation remain somewhat elusive. While Togo’s economy has been resilient to a sequence of unprecedented shocks in recent years, fragility risks have increased, and fiscal buffers have been depleted. Constrained access to infrastructure, skills, and finance continue to stifle private sector productivity and job creation. The agricultural sector remains a significant portion of the economy yet suffers from long-standing structural constraints and severe exposure to climate shocks, which make the medium-term prospects intrinsically linked to climate adaptation and mitigation. Togo’s geographic, climatic, and socioeconomic conditions make it highly vulnerable to the impacts of climate change and other environmental hazards. In this context, the Togo CCDR aims to highlight the challenges to Togo’s continued economic development arising from climate change and the policy opportunities to mitigate and adapt to a changing natural environment. The report provides detailed analysis of sectors at unique inflection points in their management of climate challenges. These include agriculture and forestry, network infrastructure (energy, transport, digital), coastal resilience and cities, and carbon footprint of key industries (cement, fertilizers, phosphates). In addition, the report addresses spatial inequality and fragility across the sector deep dives to provide tailored recommendations for climate solutions and financing options that can support a resilient growth trajectory in the country.

4.3. Jobs Diagnostics

To inform jobs policies, the World Bank Group undertakes Jobs Diagnostics and similar analyses to investigate the dynamics of jobs outcomes, their drivers, and constraints to better jobs. Such diagnostics and analysis in various CwA countries were highlighted in last year’s report (Côte d’Ivoire, Egypt, Morocco, Rwanda, Senegal, and Tunisia). Summaries of the jobs diagnostics and analyses for Burkina Faso, DRC, Ghana, and Togo follow.

Jobs Diagnostic in Togo²⁶

Togo has made significant progress in creating more good quality jobs, with robust growth performance in the past decade. However, Togo’s job market is still marked by low productivity, high levels of informality, and slow structural transformation, reflected in the large share of underemployment and low-quality jobs. Though Togo’s employment rate is high (76 percent), many are working low productive jobs with meager earnings. Underemployment

²⁶ Karlen, R. and F. Rother. 2023. *Togo Jobs Diagnostic: Confronting Challenges and Creating Opportunities for More Good Quality Jobs for All*. Jobs Series; No. 32. Washington, DC: World Bank.

is widespread at 61 percent and disproportionately affects women and those residing in rural areas. Unemployment remains low (1.7 percent in 2018 from 4 percent in 2006), masking hidden unemployment since large parts of the population have no choice but to work to earn a living. Seeking employment is not without cost and depends on the ability of jobseekers to finance a period of unemployment, either from personal savings or family support. As a result, most job seekers and workers have no choice but to accept any form of occupation, often with low pay and under difficult working conditions.

Large parts of the population are not covered by any kind of social protection. Togo's social protection system, like those of many low- and middle-income countries, is designed for formal sector workers. It also includes programs directed to the poor (through a non-contributory cash transfer and school canteen programs). However, in practice, safety net programs reach very few—13 percent—of the poor and vulnerable. Further, there is currently no social protection mechanism in place to support individuals in the non-poor segments of the informal sector, even though they account for 44.4 percent of the population and up to 58.6 percent in Togo's capital, Lomé.

Togo's economic growth has been linked to some job creation, but this varied by period and was not in sufficient number or quality to significantly improve the jobs outcomes for its population. Between 2001 and 2019, each percentage point of additional GDP growth was associated with a 0.6 percentage point increase in employment. Employment growth was strongest from 2001 to 2007, which surprisingly is the period with the weakest economic growth. This implies that a significant share of employment growth was due to an increase in labor supply rather than gains in productivity. Though the structure of Togo's economy has shifted gradually from agriculture to services over the past two decades, employment in low-productivity sectors still dominates the landscape.

Most informal firms represent low productivity subsistence activities and would be unable to afford the costs associated with operating in the formal economy. Informality is a dominant feature of Togo's economy, with approximately 90 percent of the workforce engaged in the informal sector as of 2017, contributing to an estimated 35 percent of GDP. Informal businesses in Togo often share certain characteristics: they are predominantly owned by women (72 percent), typically operated solely by the owner (88 percent), and generally generate modest monthly profits. Lack of customers (60.5 percent) and difficulties in accessing credit (52.4 percent) are the main challenges informal firms report. Though in the past policies mostly focused on formalizing firms, notwithstanding their level of productivity and capacity to formalize, a cluster analysis revealed that the informal business landscape is heterogenous, and tailored policies are needed.

Togo's economy is dominated by small businesses with few firms of significant size, suggesting constraints to growth. Overall, wage jobs in formal firms tend to have higher earnings and better job security as well as access to social security, which are important aspects of quality jobs. Only about 2,000 firms in Togo have an annual turnover above \$100,000 and just 14.5 percent of firms identified in the 2018 Firm Census are formal. The formal private sector has not been creating enough jobs to absorb a growing and gradually better-educated workforce. The elasticity of job-to-sales growth in formal firms fell from 0.95 to 0.82 between 2009 and 2016, indicating that firms have not hired workers as their sales have grown.

Over the past decade, Togo's (formal) firm entry rate has steadily increased, but job creation in the formal sector continues to be held back by high labor costs and low productivity levels. Togo's firm entry rate per 1,000 working age adults went from 0.15 in 2009 to 0.94 in 2020 as reforms to simplify the business registration process were implemented. However, given current productivity levels, Togo's labor costs, composed of the salary, labor income taxes, and social security contributions, appear to be too high to incentivize firms to create more formal jobs.

After the 2012 minimum wage increase, wage employment contracted and self-employment increased, a shift that is particularly pronounced among workers with low levels of education. At least 50 percent of urban wage and industry workers earned less in 2011 than what became the new minimum wage in 2012. Togolese firms hire a larger share of workers on a temporary basis than in other countries, which seems to substantiate constraints related to profitably hiring additional workers. Further, Togo's manufacturing firms use a higher share of semi-skilled and a lower share of unskilled workers than firms in peer countries, possibly the result of high labor costs for unskilled, low productivity jobs.

Addressing employment challenges in Togo encompasses creating more jobs, improving the quality of existing jobs, and ensuring those with additional constraints on access to jobs are not left out. The diagnostic identified four key recommendations: (i) combining a multisectoral jobs strategy, the jobs platform anchored at the highest level, and a data exchange platform would ensure a consistent policy approach across the Togolese economy; (ii) improving social protection systems and targeting of measures, including wage subsidies, training offerings, and cash transfers would allow for a strengthened focus on the most vulnerable groups; (iii) applying a jobs lens in policy decisions would create the space to further develop the potential of agriculture and strengthen urban employment opportunities, with critical measures to include investment in infrastructure and initiatives to promote processing and exports; (iv) promoting the creation of more formal jobs in the private sector, including by reviewing the various elements of total labor costs to improve its competitiveness, enhancing access to finance, and strengthening good governance, and strengthen productivity in the informal sector through a more tailored approach to meet the needs of heterogeneous firms as this is where most of the jobs are and will remain in the foreseeable future.

Jobs Diagnostic in Burkina Faso²⁷

Jobs created in Burkina Faso during 1998–2014 were sufficient to keep pace with population growth, but the persistently high rates of poverty indicate the low quality of the jobs. Like Togo, unemployment in Burkina Faso is very low (0.6 percent in 2014), and the labor force participation rate is high (89.8 percent), yet persistent levels of poverty suggest that the quality of jobs is a more pressing issue than the number of jobs that are created. Most new jobs were created either in agriculture, which suffers from low productivity, or in nonagricultural low-productivity activities, mostly in the informal service sector. Among tradable sectors, gold mining and cotton production are predominant; however, they only offer limited employment opportunities and contribute to the fragility of the economy due to their vulnerability to international price fluctuations. The employment landscape in non-tradable sectors, particularly urban services, continues to be largely informal and, at present, does not significantly enhance prospects for improved well-being. As a result, more substantive improvements in well-being remain elusive. The structural transformation has therefore been slow, with limited movement of labor from rural areas and agriculture.

Low levels of education continue to hinder labor market outcomes and structural transformation. Limited school enrollment and educational outcomes are most often caused by family disapproval, lack of financial resources, and the need to work; among girls, marriage and childbearing are also important factors. Gender disparity is also an obstacle; women hold jobs of poorer quality, report lower earnings, and are often locked out of more dynamic sectors.

In Burkina Faso, formal firms hold a higher share of value added, are more productive, and offer better jobs, but the private sector, which employs the largest number of people, is dominated by informal enterprises. These informal businesses face significant challenges, including limited access to credit, skilled labor, and unreliable access to electricity, posing as major constraints on their growth and development. Informal enterprises currently

²⁷ Weber, M. 2018. *Burkina Faso Jobs Diagnostic: Overview and Suggestions for a Strategic Framework for Jobs*. Jobs Series; No. 15. Washington, DC: World Bank.

generate most of the employment outside of agriculture and are largely in commerce. Nearly two-thirds of informal nonagricultural enterprises are in rural areas. Within the private sector, as of 2008, approximately 88 percent of non-agricultural enterprises operated informally, accounting for about 60 percent of the total employment but contributing only 11 percent of the overall sales. Access to credit is a major hurdle for these enterprises, with more than one-third of them identifying it as their most significant hindrance and a staggering 75 percent listing it as a major constraint. These figures significantly exceed those observed in comparable Sub-Saharan African countries. Additionally, over one-third of employers report that the lack of an educated workforce poses a significant constraint on their businesses. Burkina Faso also faces challenges in electrification and the cost of electricity, with firms in the country paying some of the highest connectivity fees and electricity prices in the region. This situation leaves Burkina Faso at a disadvantage when compared to other low-income countries.

To build pathways out of poverty through better jobs, Burkina Faso’s policymakers need to tackle key impediments to productive and inclusive job creation and overall growth. An initial framework for a Jobs Strategy was proposed around three complementary objectives: (i) create an enabling environment for formal job creation, (ii) improve the productivity and earnings of informal jobs, such as smallholder farming, and (iii) connect vulnerable groups, such as women and youth, to better jobs.

Jobs Diagnostic in the DRC²⁸

Recent growth performance in the DRC has led to lower poverty, but to reduce poverty further, more jobs will be required. Demographics present an additional challenge to providing jobs for a growing youthful population. A post-conflict rebound coupled with the global commodity price boom has enabled the economy to enjoy rapid economic growth, mostly by the boom in industry. Nonetheless, and despite the beginning of a decline, poverty remains exceptionally high. To reduce it even further, the economy may need growth that is more diversified and jobs rich. By 2030, the country will have 66 million workers, which will demand that the economy create about 18 million new jobs in the next 12 years. The youth bulge is a potential demographic dividend, making it critical that entrants to the labor market can find employment and current workers can improve the quality of their employment. For the demographic dividend to yield a positive spiral of growth and job creation, young and female workers must be given opportunities. Dwindling employment rates and modest increases in unemployment suggest a growing group of discouraged workers who have left the labor force. Two thirds of the inactive population live in rural areas, and when they do find employment, informal work is the norm.

Though self-employment and unpaid work continue to shape the labor market, wage employment has started to grow, albeit less so for women than men. Associated with agriculture, self-employment continues to be the dominant form of employment. At the same time, unpaid work is concentrated in rural areas. Driven by the private sector, wage employment has expanded and its concentration around the capital has started to wane. Women remain at a higher risk of more transient employment status. Female workers are significantly less likely to be in wage employment and less likely to be employers than are male workers.

Having more education does not necessarily lead to a job, but it improves the prospects of income. Education and chances of employment are negatively correlated. For those with no schooling or only primary schooling, unemployment rates have remained at about 2.5 percent. In contrast, for those with tertiary education, the unemployment rate is six times greater (13.7 percent). One explanation for the seemingly inverse relationship between

²⁸ Aterido, R., A. Gonzalez, D. Merotto, C. Petracco, and J. Sanchez-Reaza. 2018. *Democratic Republic of Congo Jobs Diagnostic. Jobs Series*. No. 12. Washington, DC: World Bank.

higher levels of education and employment could lie in the capacity of the labor market to absorb highly educated workers. Another could be the worker's ability to sustain a longer job search to find a more suitable match: those with higher education typically have economic backing from their families, which enables them to engage in a longer job search.

Although unemployment affects urban areas, the real problem is underemployment. Unemployment is predominantly an urban phenomenon: 83 percent of the unemployed are urban dwellers. In contrast, underemployment is sizable, particularly in rural areas and among youth. In 2012, 45 percent of workers were classified as underemployed.

Most of the growth in labor productivity in the DRC has resulted from structural change and is not necessarily associated with more employment. A poor business environment that hinders the private sector might be at the heart of underemployment, informality, and inactivity. Productivity growth was mainly accrued from shifting labor across sectors rather than from improving sectoral efficiency. About 80 percent of the growth in labor productivity has come from a proportionate increase in workers from lower-productivity jobs in agriculture moving to relatively higher-productivity jobs in services and industry. Productive firms in the country are, unexpectedly, smaller firms. This might signal that, for the most part, productivity gains accrue to a firm through its shedding of labor. The fact that productive firms do not grow may signal misallocations or market failures. The business environment hindering private sector growth includes poor infrastructure, uncertain regulatory processes, and an inefficient and arbitrary bureaucracy. This environment generates a vast number of small, informal household enterprises but not many productive, jobs-producing formal firms.

The jobs diagnostic identified several policy questions important for the DRC's jobs-rich structural transformation: (i) Harness the demographic dividend by ensuring the skills achieved through schooling are the same skills demanded by firms. (ii) Integrate solutions for firms' growth and integration by removing obstacles to firm growth, such as corruption, political instability, and cumbersome tax codes and address challenges, such as lack of finance or electricity supply. However, this jobs diagnostic found that firms that were connected to external markets, whether through trade or investment, were more likely to grow in employment. Thus, mapping value chains in manufacturing and agribusiness, attracting FDI, and developing local suppliers could spur job creation. (iii) Facilitate urbanization. (iv) Address underemployment in rural areas through industrialization. Capital deepening and technological modernization in agriculture would yield productivity gains and achieve economies of scale, but they most likely would mean the shedding of some of the workforce. Agribusiness development is a way to add value while absorbing a share of those former farmers. Whatever part of the agribusiness value chain a worker belongs to (farming or manufacturing), the greater use of capital would most likely ensure a full-time job that would address the underemployment challenge.

Growth and Jobs Analysis in Ghana²⁹

Though structural transformation has been progressing in Ghana, some indicators suggest that Ghana's economy has begun to deindustrialize prematurely. The sectoral distribution of value-added and employment in Ghana has progressively shifted from agriculture to industry and services. The shift to the industrial sector was driven by shifts to the construction and mining subsectors, whereas the shift to the services sector was driven by a shift to the trade services subsector. The contribution of manufacturing to value-added, employment, and exports has declined over time. Traditionally, manufacturing is a marker of industrialization. But indications suggest that Ghana's economy

²⁹ Nxumalo, M. and D. Raju. 2020. "Structural Transformation and Labor Market Performance in Ghana." Jobs Working Paper; No. 55. Washington, DC: World Bank.

has begun to deindustrialize prematurely. The manufacturing sector's share of employment appears to be peaking with the country at a lower national-income level compared to when countries such as Brazil, Malaysia, or South Korea began moving toward greater employment in services. Ghana's economy also lacks complexity, as suggested by its exports, which are dominated by primary products, such as oil, cocoa, and gold. This level of complexity appears to have changed little over the last decade.

Ghana's employment rate has declined in recent years, and the country has seen an increase in the youth unemployment rate. Among unemployed workers, spells of unemployment tend to be long. And the percentage of Ghanaian youth who are neither enrolled in school, employed, nor engaged in training has also increased. Further, because Ghanaians tend to be self-employed in low-skill occupations in agriculture and services, labor conditions and outcomes are poor. Workers tend to earn little and receive few nonwage benefits, such as for health insurance or retirement. Women, youth, rural residents, and of course the poor are more likely to experience these labor conditions and outcomes.

For Ghana to successfully transform its economy and boost its labor market performance will require a steadfast, multi-angled perspective, well-programmed macro and micro development policy actions, and multisector interventions. The diagnostic identified six strategic directions to strengthen Ghana's economy and labor market: (i) promote economic activities and enterprises with the potential for jumps in product complexity; (ii) strengthen the participation of enterprises in global value chains; (iii) harness the potential of digital technologies and proactively adjust to the changing world of work; (iv) increase and enhance the participation of women, youth, and the poor and vulnerable in the labor market; (v) improve human capital in the current and future workforce; and (vi) design resilient and responsive systems and interventions to protect the economy and labor market against potential disasters and shocks.



5. UPDATE ON ENTREPRENEURSHIP INITIATIVES IN COMPACT WITH AFRICA COUNTRIES

Key Messages

During the G20 AAG meeting in December 2022, it was decided to enhance the understanding of entrepreneurial activities in CwA countries to identify concrete and country-specific policy recommendations. Therefore, AAG members called upon AfDB and the World Bank Group to conduct such an analysis. They also indicated that such studies should identify potential areas for collaboration with entrepreneurship initiatives, such as the Alliance for Entrepreneurship, and identify areas for policy reforms that can be included in the countries' reform matrices.

- **Importance of entrepreneurship.** Entrepreneurship quality is strongly associated with development and is key for increasing the size of the formal sector. The African tech startup ecosystem is among the fastest growing in the world, though over 50 percent of tech sector firms are in Egypt, Kenya, Nigeria, and South Africa. However, countries such as Ghana, Morocco, and Tunisia are gradually increasing their participation.
- **Disruptive technologies.** Among startups in Africa, cloud computing and mobile payments are the key disruptive technologies. However, Africa still lags in artificial intelligence and machine learning technologies compared to the frontier and Latin America and the Caribbean (LAC). The use of disruptive technologies by firms is associated with more funding but to a lower extent in Africa than in LAC and frontier markets.
- **Importance of data.** Digital and technologically disruptive firms are more likely to enter ecosystems with a higher prevalence of more capable firms, reinforcing the importance of using diagnostics to enhance entrepreneurial ecosystems in CwA countries and inform policy initiatives.
- **AfDB and World Bank Group support.** AfDB and World Bank Group support entrepreneurship development through diagnostics, operations, and partnerships. The Alliance for Entrepreneurship in Africa also mobilizes and coordinates support from the AfDB, the World Bank Group, and European institutions toward the development of Africa's micro, small, and medium enterprises (MSMEs) and startups. The Alliance could be leveraged to support CwA efforts on entrepreneurship.

5.1. Entrepreneurship and Startups in Africa

Following the call from the G20 Africa Advisory Group (AAG), the World Bank Group has significantly expanded its analytical work on entrepreneurship in Africa.³⁰ Many of these research initiatives are being prepared as background studies for a forthcoming IFC's flagship report, *Unlocking Investment Opportunities in Digitalization for African Businesses*, planned for launched by early 2024. This chapter leverages some of these background studies, providing new evidence on challenges and opportunities for entrepreneurship in the region. It focuses on three main questions: (i) What is the status of firm distribution and entrepreneurship in Africa? (ii) What are the trends and level of disruptiveness of tech startups in the region? (iii) How can policymakers improve the diagnostics to inform policy priorities that boost the entrepreneurial environment in CwA countries? The analysis shows that the region must significantly improve the number and quality of firms to generate more and better jobs and benefit from an increasing working-age population. The rapid expansion of tech startups brings optimism, but further actions are needed to enable the benefits of disruptive technologies. New diagnostic tools and further data availability can provide guidance for policy priorities to enhance entrepreneurial ecosystems under the G20 CwA Initiative.

5.1.1. Why Entrepreneurship Matters in Compact with Africa Countries

Africa's rapidly growing youth population presents many opportunities, but it comes with significant challenges for job creation and economic development. According to Karkee and O'Higgins (2023), nearly 13 million young Africans are unemployed, and about 60 million other young people are neither employed nor in education, with two-thirds of them young women. In CwA countries, the share of 15–24 year olds not employed nor in education amounts to anywhere between 18 percent to 41 percent, with shares consistently higher among young women than men. Most of these young people face obstacles to searching for and/or obtaining jobs. With its youth population projected to double by 2050, job challenges have become and will remain an acute problem in Africa. According to World Bank estimates, in Sub Saharan Africa, more than 14 million new jobs will be needed annually by 2030, while these economies have so far been able to create less than 4 million good jobs (IDA 2019).

More and better jobs in Africa will require more and better firms. A pressing challenge for the African continent, with its large population of young workers, is to significantly increase the number of better-quality firms that can absorb the growing labor supply. Currently, a large share of its population is absorbed by informal or own-account businesses by necessity rather than opportunity. These economic activities provide little growth and productivity gains that can be translated into better conditions for their workers. But how many new and better firms are needed? What is the magnitude of these challenges? Responses to these questions are key to inform policymakers and non-government stakeholders supporting private sector development. Up to now, evidence has been lacking on the broader picture—how many firms Africa has and what their main characteristics are. An initiative led by IFC, in collaboration with researchers from the World Bank and academics, seeks to address this question by estimating the number of firms, their basic characteristics, and the number of workers associated with them.

Entrepreneurship has emerged as a potential opportunity for Africa's demographic and job challenges. Recognizing the scarcity of traditional employment options, many young people are turning toward entrepreneurship to create economic opportunities for themselves and others. Yet, many of these workers turn into own-account businesses out of necessity. African countries must substantially increase the numbers of high-quality entrepreneurship. Evidence from advanced and developing economies suggests that a small group of young, high-

³⁰ IFC gratefully acknowledges the partnership with the Japanese government to support this work.

growth firms are the key drivers of employment growth, contributing a significant share of new jobs to the economy.³¹ These firms are characterized by brief spurts of rapid growth and tend to be more innovative, more connected to global value chains, more likely to benefit from economies of agglomeration, and associated with higher levels of productivity, jobs, and salaries. Framing entrepreneurship diagnostics around identifying and supporting potential high-growth firms is critical for unlocking development benefits in CwA countries.

Policymakers in African countries are keen to identify a set of policies, regulations, and institutions that can establish a system that promotes entrepreneurship. The availability of resources combined with effective institutions can support the process of creating new firms, the expansion of young firms, and the technological catch up and upgrading of firms.³² Policy interventions need to be well-justified and cost-effective and target firms that will yield the greatest benefits to society in the quality and number of jobs, inclusion, and spillover effects. Interventions should ideally consider prioritization at the firm level and of entrepreneurship ecosystems. Targeting high-potential ecosystems that benefit from economies of agglomeration can increase the chance of spillover effects while reducing the cost of implementation.³³

5.1.2. Context of Firms and Entrepreneurship in Africa

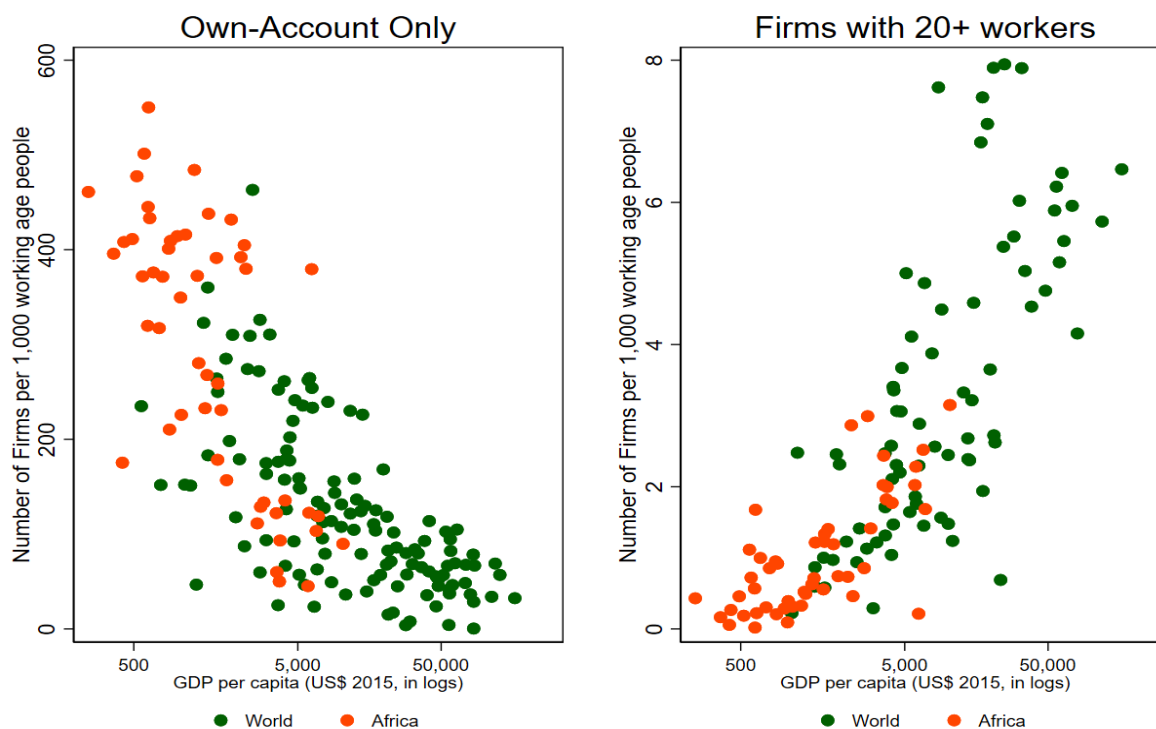
Entrepreneurship quality is strongly associated with development. Figure 5.1 correlates the density of firms and GDP per capita across countries. The left panel shows the correlation between the density of own-account businesses and GDP per capita, while the right panel shows the same correlation but considers only firms that employ 20 workers or more. The difference this distinction makes is stark: while own-account activities have a higher density in poorer countries, considering only units that employ at least 20 workers it is strongly positively correlated with income. These results also suggest that own-account businesses are disproportionately high in Africa, while the relative number of firms with 20 workers or more (medium and large firms) are disproportionately low.

³¹ Grover, Medvedev, Olafsen (2019); Haltiwanger et. al. (2013, 2017); Walsh (2023).

³² Cruz et al. (2021), for example, show how trade barriers can impede high-growth firms in Tunisia that prevent them from unlocking their potential.

³³ Cruz and Zhu (2023) provide a diagnostic toolkit with guidance on implementing a consistent methodology that measures entrepreneurship performance and identifies key areas for policy interventions.

Figure 5.1. Density of Firms and Gross Domestic Product per Capita, 2020

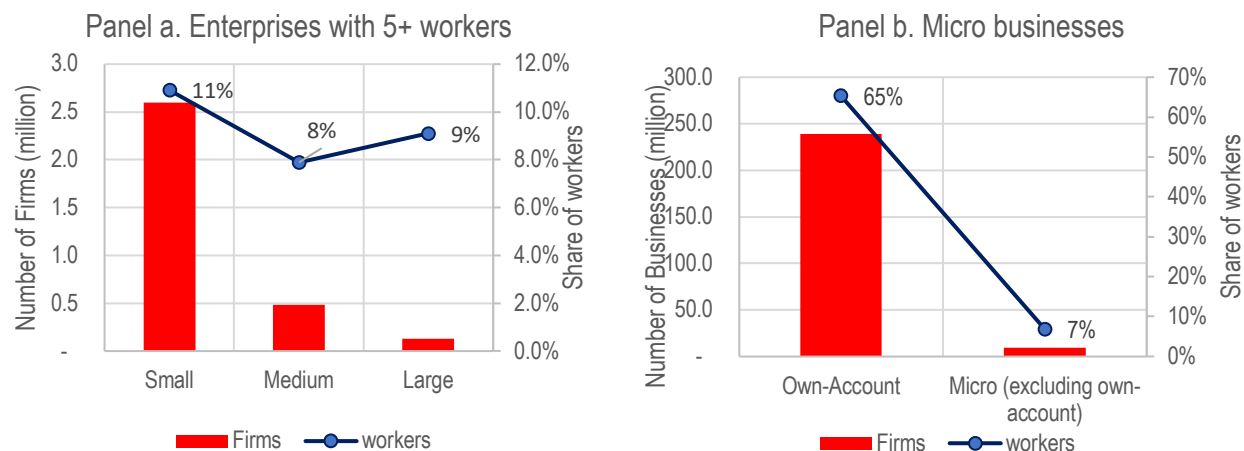


Source: IFC (Forthcoming), based on Castro et. al. (2023).

New estimates from IFC suggest that the African continent has about 12.7 million enterprises with more than one worker and about 240 million own-account businesses (Figure 5.2).³⁴ These estimates suggest that informality prevails among micro businesses, totaling 187 million own-account informal businesses where the proprietor constitutes the sole employee, and 7.7 out of 9.4 million micro firms with less than five workers, excluding own-account. Among 3.2 million firms with 5 or more workers, the majority (about 2.5 million) are small businesses employing between 5 and 19 workers. About 70 percent of workers in Africa are associated with own-account (65 percent) or micro businesses (7 percent), defined as those with less than 5 workers. Only 9 percent of workers are employed by large firms (with 100 or more workers).

³⁴ Castro et. al. (2023), a background paper produced for the forthcoming report, *Digital Africa*, provides detailed information on the new methodology and several data sources, including a detailed mapping of establishment census, used to estimate the number of firms and own-account businesses in Africa.

Figure 5.2. Market Size: Universe of Businesses in Africa



Source: IFC (Forthcoming), based on Castro et. al (2023).

These results suggest that Africa lags in the creation of high-potential firms capable of generating the high volume of good quality jobs needed for its growing working-age population. The results are driven in part by the high prevalence of own-account subsistence agriculture and retail activities across Africa, where productivity is very low, and a lack of transformation with no or too little value added. Evidence across the globe shows that a substantial share of value-addition takes place in the formal sector, while employment remains concentrated in the informal sector.³⁵ At the same time the formal sector share rises substantially with income levels, both across countries³⁶ and within countries.³⁷ To employ the burgeoning working-age population in Africa with high-quality jobs, the formal sector must see significant growth. A young and skilled population with prior experience in sectors poised for growth is an important pre-condition for this transition.³⁸ Enabling capacities in the form of financial capital, physical infrastructure, regulatory environments, and ecosystems that foster the creation of high-growth firm prospects are needed.³⁹

CwA countries are not immune to the challenges of low-capability firms, which plague the continent. In terms of employment, most CwA countries (like the rest of Africa) have less than 50 percent of workers employed by formal firms with 5 or more employees.⁴⁰ For some CwA countries (such as Burkina Faso, Benin, Guinea, and Rwanda) this number falls below 1 percent, meaning that less than 1 percent of workers are employed by formal firms with 5 or more workers. In the number of firms per capita (Figure 5.3), CwA countries are not exempt from the challenges faced by the rest of the continent in fostering more capable firms (though much heterogeneity exists at the country level).

³⁵ Kose et al. (2019); Wiedemann et al. (2023).

³⁶ Brandt (2011); La Porta and Shleifer (2014); Ulyssea (2018).

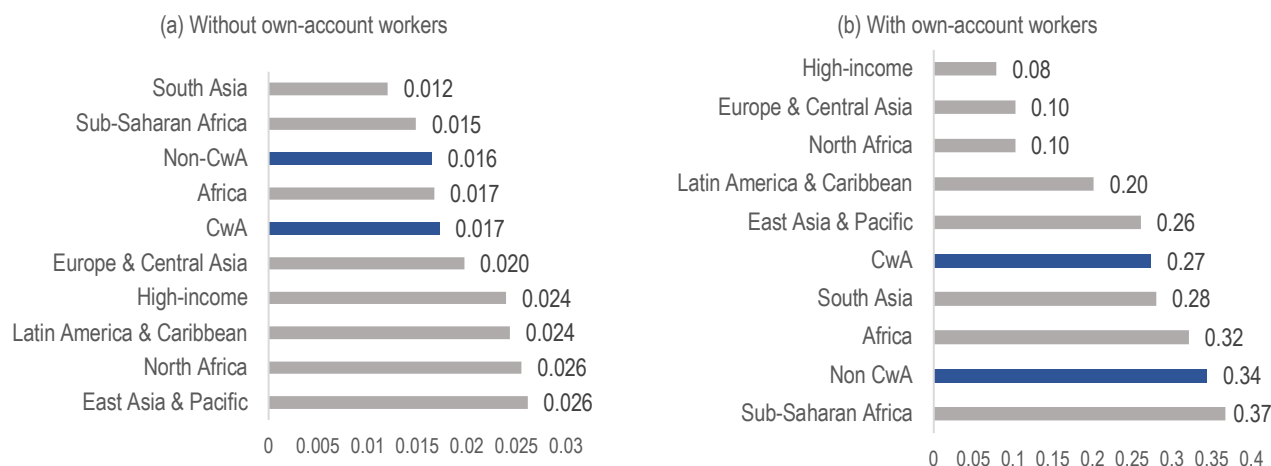
³⁷ Wiedemann et al. (2023).

³⁸ Hopenhayn et al. (2022); Bernstein et al. (2022).

³⁹ The World Bank Entrepreneurship Database suggests that on average 13 percent of all Limited Liability Companies registered each year are newly registered. These include formal and exclude sole proprietors, cooperatives, and government. However, one caveat with this number is the timing of the registration. Newly registered firms are not necessarily new firms just starting operations. Similarly, the stock of Limited Liability Companies could overestimate the number of firms if it includes unactive firms. The estimations presented in this chapter use data on employers from many harmonized households and labor surveys by ILOSTAT, combined with a new methodology to analyze the distribution of those firms in size and other characteristics. The results are validated by similar numbers from available establishment censuses. An ongoing research agenda by IFC aims to further understand the dynamics of those firms over time.

⁴⁰ With the rest being own-account workers or working for informal and/or micro businesses. Among non-CwA countries, only Algeria, Cape Verde, Libya, and Mauritius have over 50 percent of workers employed by formal firms with 5 or more employees. Among CwA countries, Tunisia is the exception, with 58 percent of workers falling into this category.

Figure 5.3. Firms per (Working Age) Capita, by Region



Source: IFC (Forthcoming), based on Castro et al. (2023).

Note: The Non-CwA category includes only African countries.

Compared to the rest of the continent, CwA countries tend to have more medium (between 20 and 100 workers) and large (more than 100 workers) firms. Though CwA and non-CwA countries have a similar number of firms per capita (Figure 5.3a), CwA countries have fewer own-account owners per capita (Figure 5.3b). This suggests that firms in CwA countries may be larger and hiring more workers, thus resulting in fewer workers turning to own-account ownership by necessity. When looking at the size distribution of firms (excluding own-account workers), CwA countries on average have a smaller share of micro firms (less than 5 employees) and more medium and large firms (Table 5.1).

Table 5.1. Share of Micro, Small, Medium, and Large Firms out of Total Firms, 2020

CwA	Micro	Small	Medium	Large
Non-CwA Countries, Average	0.686	0.217	0.083	0.014
CwA Countries, Average	0.651	0.206	0.127	0.016

Source: IFC (Forthcoming), based on Castro et al. (2023).

Note: The Non-CwA category includes only African countries. Shares represent country-level averages across CwA countries and Non-CwA countries, respectively.

While these regional comparisons can provide high-level performance benchmarks, heterogeneity between countries underscores the importance of country-level analysis for informing policy. The firm demographic data suggests that Egypt, Ethiopia, Ghana, and Tunisia have strong formal sectors⁴¹ compared to other CwA countries, while Burkina Faso, Côte d'Ivoire, and Rwanda struggle the most with informality.⁴² However, country experiences across Africa and among CwA countries differ greatly and each have their own nuances. For example, many non-CwA countries that exhibit strengths in formality have economies composed of large oil sectors. It is also important to not focus too much on any one statistical measure for cross-country comparison. For example, firms in Ethiopia appear to formalize more than anywhere else on the continent, but this strength may be driven by a higher tendency for workers to operate their own enterprises than band together and form informal establishments. For comparison, Egypt and

⁴¹ All three countries rank in the top third of African countries in the number of formal firms per capita, only falling behind non-CWA countries that have significant oil and mineral or tourism endowments (as well as South Africa).

⁴² The three countries fall in the bottom third of all countries across the African continent in several measures of formality.

Ethiopia are similar in working-age population, but Ethiopia has almost eight times as many own-account owners, while Egypt has more formal and informal firms. The Central Africa region has the highest density of own-account units in Africa, while the density of employers is more widespread across the region with a distinctive prevalence in the north and south of the continent.⁴³

The lack of dynamism suggested by the prevalence of own-account and micro informal businesses in many African countries contrasts with the remarkable growth of tech startups in the continent. This dynamic brings optimism towards the perspective that these entrepreneurial ecosystems, although in nascent stage, may enable further entrepreneurship with better-quality firms and speed up innovation and technological diffusion through disruptive technologies. The next section provides a deep dive into tech startups in Africa, providing some overall trends and new evidence on the relationship between the offering of disruptive technologies and finance.

5.1.3. Disruptiveness of Tech Startups in Africa

The African tech startup ecosystem is among the fastest growing in the world with a remarkable growth in investment over the past decade. Africa has consistently achieved unprecedented levels of investment, even in the face of global economic downturns resulting from the pandemic. In 2022, it attracted more than \$3 billion in investments, a stark contrast to the \$185.5 million recorded in 2015 (Disrupt Africa 2022). Further, Africa boasts 11 unicorns, which are companies less than a decade old valued at \$1 billion or more by either private investors or public markets. These unicorns are primarily concentrated in the financial technology (fintech) sector. While the number of tech companies and deals in Africa in 2022 was about half that of Latin America, Africa’s investment growth remains impressive regardless of whether the number of firms or the number of deals is considered (Figure 5.4).

Figure 5.4. Growth of Tech Startups in Africa, 2014–22



Source: Colonnelli et al. (Forthcoming), based on Pitchbook (2023).

Though entrepreneurial activity in Africa has seen significant growth, it remains largely concentrated within a handful of cities and countries. Over 50 percent of tech sector firms are in the big four countries: Egypt, Kenya, Nigeria, and South Africa. These countries also account for 70 percent of the so-called big deals in the region. This

⁴³ Egypt’s advantage in the number of formal and informal firms may be explained by the nation being among the top four largest markets in digital entrepreneurship (Cruz, Pereira-Lopez, Salgado, 2023).

geographical pattern is not limited to established firms; even startups display this persistent trend. However, there is a silver lining, as countries such as Ghana, Morocco, and Tunisia are gradually increasing their participation.

Trends on digital entrepreneurship in Africa reveal an opportunity to accelerate the rate of technology diffusion through young firms. Data indicates that while the offering of disruptive technologies by tech startups in Africa is below reference regions such as LAC and frontier markets (such as Paolo Alto or Seattle), it is still more prevalent in young firms versus older firms. And, when comparing firms in Africa to those in LAC, data shows that while firms in Africa typically start with lower levels of technology (such as e-commerce capabilities), these firms manage to catch up to their LAC counterparts over time. Increasing the rate at which firms in Africa catch up, by removing obstacles to adoption, can help accelerate entrepreneurship and generate knowledge spillovers that improve the overall entrepreneurial ecosystem.

Within countries, opportunities are not equally distributed. Formal sector activity and employment is highly concentrated in metropolitan areas and larger towns.⁴⁴ This has two important implications for the creation of opportunities. First, an exclusive focus on the formal sector would lead to a disproportionate emphasis on the development of metropolitan and larger urban areas at the potential expense of less urbanized regions within a country. Second, it emphasizes the critical role technological innovations and physical infrastructure can play in bridging gaps in economic opportunities within countries. It is well established that physical infrastructure like roads, railways, and fiber optic networks can enable economic opportunities.⁴⁵ Moreover, even if young, disruptive firms are predominately located in metropolitan areas, their products and services, like digital platforms, can facilitate the creation of new formal sector firms in more rural areas and foster supply chain links between urban and rural regions of a country. However, little is still known about the spatial dynamics of entrepreneurship eco-systems on the continent.⁴⁶

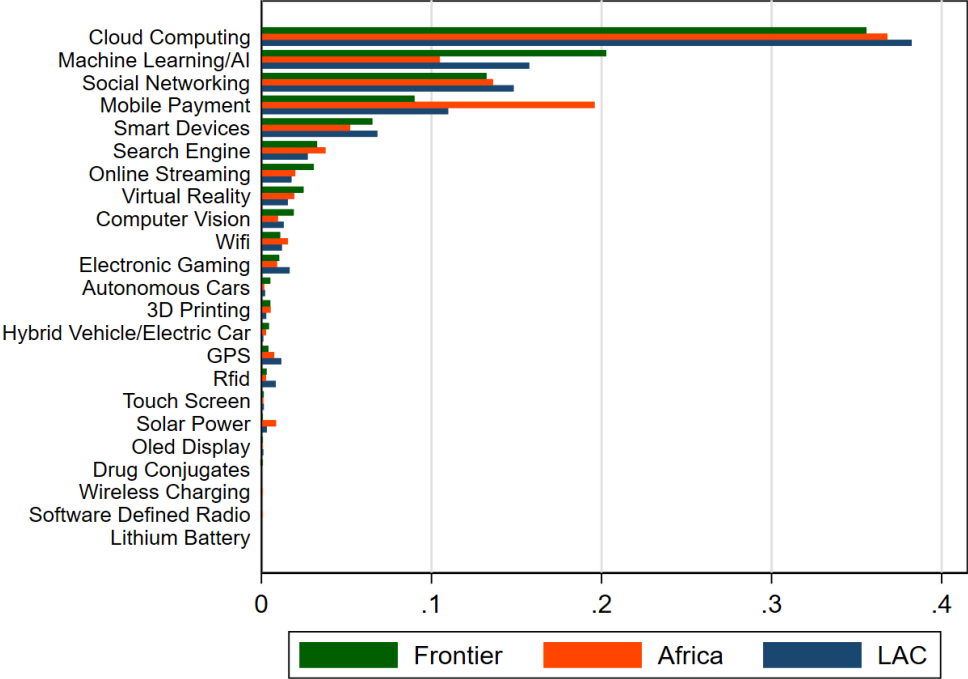
Among startups in e-commerce, fintech, and information technology services in Africa, cloud computing and mobile payments are the key disruptive technologies (Figure 5.5). The share of firms using cloud computing in Africa exceeds that observed in frontier markets, though still slightly below Latin America. Unsurprisingly, a higher share of firms in these emerging markets rely on cloud-computing technology because it is a cost-effective substitute for in-house infrastructure and provides flexibility to scale up when more resources are needed (Daugherty and Wilson 2022). Mobile payments are the second primary technology used by firms in Africa. This is associated with the region's fintech boom and consumer' wide adoption of this technology. Africa still lags in artificial intelligence and machine learning technologies compared to both the frontier and LAC, but the wide adoption of these technologies still must overcome the limitations posed by the need to customize these solutions to the local context, including the diversity of languages spoken in the region (Matlali 2020; Manen et al. 2021).

⁴⁴ Imbert and Ulyssea (2023); Wiedemann et al. (2023).

⁴⁵ See among others, Hjort and Poulsen (2019); Cosar et al. (2022); Heath Milsom (2023); Demir et al. (2023).

⁴⁶ Little is still known for most economies outside the United States on the spatial dimension of entrepreneurship, the role of firm clusters, and other forms of ecosystems.

Figure 5.5. Focus of Tech Firms in Africa, Frontier, and Latin America and the Caribbean



Note: Each bar represents the share of firms in each region using each technology. Bars for each region do not add to 100 percent as some firms might use more than one disruptive technology.

Source: Cruz et al. (Forthcoming), based on Crunchbase (2023).

The use of disruptive technologies by firms is associated with more funding but to a lower extent in Africa than that observed in LAC and the frontier markets. While firms using disruptive technologies in Africa have a three percentage points higher probability of securing funding, this value is 7 percentage points for LAC and 16 percentage points in the frontier. Similarly, firms using these technologies in Africa secure 40 percent more funding than other firms, while firms in LAC and the frontier secure 99 percent and 259 percent, respectively. This additional funding associated with disruptive technologies is particularly low for African startups (less than five years). A potential explanation behind these differences is a heightened perception of risk in the region in sharp contrast with the frontier, where information gaps are narrower and risk assessment can be more comprehensive. A more detailed analysis on the association between tech disruption and finance among tech startups in Africa is provided by IFC (forthcoming), including preliminary results of an ongoing study to further understand the demand for finance by tech startups and analyze the potential to improve the match between supply and demand for finance in Africa (Box 5.1).

Box 5.1. Connecting Africa's Entrepreneurs

IFC is a pioneer in nurturing entrepreneurial ecosystems across Africa by investing in and supporting a diverse range of companies, funds, accelerators, incubators, and other impactful organizations. To further strengthen these connections, IFC is conducting a comprehensive study to enhance the connection process between entrepreneurs and investors, accelerators, and incubators across Africa. This effort is motivated by pervasive concerns related to the entrepreneurial ecosystem in Africa. On one side, we recognize the challenges investors, accelerators, and incubators face in cultivating a robust pipeline of high-growth potential entrepreneurs. On the other side, we understand the obstacles that entrepreneurs encounter in accessing capital and vital support to grow their businesses.

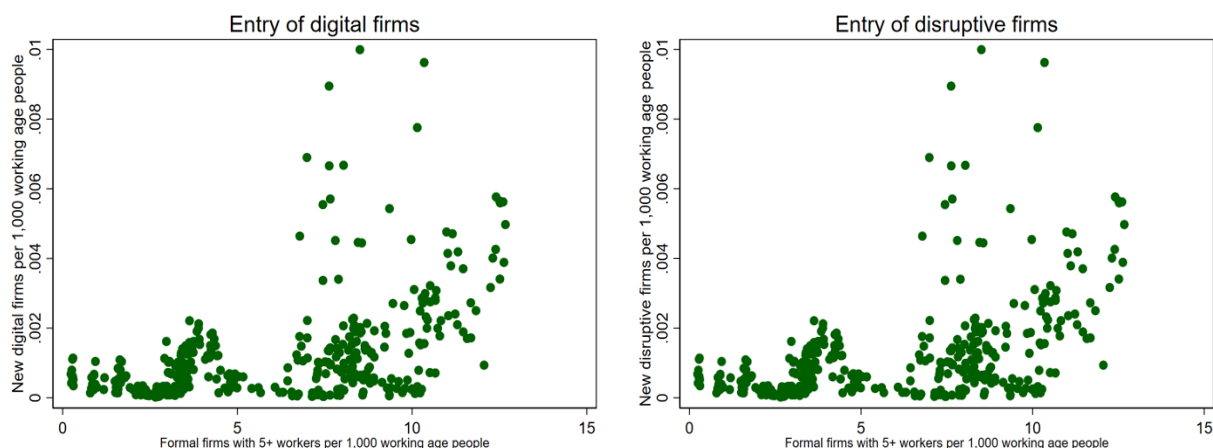
To better understand the demand-side factors, the “IFC Connecting Africa’s Entrepreneurs” study undertakes an experimental research approach, building upon the framework established in Colonnelli and Liu (2023). This approach aims to assess the preferences of high-growth digital startups regarding capital sources. The study combines a survey with a light-touch experiment in which firms evaluate profiles of various investors and accelerators, depending on their stage.⁴⁷ The design's strength lies in its ability to provide an unbiased estimation of startup preferences for different types of investors or accelerators. This is achieved by offering strong incentives in the form of facilitating partnerships with potential investors, accelerators, or incubators, to ensure that the responses are truthful.

The significance of this experimental study is twofold. First, it fills a huge information gap as there is limited rigorous data about high-growth startups in Africa, particularly concerning their preferences, motivations, and how these factors relate to observable characteristics, such as location. Second, this research is important for mobilizing capital efficiently by enabling a better understanding of how to allocate resources, particularly which services (accelerators/investment readiness programs) have a high demand.

Finally, the entry of digital and technologically disruptive firms is more likely in ecosystems with higher prevalence of more capable firms. Countries with a higher density of formal firms with five or more workers (firms with growth potential) attract more digital and disruptive firms. Figure 5.6 indicates that the entry of digital firms and disruptive firms accelerates after the critical mass of firms with growth potential, suggesting that overall business environment and complementary factors in the entrepreneurial ecosystem may impose common barriers for the emergency of more capable firms. These results reinforce the importance of comprehensive diagnostics to identify policy priorities for enhancing overall entrepreneurial ecosystems in CwA countries.

⁴⁷ This study, designed to elicit individuals' preferences in an experimental environment, draws inspiration from the literature on résumé audit studies (Bertrand and Mullainathan 2004; Kessler et al. 2019).

Figure 5.6. Prevalence of Firms with Five or More Workers and Entrance of Digital and Disruptive Firms



Source: IFC (Forthcoming).

5.1.4. Improving the Diagnostics of Entrepreneurial Ecosystems

Increasing the number of more capable firms in CwA countries can entail intervention along several complementary dimensions driving firms' entry, growth, and innovation. The trends on firm demographics in Africa underline the need for evidence-based policies aimed at both reducing the costs of entry for new firms and fostering the growth of existing establishments in Africa. The World Bank has developed a new diagnostic tool for assessing entrepreneurial ecosystems, "[Developing Entrepreneurial Ecosystems for Digital Businesses and Beyond: A Diagnostic Toolkit](#)" (Cruz and Zhu 2023), which can be expanded toward CwA countries to further inform policy priorities. The methodology builds on a conceptual framework (Appendix B) developed by Audretsch et. al. (2023). Box 5.2 summarizes the results of the application of this diagnostic tool from a case study in Kenya and Appendix B presents the conceptual framework.

Unlocking timely and granular data on firm dynamics across a wider range of economies in Africa is needed for informed policy initiatives. Collaborating with statistical agencies, central banks, and tax authorities to create data platforms around granular firm census data and novel data sources, such as firm-to-firm transaction-level data based on administrative records,⁴⁸ will be critical for policy and context-relevant research on high growth and the outlined private sector transformation.

⁴⁸ See for example research by Demir et al. (2023) on Turkey, Chacha et al. (2024) and Wiedemann et al. (2023) on Kenya, Alfaro-Urena et al. (2022) on Costa Rica, or Bernard et al. (2022) on the origins of firm heterogeneity in Belgium.

Box 5.2. Applying the Three-Step Diagnostic Tool: A Case Study in Kenya

To increase the number of better-quality jobs, the Kenyan economy must increase the number of better-quality firms. The World Bank study, [Entrepreneurship Ecosystems and MSMEs in Kenya: Strengthening Businesses in the Aftermath of the Pandemic](#) provides a comprehensive assessment of the entrepreneurship outputs and the factors driving these results, which can help form entrepreneurship policy strategies for Kenya that optimize the use of limited resources.

Context Analysis

At the country level, analysis shows high levels of firm creation in Kenya compared to similar countries but low dynamism that prevents firms from scaling up and upgrading (with women-led businesses suffering in particular). Evidence suggests firms in Kenya are still far from the technological frontier and face challenges innovating. Firm expansion appears to be constrained by supply-side factors, such as physical capital and infrastructure, human capital, access to finance, regulations, and overall firm capabilities. though demand factors are relatively strong in Kenya, it remains crucial to expand the market for domestic firms beyond Kenya's border.

At the sub-national level, analysis of firm agglomerations across six relevant sectors in Kenya reveals that there are several high-potential local ecosystems around Nairobi and Kiambu. Firms embedded within the digital ecosystem in Nairobi show the highest innovative potential.

Mapping Enablers

The mapping exercise reveals that finance is both identified as a key barrier and as the most typical type of support provided by organizations. The top managers of these programs are well-educated and have experience in the sector. Yet, these characteristics do not seem to be associated with better practices in systems for monitoring and impact evaluation.

Policy Recommendations and Priority Actions for Stakeholders

Based on the results highlighted above as well as the more detailed findings, the diagnostic reveals the need to prioritize a certain number of policy reforms to address the identified entrepreneurship constraints (please refer to the report for more detailed information on these policies). Special attention should be paid to improving firm capabilities, access to finance, and access to new markets—all factors that can help businesses scale up. These policy priorities can be used as general guidance for preparing regional entrepreneurship policy strategies in Kenya. To further reduce the cost of implementation and increase the chances of spillovers, interventions could be piloted in high-potential ecosystems. Additionally, a funnel approach can serve as a sorting mechanism to allocate scarce resources towards high-potential firms.

Source: Cruz and Hernandez Uriz (2022).

5.2. AfDB Support to Entrepreneurship Development in Africa

This section presents an overview of AfDB initiatives on entrepreneurship development in Africa.

AfDB's Entrepreneurship Lab (Box 5.3.) supports Entrepreneurship Support Organizations (ESOs) and startups, enabling initiatives in market research, skill development, knowledge sharing, financial assistance, and fostering innovation to bridge the data availability gap on the continent. In collaboration with said Lab, Youth Entrepreneurship Investment Banks are working on building a strong pipeline of bankable opportunities for investors.

Boost Africa, a partnership between AfDB and the European Investment Bank, plays a role in AfDB's Jobs for Youth in Africa strategy. Its main goals include fostering entrepreneurship and innovation throughout the continent, generating high-quality employment opportunities for Africans, nurturing an entrepreneurial ecosystem that addresses early-stage funding obstacles for enterprises, and enhancing the skills and knowledge of young entrepreneurs. The initiative aims to empower Africa's youth by supporting competitive businesses that can operate regionally and globally. It strives to attract investments while contributing to job creation and economic growth.

Youth Entrepreneurship and Innovation Multi-Donor Trust Fund (YEI MDTF) is a grant instrument exclusively designed to strengthen the African entrepreneurial ecosystem and create enabling environments for youth-led and young –women-led startups and MSMEs to grow and create jobs. The YEI MDTF has been a major source of financing to kickstart critical AfDB initiatives and flagships with potential impact on creating jobs for youth at scale. The trust fund supported the design and preparation of the Youth Entrepreneurship Investment Banks and Special Agro-industrial Processing Zones. It has supported the establishment of the ENABLE Youth AgriPitch Competition and Africa Adaptation Acceleration Program YouthAdapt Solutions Challenge. Since becoming fully operational, the YEI MDTF has focused its activities on countries that are in transition and hotspots of economic migration. Increasingly, the YEI MDTF has adopted a regional approach to address the cross-cutting nature of the drivers of conflict and migration and increase opportunities at scale, such as the G5 Sahel countries.

AfDB's instruments can be aligned with the CwA initiative's efforts supporting entrepreneurship in Africa. Such support could be done through AfDB diagnostic tools as well as the operations described below.

Diagnostic tools supporting SMEs and entrepreneurship development

The **Entrepreneurship Innovations and Advice Platform** developed in North Africa Morocco is a diagnostic tool that aims to design operational innovations and promote their adoption in the design and implementation of entrepreneurship and MSME-support programs. This platform is expected to be used across Africa. The tool has potential to be replicated in the 13 CwA countries by adapting to the local needs of the country and promoting the growth of entrepreneurship and MSME- support programs.

Operational support on entrepreneurship development

The **Entrepreneurship Lab** works with ESOs and startups to develop the ecosystem for entrepreneurship and collaboratively build capacity among the stakeholders involved. The interventions include market analysis and networking, capacity building, knowledge and exchange platform, and financing support to startups and for innovation and incubation.

Box 5.3. Efforts by AfDB to Strengthen the African Innovation and Entrepreneurship Ecosystem

AfDB is driving an African entrepreneurship empowerment agenda through its Jobs for Youth in Africa Strategy (JfYA). The objective is to achieve inclusive employment, human capital development, and better labor market links. As one of the initiatives to implement JfYA,¹ AfDB created the Innovation and Entrepreneurship Lab (IEL/Lab) in 2019. The Lab has five pillars to address challenges and opportunities for entrepreneurship: (i) market analysis and networking; (ii) capacity building; (iii) knowledge and exchange platform; (iv) providing financial support to startups; and (v) innovation and incubation.

To address the status of firm distribution and entrepreneurship in Africa, the Lab conducted research and data of the African entrepreneurship ecosystem by mapping all key ecosystem actors, market needs, and technology opportunities. For example, the Lab, funded by the Korean Africa Economic Cooperation (KOAFEC), undertook a snapshot survey across Africa to determine the most preferred training needs among the entrepreneurs and ESOs in the fourth industrial revolution. Results were gathered from 2,932 respondents across 48 countries, including all CwA countries.

The Lab deciphered data regarding the trends and level of disruptiveness of tech startups in the region through the KOAFEC study on the digital startup ecosystem in Africa. Country-specific heat maps were also developed for 35 technologies (to be published on the Ennova platform). Health, agriculture, and financial sectors were the most preferred sectors to digitize by African businesses, with data analytics and artificial intelligence ranked as key cross-cutting technologies. Further, through a more hands-on approach, AfDB is embarking on building the capacity of digitalization in the entrepreneurship sphere through funding from the State Secretariat of Economic Affairs. The objective is to build the capacity of ESOs to provide the technical and business development services required for tech startups to grow and scale sustainably. The Lab is working with ESOs in climate (Egypt), agriculture (Ghana), and grassroots/township entrepreneurs (South Africa).

The Lab prioritizes identifying policy interventions to boost innovation and the entrepreneurial environment across Africa. One key intervention is through Ennova,¹ a platform created under pillar three of the Lab to (i) provide tools and resources startups need to navigate the ecosystem; (ii) disseminate AfDB opportunities targeted at entrepreneurs; and (iii) provide a directory of African ESOs with information on the technical and/or financial services they offer to entrepreneurs.

Finally, the Ennova platform has rich knowledge resources and as a result can aggregate relevant data to guide policymakers on entrepreneurship priorities and recommendations that are country-specific to the needs of the actors and ecosystem. An example of how Ennova and the Lab are adding value is through a collaboration with Novartis Foundation in developing a blueprint on best practices to accelerate the scaling up of health innovations. These findings can reduce the government and policy procurement barriers experienced by African innovators in the health sector.

The **Youth Entrepreneurship Investment Bank** aims to build a strong pipeline of bankable opportunities for investors with a focus on youth. AfDB's operational support is typically conducted through projects and programs where technical assistance and advisory services play a critical role toward enabling a more conducive business environment through business incubation development, certification, business plan competition, capacity building, mentoring, coaching, and the linking of SMEs and entrepreneurs to large buyers and commercial banks or facilitating critical links that enable

growth of enterprises. In collaboration with the Entrepreneurship Lab, Youth Entrepreneurship Investment Banks are working to build a strong pipeline of bankable opportunities for investors. AfDB, through its developed operation expertise on youth and women entrepreneurship, is uniquely placed to lead or guide projects related to entrepreneurship ecosystem development and influence policies with national governments that could bolster the efforts.

Affirmative Finance Action for Women in Africa (AFAWA) has three approaches to support women in business throughout Africa: (i) AFAWA finance offers tools, such as a \$300 million risk-sharing mechanism and a rating system for financial institutions; (ii) AFAWA technical assistance provides services and training to enhance the productivity of women entrepreneurs; and (iii) AFAWA's enabling environment collaborates with governments to remove obstacles. Notable accomplishments include investments in women-led businesses, assistance programs, policy discussions, and the creation of a platform connecting women entrepreneurs across the continent.

5.3. IFC Support to the Compact with Africa Entrepreneurship Agenda in Africa

IFC's support to the G20 CwA initiative includes, among others, its support through the ISCA MDTF, which has funded advisory projects on entrepreneurship development in CwA countries. This section highlights some of these projects.

Guinea SME Links

This advisory service aims to strengthen the capacity of women entrepreneurs to access working capital and preferential loan rates. Guinea has abundant mineral resources, and investors have demonstrated strong interest in the country's mineral deposits. Although mining contracts include provisions for maximizing local provision of goods and services, more needs to be done to integrate domestic SMEs and local entrepreneurs in the mining value chains. Due to the absence of appropriate financing, SMEs and entrepreneurs are often unable to partake in business opportunities offered by the marketplace. Through IFC support (ISCA), the Supplier and Partnership Marketplace digital platform (*Bourse de Sous-Traitance et de Partenariats*, or BSTP), was established to support SMEs across Guinea to improve their competitiveness and sell goods and services. The project has a dedicated gender program under the platform, which supports the development of women entrepreneurs through identifying and strengthening capacity, providing access to finance, and networking. Support has been provided to several women entrepreneurs in reviewing business plans and loan applications and helping them get the best outcomes possible in financing. Additionally, BTSP and EcoBank Guinea has established a partnership to facilitate and improve access to finance for local entrepreneurs (particularly women) through Ecobank's Elllever \$ 7.5 million SME Financing Program and capacity building. The BTSP platform has emerged as a regional pioneer in providing support to SMEs and entrepreneurs, and neighboring countries, including Côte d'Ivoire and Niger, are looking into establishing similar platforms.

Tunisia Accelerator Scale-Up for Youth Entrepreneurship

Over the past years, the government of Tunisia prioritized youth employment as a priority area, as outlined in its development plans as well as its Compact commitments. Therefore, entrepreneurship for youth is a large part of the country's response. IFC has been working in Tunisia to unlock its potential for innovative entrepreneurship by designing, developing, and implementing an accelerator scale-up program with a focus on women-led start-ups and, more generally, by supporting the ecosystem of transformational entrepreneurship. The program supports vertical acceleration programs in green tech and recently launched Green4Youth 2.0, co-implemented by two entrepreneurship accelerators supported under the program. The program has also been promoting deep tech and health tech entrepreneurs in Tunisia through the launch of the "Brain Program" pilot with Open Startup Tunisia, which has helped increase the number of applicants and accelerated businesses. IFC is also working with the Ministry of Economy and

Planning at the regulatory level to support drafting and adoption of a new Startup Act. IFC is also working with the Ministry on a multisectoral public-private dialogue on innovation topics, which will fuel innovation in the public sector and create opportunities for local startups to benefit from public procurement and deliver a corresponding recommendation report.

Morocco Climate Entrepreneurship

This project aimed to unlock clean technology markets by building the capacity of the Morocco Climate Innovation Center and Moroccan ecosystem players to support and scale climate technology. In Morocco, climate entrepreneurship offers opportunities for youth to enter employment by leveraging new technologies for responding to climate issues. IFC supported the cadre of high-growth climate entrepreneurs in Morocco, in partnership with Cluster Solaire (also referred to as Morocco Climate Innovation Center / MCIC), its overseeing agency the Moroccan Agency for Sustainable Energy, and other entrepreneurship ecosystem intermediary organizations in Morocco. Through the program, Cluster Solaire was selected for financial support by the Agence Nationale pour la Promotion des Petites et Moyennes Entreprises (Maroc PME) and the Agence Marocaine pour l'Efficacité Energétique's TATWIR-STARTUP program, which finances entrepreneurial ecosystem intermediaries to provide pre-incubation and incubation of industrial companies or high value-added services linked to industry carried by start-ups in Morocco. Workshops were also organized to address challenges and opportunities related to green entrepreneurship faced by startups, in particular during the COVID-19 pandemic.

5.4. Overview and Status of the Alliance for Entrepreneurship in Africa

The Alliance for Entrepreneurship in Africa (AforE) supports dynamic and inclusive economies on the African continent through financial and technical assistance on a project-by-project basis. The Alliance prioritizes addressing market gaps, such as financial access, regulations, and support for investment and value chains. By prioritizing the needs of its beneficiaries, AforE drives meaningful results through a demand-driven approach. The AforE⁴⁹ platform facilitates the sharing of knowledge, experience, and best practices among various organizations, enabling all members to benefit from collective expertise. This fosters innovation and collaboration to address the challenges of entrepreneurship by using the resources, tools, and knowledge of its diverse members. Through AforE, financial and non-financial resources are mobilized to create economies of scale, maximizing MSME growth.

The AforE platform features 20 projects centered on crucial sectors like agriculture, infrastructure, and energy, as well as encompassing themes such as inclusion, gender, and climate. As the Alliance advances, it will amplify its efforts to (i) develop innovative programs and projects, (ii) forge partnerships with African entities and the local private sector, (iii) manage knowledge and promote and communicate its work, and (iv) track and evaluate results.

⁴⁹ For more information on AfoE members, milestones, and projects, visit the AforE website at <https://alliance4e.org/>.



6. SCALING UP PRIVATE INVESTMENT

Key Messages

This chapter discusses private investments supported by IFC and AfDB in CwA countries together with challenges and constraints encountered. This provides feedback for CwA country governments to inform their policy reform agenda, the programs of development partners supporting them, and potential and current private investors. Progress in the reform implementation is reflected in the CwA reform matrices being updated for the spring version of the CwA monitoring report.

- **IFC continues its support for the private sector in CwA countries.** IFC's recent support areas include market access in agribusiness value chains; SME financing; digital connectivity and inclusion; foreign investment in the telecom sector; circular models of production in the textile and apparel industry; local vaccine and pharmaceutical manufacturing; and access to clean and renewable energy.
- **AfDB continues its support for the private sector in CwA countries through its Country Strategy Papers.** AfDB's recent support includes the Port Autonome de Cotonou; financing for SMEs in Burkina Faso, healthcare infrastructure services in Egypt; a PPP for a sustainable commercial hardwood forest plantation in Ghana; co-financing PPPs in Guinea; agro-processing in Rwanda and Senegal; and Non-Sovereign Operations (NSOs) through more lines of credit and trade financing in Tunisia.
- **Challenges and recommendations for scaling up private investments.** Challenges include the lack of regional integration to drive economies of scale, reform implementation, competition and a level playing field, and design and implementation for PPP reforms. To help scale up private investments, actions include capacity building and peer learning events to support reforms; more de-risking financing instruments to CwA countries; more reliable data and information for potential investors; and fairs and investment outreach events to attract more private investors.

6.1. Context

The CwA mobilizes financial and technical resources from its partners to help countries implement reforms and create regulatory frameworks to attract private investments in priority sectors, which can be scaled up across CwA countries. As noted in last year's report, the private sector, the main provider of jobs and livelihoods in CwA countries, has been affected by multiple crises, including a slow post-pandemic recovery, food insecurity, climate change, persistent high inflation, and a fertilizer crisis following Russia's war on Ukraine. This chapter highlights market

opportunities and recent investments in CwA countries in key sectors, such as agribusiness and health. These investments showcase the impact of private sector intervention alongside strategic use of public resources.

CwA countries are a rapidly expanding consumer market as the urban population and middle classes quickly grow. The urban population is projected to double in the next 25 years, along with rising middle classes, which brings new market opportunities, especially in consumer goods and services. Consumer spending in Africa is now the fastest-growing component of domestic demand, and this trend is projected to continue through 2030 (Signe 2018). By 2030, 100 million new people are expected to join Africa's middle- and high-income groups, increasing them to over 160 million across the region.⁵⁰ These demographic changes, combined with potential positive spillover effects from agglomeration economies from the urbanization process, raise hopes for cities to become engines of structural transformation, technology adoption, productivity growth, and quality jobs creation, which will all contribute to an improved standard of living. This growing consumer base presents new opportunities for growth across goods and services, particularly in the high growth sectors discussed below.

IFC continues supporting the private sector in reform-minded CwA countries making progress on development priorities. Priorities include (i) deepening and strengthening value chain development and local transformation, (ii) supporting fragile, small, and underserved markets and firms, and (iii) supporting the healthcare industry by addressing systemic challenges that COVID-19 has amplified, such as insufficient access to vaccines. The AfDB is also working in CwA countries to support the private sector through its country strategy papers (CSPs). This chapter highlights IFC and AfDB most recent interventions over the course of the past year in supporting the development of the private sector in CwA countries.

6.2. IFC's Recent Investment in Compact with Africa Countries

IFC in Benin: Increasing productivity and market access in agribusiness value chains

Benin currently exports very few high-value fresh products, fruits, or other vegetables. Removing export bottlenecks would make Benin's agri-food products more competitive on the world market. IFC has supported the government of Benin to undergo multiple investment climate reforms aimed at reducing the time and costs of creating and operating businesses, hence making Benin a top performer in Doing Business. In line with the IFC Creating Markets Strategy, agribusiness is identified as a key focus for IFC through the Benin CPSD. The Benin Competitiveness Project is designed to increase private investment in Benin's agribusiness. This advisory project is funded by IFC's support to the CwA (ISCA). The project is structured into two components: Enabling Environment Reforms to Unlock Agribusiness Investments & Identification of pipeline/pre-pipeline investments in the Agribusiness Sector. The project aims to improve the enabling environment for the agribusiness sector to attract investment by supporting the (i) introduction of warehouse receipt system legal framework, in coordination with the World Bank Agriculture Competitiveness and Export Diversification project (PACOFIDE); and (ii) access to seeds market through a regulation in support of private sector participation in the seed market, coupled with producer capacity building. At the same time, the program will identify potential investments in the agribusiness sector for future investment by IFC or other financiers.

50 IFC 2018. Shaping the Future of Africa – Markets and Opportunities for Private Investors.

IFC in Burkina Faso: Boosting SME financing in fragile and conflict-affected countries

Ramping up access to finance for SMEs is pivotal when macroeconomic headwinds and supply chains disruptions are hampering growth, innovation, and economic activity in Africa, particularly in fragile, conflict-affected and low-income countries. Accounting for up to 90 percent of all businesses in Sub-Saharan Africa and representing 38 percent of the region's GDP, SMEs are the backbone of African economies. However, many SMEs are held back by a lack of access to finance. According to World Bank enterprise surveys data, the SME finance gap in the ten target countries is \$21 billion and 53 percent of SMEs are either partially or fully credit constrained.

IFC has invested in a risk-sharing facility for the Bank of Africa Group (BOA) that will ease access to finance for smaller businesses, including those in fragile and conflict-affected countries and in the Sahel. IFC will invest \$77 million in the risk-sharing facility to scale up BOA's lending to SMEs, including women-owned businesses, in Benin, Burkina Faso, Côte d'Ivoire, Ghana, Senegal, and Togo among others. Through the facility, BOA is expected to make 12,000 new loans, of which at least 2,000 will be to women-owned businesses, which often face greater barriers accessing finance. IFC will also provide advisory services to help BOA strengthen its portfolio of women-owned SMEs across its affiliates in the ten countries.

IFC in Côte d'Ivoire: Strengthening the cotton industry to support jobs and development

Côte d'Ivoire is the world's 15th largest cotton producer, harvesting about 1.2 million bales annually, the majority of which is exported. To support jobs and development in Côte d'Ivoire's cotton sector, IFC and the Private Sector Window of the Global Agriculture and Food Security Program (GAFSP) engaged in a partnership with Compagnie Ivoirienne pour le Développement des Textiles (CIDT), a leading producer and exporter of sustainably produced cotton lint. The project is supported by the ISCA MDTF. IFC and GAFSP will provide a loan and advisory services to support CIDT's expansion in Côte d'Ivoire and to help the company bring thousands more cotton farmers into its value chain, contributing to sustainable economic development in central and northern Côte d'Ivoire. The €15.4 million loan includes €7.7 million from IFC's own account and up to €7.7 million from GAFSP. The funds will enable CIDT to upgrade its existing facilities and support the construction of a new state-of-the-art ginning plant in Tieningboué, a rural town in central Côte d'Ivoire.

The partnership is expected to create 150 direct and roughly 8,050 indirect jobs along Côte d'Ivoire's cotton value chain. In addition, 12,000 new farmers (including 6,500 new smallholder farmers) will be integrated into CIDT's supply chain, giving them access to a long-term market and sustainable incomes. IFC's partnership with CIDT will support sustainable growth in Côte d'Ivoire's important cotton industry, adding value to the Ivorian economy in producing goods and services for export, and job creation. Supported by GAFSP and other donors, IFC will also train CIDT's farmers in climate-smart agricultural practices to increase their harvests and in producing food crops alongside cotton. IFC will also explore ways farmers can access digital financial services and work to strengthen farmer organizations to help them deliver better services to their members.

IFC in the DRC: Boosting digital connectivity and inclusion in the DRC

To increase digital connectivity in the DRC, one of the least connected countries in Sub-Saharan Africa, IFC today announced an investment in Eastcastle Infrastructure to support the company's telecom tower expansion in the country. IFC is providing a \$30 million loan from its own account and has mobilized an additional \$30 million from the Emerging Africa Infrastructure Fund to finance Eastcastle's strategy to build more shared telecom

towers in DRC. The new towers will be leased by mobile network operators and other digital service providers, allowing them to expand their coverage, and reduce their operating costs and energy usage through infrastructure sharing.

The DRC's mobile telephone penetration rate is only about 50 percent, partly due to the country's limited investment in digital infrastructure, such as telecom towers. Improved coverage creates an enabling environment to increase digital skills and spur entrepreneurship activities for underserved groups, especially women and youth. New technologies, data usage growth and the rollout of 4G and 5G networks in Africa is fueling the need for more telecom infrastructure including towers. For example, according to GSMA, data consumption is forecast to nearly quadruple between 2021 and 2027 in Sub Saharan Africa as smartphone prices fall and mobile network operators lower the cost of data. DRC, with its large population and four mobile network operators, can be a large part of this growth with increased access to telecommunications infrastructure. DRC's digital market has untapped potential and infrastructure sharing initiatives such as telecom towers are central to helping the country boost digital inclusion. IFC's growing work with Eastcastle will play a key role in connecting more people in the DRC to the digital economy.

Box 6.1. "The Key to Starting the Engine": In the DRC, Four Entrepreneurs Explain Why Financing is Vital

SMEs play a central role in providing goods, services, jobs and innovation across the DRC, Sub Saharan Africa's biggest country by land size. These smaller businesses—like businesses anywhere—rely on the ready availability of financing to maintain and grow their operations. However, the DRC's financial system remains largely underdeveloped, with credit primarily directed to larger companies that can provide better guarantees. The result? An SME financing gap of [\\$6.9 billion](#), equivalent to about 14 percent of the DRC's GDP. Both sides of the equation—banks and SMEs—struggle with challenges that are contributing to this gap.

The DRC's banks generally lack the business models, policies, products, and processes needed to serve and support smaller businesses. That leads to some parts of the financial industry viewing SMEs as too high risk—or ignoring them altogether. SMEs, in turn, frequently lack the experience and capacity needed to apply and obtain financing. They cite high collateral requirements, short tenor of loans, high interest rates and complex application procedures as reasons for not qualifying for loans—or even seeking them in the first place. These businesses might have outstanding products and business strategies, but they still need financing to grow and succeed—and to enable them to bid for tenders and invest in crucial equipment, research, innovation, marketing, and human capital.

Improving access to finance is a top priority for IFC and its partners in the DRC. That is why IFC is providing EquityBCDC and Rawbank, two of the country's leading banks, with financial and advisory support to expand their SME lending programs. Over the past two years, IFC has provided EquityBCDC with a loan equivalent to [\\$50 million](#) in Congolese francs and a \$12.5 million [risk-sharing facility](#) to support local currency financing. IFC has also granted a [loan of up to \\$35 million](#) to Rawbank to increase longer tenor financing for smaller businesses. These loans provide both banks with stable funding to diversify their portfolio and expand SME lending. In addition, IFC provides advisory support to help the lenders sustainably grow their SME support, including by tailoring their offerings to smaller businesses and strengthening their risk management systems.

Box 6.1. Continued

To better grasp the challenges and opportunities Congolese SMEs face when they seek financing, IFC met with four entrepreneurs who are benefiting from these partnerships. Operating in key sectors of the economy—construction, health, logistics and energy—they prove that with the right support and strong determination, growth, success, and job creation are possible even in challenging business environments.

Procom: Strengthening DRC's Infrastructure: "When a bank commits to supporting a company, that's a game changer"

Source: Charles Muenda Binda, Construction sector, Annual Revenue \$20 million

The smallest nails, bolts, and screws all contribute to the construction of even the tallest skyscraper. The same is true with financing: even relatively small amounts of capital can help a small business grow big. In 2017, Charles Muenda Binda, the founder of Procom construction company, approached Rawbank for collateral to bid on a tender. His company was small, with an annual revenue under \$100,000. Even so, Binda secured an initial \$20,000 guarantee line from the bank. Thanks to the guarantee, Procom won the tender—and later landed much larger deals, including the construction of 13 bridges in the eastern province of South Kivu. Rawbank gradually increased its financial backing. To date, Procom has secured \$4.8 million in financing from Rawbank. The firm now has 20 permanent and 200 temporary employees and annual revenues of \$20 million. It has operations across the DRC and clients that include national and provincial governments, and the United Nations. "Starting a new construction project is always a headache because without guarantees and pre-financing, it is difficult, if not impossible, to compete with other firms," says Binda. "But when a lender commits to supporting a company, project developers gain confidence, and that's a game changer." "Rawbank's support has been crucial, but gaining the bank's trust required hard work, patience, and determination. "We worked hard to get the bank's backing and to show we were serious," he says. "Our track record and expertise spoke for us. Rawbank understood that we were getting things done and that we needed support to seize more opportunities and grow."

Ma Santé: Equipping the DRC's Healthcare System: "Getting bank guarantees in a timely manner is critical"

Source: Gabriel Yala Manzezo, Health sector, Annual Revenue \$20 million

After studying marketing in France, Gabriel Yala Manzezo returned to Kinshasa in 1994 to start his own business. The budding entrepreneur noticed that clinics and health centers in the DRC lacked important medical equipment, including radiology devices, delivery tables, and even basic medical beds. To fill the gap, Manzezo created Ma Santé ('My Health' in English). He quickly built a strong network of partners in Europe, growing his firm into a leading distributor of medical equipment in the DRC, with clients including NGOs, private clinics, and public hospitals. To support its activities in the healthcare sector and generate additional sources of revenue, Ma Santé, which now employs 25 people, has recently diversified into real estate. With financial support from Rawbank, the company has built two hotels in Kinshasa to accommodate medical conferences, training for healthcare professionals, and visiting partners, and is currently developing a hotel/apartment project. Since its first engagement with Rawbank in 2016, the company has secured \$2.5 million in loans as well as \$1.5 million in guarantees, helping it reach an annual revenue of \$20 million. Manzezo underlined the importance of being reactive and agile to respond quickly to tenders. "Getting bank guarantees in a timely manner is absolutely critical, so you have to be fully prepared" he says. Despite the challenges, Manzezo's ambition is tireless. His next goal? To build a factory in Kinshasa to produce medical equipment and furniture locally. "It doesn't make sense for us to import everything" he says. "Our country should be able to produce all these things here."

TLC: Delivering goods in the DRC's most remote areas: "The bank's support helped us aim higher"

Source: Michel Mutombo, Transport & Logistics sector, Annual Revenue \$7 million

"It's like a love story." That's how Michel Mutombo, founder and CEO of TLC SARL, a transport and logistics company, describes his relationship with his bank, EquityBCDC. "It started with small, short-term loans and turned into essential support for the company's development and growth," says Mutombo. It all began in 2006. Having founded Sodimat a year earlier, which became TLC in 2009, Mutombo took out a \$5,000 loan with ProCredit Bank DR Congo—one of two former entities behind the creation of EquityBCDC in 2015—to purchase a second-hand delivery vehicle. Since then, TLC has secured over \$5 million in financing from the bank in the form of larger loans, credit facilities and cash advances, helping the company strengthen its working capital, acquire warehouses and vehicles, and bring its operations up to international standards. "The bank's support was absolutely crucial" says Mutombo. "It gave us a taste for challenge and enabled us to aim higher." Since its creation, TLC has grown from 5 to 96 employees and expanded throughout the country and into neighboring Zambia, working with various private sector companies, NGOs, and international organizations. The company now boasts an annual revenue of \$7 million. These achievements are a source of pride for Mutombo, an economist by training and former DHL manager. He sees his company, which offers multimodal transport services and customs support, as a problem solver in the DRC's complex communications and logistics context. "The DRC is a vast country, but our roads are in a terrible condition. Our economy also deeply relies on imports, and this requires efficient customs management," he says. "We are helping to solve our transport problems by adapting our communication routes and logistics to get products to the most remote part of the country. And that's huge work."

EH Solaire: Bringing solar power to households across the DRC: "Financing was key to start the engine"

Source: Michael Lengo, Solar energy sector

After signing his first contract to build a 1-megawatt solar power plant in Lufu, in the southwest of the DRC, Michael Lengo faced the difficult task of securing financing for the project. "I went to almost every bank in Kinshasa to try and raise funds, but it wasn't easy," says the 34-year-old co-founder of EH Solaire, a Congolese start-up specializing in the installation of photovoltaic power systems. Following a family loan and personal guarantee to strengthen his application, Lengo eventually secured funding from EquityBCDC. The bank granted two loans totaling \$1.1 million to finance the project, which has the capacity to power 200 households located near the border with Angola. The bank's support was essential in helping EH Solaire get off the ground, Lengo says. "This is the key to starting the engine," he says. "There are a lot of opportunities in the DRC and you can have a great idea, but without financing, it will never be realized." In early 2023, his company was awarded a second contract from the country's national electrification agency to build three solar plants in central DRC, with a total capacity of 900 kilowatts. For this project, Equity BCDC is providing EH Solaire with an advance payment guarantee of \$400,000. Thanks to these early successes, EH Solaire can start to think big: the company is currently in talks for a 50-megawatt project in the north of the country and aims to expand across the DRC and beyond. With [only 21 percent](#) of the Congolese population accessing the grid in 2021, solar energy presents a major opportunity to increase power production and distribution in the DRC through a green, renewable power source. "Our goal is to install solar panels in every province of the country," Lengo says. "As Congolese, it's our duty to ensure the population have at least the basic necessities. In the DRC, the sun shines all year round, but it's mostly wasted, unused energy. We have to do something about it."

IFC in the DRC: Scaling up agribusiness production and value chains in the DRC

In many African countries, the agribusiness sector plays a vital role in providing jobs and livelihoods to the population. However, despite its potential, these countries often rely heavily on food imports. On October 4–5, 2023, IFC co-organized the first edition of DRC Agribusiness Forum in collaboration with the government of the DRC and AfDB. The forum had 700 participants and 29 countries represented, which demonstrates the level of interest in investing in this sector. By supporting the launch of the DRC Agribusiness Forum, IFC played a role by providing a platform for public-private dialogue, which brought together key stakeholders from the public and private sectors to discuss and address challenges undermining the agribusiness sector. Through this dialogue, the IFC identified four promising prospects for investment that it is processing for commitment.

Despite challenges, the DRC has huge potential in agribusiness to attain food security and generate domestic surplus for regional and international markets. The sector holds enormous potential to drive the economic transformation in DRC where it has been delayed. IFC conducted a deep dive into the agricultural value chain that aimed to propose concrete and actionable recommendations that will contribute to private sector development. Many untapped opportunities in agribusiness exist to make the DRC an agricultural powerhouse in the region.

Investing in infrastructure in the DRC is a prerequisite for the growth of the agribusiness sector. Strengthening road networks, developing storage infrastructures, and improving access to electricity are key areas that require attention. By addressing these needs, the DRC can effectively link producers to markets, reduce post-harvest losses, and promote the development of a thriving agribusiness sector. In June 2023, IFC committed a \$10 million equity investment in the Nuru Minigrad Project (15 megawatts of solar hybrid mini-grid), the first engagement in energy sector in DRC.

The legal and regulatory framework is equally important for the development of agribusiness in the DRC. Simplifying regulations, cutting red tape, promoting access to land, and establishing special economic zones are key priorities in this area. By creating a favorable business environment, the DRC can attract private investment, stimulate economic growth, and unlock the full potential of the agribusiness sector. During the forum, the flaws in the SEZ law were highlighted. Consequently, the country Presidency's reform unit has requested IFC support to review the law. Recognizing the significance of SEZs in land security, IFC will offer the government technical assistance to address the obstacles hindering investment in SEZs.

To boost access to finance in the agribusiness sector, IFC will fast track ongoing discussions between clients and explore the client's interest for agrifinance and food security; MSME and women-led MSME finance; and climate finance.

IFC in Egypt: Advancing an ambitious climate agenda to increase access to clean energy and manage climate risks

One million Egyptians will soon gain access to clean energy thanks to a \$1.1 billion financing package (including debt and equity) by IFC alongside UAE, Japanese, Dutch, and private sector commercial bank partners. The financing package will support UAE-based AMEA Power to build, own, and operate twin solar and wind power plants in Egypt, with more than 1 gigawatt in combined renewable energy capacity that will deliver at the lowest price anywhere in Africa. Japan's Sumitomo Corporation is also co-sponsor and investor of the wind farm. When built, the 560MW Abydos Solar PV and 505MW Amunet Wind independent power projects, which will be Egypt's largest of

their kind, will generate over 4,000 gigawatt-hours per year of power. Power from the solar park and the wind farm will be priced at 2 U.S. cents per kilowatt hour and 3 U.S. cents per kilowatt hour, respectively, which are the lowest rates in Africa and among the least expensive rates globally. Abydos and Amunet will reduce Egypt's carbon footprint by 1.7 million tons of GHG annually. The projects reflect IFC's strategy to increase access to clean, affordable power in Africa, where connectivity rates are the lowest in the world, and highlight the importance of partnerships to deliver large, privately funded infrastructure projects. The projects are also aligned with Egypt's National Climate Change Strategy 2050, which calls for renewables to provide 42 percent of total power generation by 2035.

IFC has also partnered with Commercial International Bank (CIB), Egypt's largest private sector bank, with an investment package of up to \$250 million to CIB, a bank with which IFC has had a long-standing relationship for over 26 years pioneering investments and co-investments that have helped shape the profile of Egypt's financial sector. This investment aims to finance CIB's growing climate finance business and to support the Bank's capital position with a focus on providing financing to underserved MSMEs and promoting sustainable finance. This investment will enable the bank to expand its green building strategy by catalyzing the development and purchase of green certified housing units in Egypt. An advisory project will include an initial portfolio screening against climate risk and the development of scenario planning and stress testing methodology. The new initiative follows IFC's investment in CIB's landmark issuance of Egypt's first private sector green bond in 2021. With support from IFC, CIB also developed the first credit line fully dedicated to certified green building in North Africa.

[IFC in Ethiopia: Supporting the liberalization of and foreign investments in the telecom sector](#)

When it launched services in October 2022, Safaricom Ethiopia became the first private telecom operator in Ethiopia, one of the world's last telecom monopoly markets. Telecoms market liberalization is a key part of the Ethiopian government's Digital Ethiopia 2025 plan to help the country realize its digital potential, leverage technology to build a more prosperous society and help meet the country's United Nations Sustainable Development Goal commitments. IFC has made a \$157 million equity investment in Global Partnership for Ethiopia BV (GPE) and a \$100 million A-loan to its wholly owned subsidiary, Safaricom Ethiopia. MIGA has provided 10-year guarantees of \$1 billion to cover the equity investments of Safaricom Ethiopia's shareholders: Vodafone Group, Vodacom, Safaricom, and British International Investment. A portion of the MIGA guarantees, \$76 million, will come from the MIGA Guarantee Facility, part of the International Development Association's Private Sector Window, in the form of a first loss layer. The creation of Safaricom Ethiopia is one of the largest foreign direct investments into Ethiopia, and the investment, loan, and guarantee are expected to stimulate more FDI in other sectors of the Ethiopian economy. Moreover, the government also generated \$850 million from the first telecom licenses and commitment of more than \$8 billion investment from Safaricom Ethiopia for the coming 10 years.

Ethiopia is Africa's second most populous country, with a population of approximately 120 million. The investment and guarantees will help Safaricom Ethiopia roll out and operate 4G and 5G mobile networks across the country, including in rural and urban areas. Furthermore, under a license granted in May 2023 by the Central Bank of Ethiopia, Safaricom Ethiopia also plans to launch financial services in 2023 under the brand name M-PESA. By increasing access to digital services, the project has the potential to help create up to 1.5 million direct and indirect jobs in Ethiopia, contribute to the country's sustainable future growth, and increase both financial and social inclusion for Ethiopians.

IFC in Ghana: Expanding job creation through a West African textile manufacturing hub

Textile manufacturing has been a creator of better jobs, a driver of exports, and the first rung of higher value manufacturing for many emerging market countries globally. West Africa has an opportunity to build an integrated textiles value chain, creating thousands of better jobs and introducing innovative sustainable fabric production technologies, thanks to a partnership between IFC and DTRT Apparel Group, the region's largest clothing manufacturer. IFC invested \$8 million comprised of (i) an "A" loan of up to \$4 million and (ii) and \$4 million from IDA-PSW BFF. The investment will be used for the expansion of DTRT's existing Cut- Make-Trim (CMT) apparel operations with the establishment of a new 31,000-square-meter apparel factory, and the phased installation of additional CMT lines. It will result in a progressive ramp-up of the Company's capacity and workforce. Over 80 new production lines will be added from 35 lines in operation today.

Under the agreement, IFC will support DTRT to pursue the development of a sustainable fabric mill and the expansion of the garment manufacturing factory near its operating base in Accra, Ghana. IFC's team will also explore the potential for the company to produce synthetic fibers and yarns—including from recycled materials—seeking to advance West Africa's position as an increasingly competitive global textiles cluster. DTRT currently employs more than 3,000 staff—predominantly women—at its existing factory in Ghana, making it one of country's largest private-sector employers. IFC expects the Project to create over 6,000 additional formal manufacturing jobs by 2028, predominantly for women workers (about 70 percent of new jobs added). IFC will therefore provide gender advisory services to enhance the overall operating environment and ensure that DTRT's policies and practices support female employees in the workplace. IFC further anticipates the Project will entail indirect value addition and employment creation through effects on the domestic value chain. IFC estimates indirect jobs to total 9,500.

IFC in Morocco: Supporting transition towards circular models of production in the textile and apparel industry green fertilizer, and green energy production

The Moroccan textile and clothing sector must evolve to take advantage of the opportunities offered by the restructuring of global supply chains. It needs to consider the requirements that the European Green Deal will impose on products imported into the European Union by 2030, in particular those that envision that textile products should to a great extent be made from recycled fibers. To help the sector achieve these objectives, IFC provides unique support on three levels: (i) Through a Cooperation Agreement with the Ministry of Industry and industry association AMITH, IFC expressed its commitment to supporting the urgent transition towards circular models of production in the textile and apparel sector to meet the objectives of the government's decarbonation agenda and to strengthen Morocco's domestic economic growth and positioning in global supply chains; (ii) Technical support and sectoral expertise to help the industry adopt circularity and move towards low-waste, low-carbon production; and, (iii) Direct financial support to market leaders—not only in the size of investments but also in their capacity for innovation and transformation of the sector. IFC aims to support the transformation of the sector by considering investments that foster the development of a value chain for the recycling and valorization of post-industrial textile waste with a view to enabling the industry to evolve towards production that generates less waste and increases its competitive advantage.

Also in Morocco, IFC partnered with OCP through a landmark green loan to build four solar plants to power OCP's Morocco operations to reduce the company's carbon footprint and help green its fertilizer production. IFC provided OCP with a green loan of €100 million to build the solar plants in the mining towns of Benguerir and Khouribga, home to Morocco's largest phosphate reserves. The project is part of OCP's \$13 billion Green Investment Program, which aims to increase its green fertilizer production and transition its operations to green energy by 2030

and allow OCP to replace its electricity consumption with green energy, avoiding about 285,000 tons of carbon dioxide equivalent (tCO₂e) annually. IFC is also providing ongoing advisory services to OCP on the valorization of phosphorous in support of OCP's efforts to end ocean discharge of phosphorous. IFC is also supporting OCP's green hydrogen program through an upstream project whereby IFC reviews project documents developed by OCP.

IFC in Rwanda: Establishing local vaccine and pharma manufacturing

The government of Rwanda is committed to enhancing healthcare resilience by reducing the country's dependence on imported pharmaceutical products and developing a domestic value chain for pharmaceutical and vaccine manufacturing in the country. To advance this objective, in September 2021, IFC entered into a Collaboration Agreement with the Rwanda Development Board to assist the government in establishing local vaccine and pharmaceutical manufacturing capabilities in the country. The agreement outlined a two-phased project preparatory engagement. Phase 1, which was successfully completed in March 2023, involved studying the market opportunity for vaccines and pharmaceuticals and the operational enablers necessary to have in place for the sector to develop. This included the regulatory ecosystem, human resources, environment & sustainability, logistics, power & infrastructure, and access to finance. The work also reviewed the realizable opportunities and the way forward to nurture development at scale.

Building on the findings of phase 1, which revealed Rwanda's strategic advantages for vaccine manufacturing, phase 2 of the engagement is underway. Phase 2 will focus on preparatory activities for the development of a Life Sciences Park, equipped with shared infrastructure and technical services, aimed at empowering pharmaceutical companies to thrive, enhancing competitiveness, and positioning Rwanda as a pharmaceutical manufacturing hub on the continent. IFC and the government are working alongside other development finance institutions and partners to deliver this initiative, which at completion is expected to crowd in investments into Rwanda's vaccine and pharmaceutical sector, enhance Rwanda's pharmaceutical regulatory capacity to global standards, and improve local human capacity for the sector.

IFC in Senegal: Boosting low carbon cement production

Accelerating the modernization of older plants is key to reducing the industry's carbon footprint, while helping to bridge the widening housing gap created by rapid urbanization in countries like Senegal. To support the decarbonization of Senegal's industrial sector, IFC has partnered with Sococim Industries, Senegal's largest integrated cement manufacturer, which will boost low-carbon cement production, create jobs, and help bridge the country's housing gap. IFC has arranged a €242 million financing package for Sococim, a subsidiary of French cement maker Vicat S.A. The package comprises a €120 million loan from IFC's own account and €122 million equivalent in local currency parallel loans from Société Générale Sénégal, CBAO Groupe Attijariwafa Bank, Banque Internationale Pour Le Commerce et l'Industrie du Sénégal, and Ecobank Sénégal. Société Générale Sénégal has been appointed as the administrative agent to manage the local currency financing with the other lenders. Most of the financing—€214 million—will be earmarked for green activities, making it IFC's first green loan for base-material manufacturing in Africa. While cement is a critical building material, the industry is carbon-intensive, especially during the production of clinker, a key component of cement. The funds will support Sococim's long-term financing needs, which include a €260 million investment to modernize its clinker-producing plant near Senegal's capital, Dakar. The company plans to replace part of its current clinker lines with one new fuel-efficient one, using up to 70 percent of alternative fuels and boosting energy efficiency. That will help reduce GHG emissions by 312,000 tons of CO₂ equivalent per year by 2030—enabling Sococim to produce cement with one of the lowest emission rates in the world.

Société Sénégalaise Industrielle Agroalimentaire (“Kirene”) is a leading beverage company founded in 2001. Kirene’s production facility has a footprint of 14 hectares (ha) in a peri-urban area, in the municipality of Diass, 45 kilometers east of Dakar in the Thies region. The company produces and distributes four products, namely (i) Ultra-high temperature (UHT) processing milk under licensing of Candia from France, (ii) natural mineral water, (iii) fruit juice from concentrate, and (iv) since 2020 carbonated soft drinks under licensing from PepsiCo, following on a previous partnership with The Coca Cola Company. The products are distributed through a network of 200 SMEs and semi-wholesalers across Senegal. IFC committed a EUR8.2 million financing of (i) an “A” loan for IFC’s own account of EUR7 million; and (ii) a concessional senior loan from IFC acting in its capacity as implementing entity of the Canada IFC Blended Climate Finance Program (BCFP) for EUR1.2 million equivalent to Société Industrielle Agro Alimentaire S.A. (“SIAGRO” or “Kirene”). The transaction is the third investment in SIAGRO since 2014 to support the Company’s EUR9.1m modernization and expansion project to setup a new Tetra Pak bottling line allowing capacity increase, a returnable glass bottling (RBG) line, ancillary equipment upgrade, the installation of solar panels and retrofitting existing buildings to meet EDGE Green Building certification and working capital. The most significant, expected outcomes are its contribution to the strengthening of the distributor and logistics networks in the West Africa beverages industry, and the environmental benefits generated from resource efficiency measures adopted in facilities. The investment will also contribute to lowering the carbon footprint of the sector and increasing water and energy efficiency.

IFC in Togo: Boosting low carbon cement production

Following up on a targeted \$300 million investment in the cotton sector with OLAM Agri across Togo, Côte d’Ivoire, and Chad, IFC is developing a program that aims to (i) improve farm management practices, (ii) strengthen and professionalize farmers’ cooperatives, and (iii) promote payments using digital financial services. This program is funded by ISCA. The Togo Cotton and Soybean Competitiveness Report, launched in May 2023, outlined the benefits of both crops for farmers and Togo’s economy, the opportunities and challenges, and the need for critical reforms. Export of lint is an important source of foreign currency and impacts social development with jobs for 70,000 producers. Similarly, soybean generates foreign exchange and produces revenues for 250,000 producers. The national cotton company (NSCT) is currently restructuring following a privatization, with Olam International becoming the main shareholder. The transition was made in the context of a strong decline in production volumes and the number of producers, due to high prices of inputs, heavy field work requirements with the use of chemical products, and the lack of competitiveness. In contrast, soybean is easier to produce and more profitable with less inputs and labor required. Consequently, the soybean sector is experiencing fast growth and generating important revenue for producers. Yet unstructured growth is presenting risks for producers that depend on a liberal market without any price guarantees.

Considering the importance of both sectors for Togo’s economy, the study provides several areas for policy action to further unlock competitiveness and private investments. For the cotton sector, recommendations include increase field coverage of technical staff for producers’ supervision and higher yields, strengthen training on adaptation to climate change, incentivize producers by providing inputs for food crops on a credit basis with rewards for high performers, support professionalization of the sector, and reinforce financial stability of NSCT. For the soybean sector, recommendations include formal structuring of the sector, regulating the market with a guaranteed minimum price for producers, improved agricultural practices with a national seed production strategy, contract farming, and extended access to financing guarantees.

IFC in Tunisia: Lowering costs and expanding access to clean, renewable energy

Tunisia will soon be able to lower the cost of power generation, bringing clean, renewable energy to its 12 million citizens, reducing GHG emissions by almost 100,000 tons annually, and accelerating its green

transition. This will be done through a landmark, privately financed solar project implemented by UAE-based AMEA Power, with financing from IFC and AfDB. The project will be the first large-scale, privately financed solar project in Tunisia and one of the largest infrastructure PPP projects in the country in over a decade. IFC will provide its longstanding partner, AMEA Power, with up to \$26 million in debt financing, including \$13 million in concessional finance as the implementing entity of the Clean Technology Fund, a program of the Climate Investment Funds (CIF). This is alongside AfDB's debt financing of up to \$26 million, which includes \$13 million from the Sustainable Energy Fund for Africa (SEFA). The financing package will support the development, financing, construction, operation, and maintenance of the \$86 million 100-mWac[1]/120-MW Peak[2] solar plant in the Kairouan governorate of Tunisia.

The government of Tunisia aims to increase the share of renewable energy in its energy mix to 35 percent by 2030. The country is one of the region's most exposed countries to climate change because of its dependence on climate-sensitive agriculture and high levels of urbanization prone to flooding. The country's overreliance on imported hydrocarbons to meet rising electricity demand has also threatened its energy security and made the sector vulnerable to price and exchange rate fluctuations. The Kairouan Solar project aims to harness private financing to reduce dependence on imported fuel and gas-generated electricity, enhance the Tunisian power sector's competitiveness, and contribute to restoring macro-fiscal stability.

Also, the Accelerate4youth program launched in FY20 has helped to unlock the potential of innovative entrepreneurship in Tunisia, with a particular focus on women-led startups and creating job opportunities for young people. This program is funded by ISCA. As part of the program's implementation, IFC signed MoUs with two Tunisian start-up accelerators: Flat6Labs Tunisia and Impact Partner Tunisia. Flat6Labs Tunisia operates an accelerator program and early-stage investment platform, while Impact Partner Tunisia supports young startups and SMEs, especially those with a strong social impact, creating sustainable jobs for women and young people. To date, Flat6Labs has conducted several rounds of its Seed acceleration program, launched the Scale-up Tunisia program supporting high-growth startups, and Ebday Tunisia, a new pre-acceleration program focused on women-led entrepreneurs. Impact Partner has set up the Madar Innovation acceleration program, the Decentralize Impact program focused on blockchain technology, and MORE, a pilot program focused on providing solutions for persons living with disabilities. In addition, the A4Y project supported vertical acceleration cycles in Green Tech with the launch of Green4Youth, a program co-implemented by both accelerators.

The project achieved its targets, with 183 entrepreneurs supported, of whom 70 percent are women-led startups and 34 percent are located outside main cities. The project helped raise more than \$2 million in additional finances to the startups and has supported more than 1,000 direct and indirect jobs. Also, A4Y finalized a benchmark report on legislative and regulatory international practices that will help the Ministry of Communication Technologies in drafting the communication and digital code. In addition, the project supported the public-private taskforce to deliver the first draft of the Startup Act 2.0 law and helped the Ministry of Economy and Planning organize a multisectoral PPD on Innovation topics.

6.3. AfDB's Recent Investments in Compact with Africa Countries

AfDB's Primary Instrument of its Interventions Remains its Country Strategy Papers

In Benin, AfDB implementation of its CSP 2017–21 contributed to increasing cereal crop productivity, boosting trade between Benin, and neighboring countries, enhancing the electrical power generation capacity, and improving the private investment environment and the public investment management framework. The current CSP 2022–26 seeks

primarily to support agricultural transformation and industrial development; and strengthen infrastructure in order to enhance economic competitiveness. A recent example is an upcoming project to rehabilitate and expand the Port Autonome de Cotonou to renovate and replace obsolete port infrastructure, and to expand capacity, while improving service quality to attract additional traffic.

In Burkina Faso, AfDB's active portfolio features one private sector operation, a fully disbursed line of credit that served to increase medium and long-term financing to 45 SMEs and Small and Medium Industries operating mainly in the sectors of agricultural products processing and services as well as microfinance. For Côte d'Ivoire, it is noteworthy that the CSP 2023–28 seeks to increase its support to the private sector, entrepreneurship, and skills development for the youth. Upcoming initiatives include skills in innovative agricultural techniques and agribusiness and the establishment of a youth entrepreneurship investment bank. Similarly, in Togo that has only one private sector project in energy, public and private investment in transport infrastructure (Lomé Container Terminal) has helped to broaden the productive base and create jobs.

In Egypt, AfDB is preparing to support a private sector player with a senior corporate loan to provide affordable and quality healthcare infrastructure services to a higher number of patients in Cairo. To assist the government of Ethiopia, the Bank recently concluded an institutional support project for PPPs that will enhance private investments in economic and social infrastructure which will support two ongoing NSOs.

In Ghana, AfDB's active portfolio comprises four private sector operations one of which is an ongoing PPP to establish and manage a sustainable commercial hardwood forest plantation. For Guinea, dialogue with the government will focus on the possibilities for synergies and co-financing PPPs during project preparation and implementation. In Morocco, AfDB created the Core Partners Group in collaboration with the World Bank and the United Nations Development Programme in 2022 to increase the leveraging of resources through co-financing of reform programmes and/or infrastructure investment projects, sometimes in the form of PPPs.

In Rwanda, the main objective of AfDB's CSP 2022–26 is to support the country in fostering the development of productive capacities to boost productivity-led growth, exploit private sector potential, and ultimately accelerate structural transformation. This stance will bolster projects that focus on value-addition, particularly in agro-processing.

In Senegal, the AfDB's private sector portfolio consists of six operations. The drive is to support private sector-led growth by intensifying transformative projects such as high value-added industries to improve agricultural productivity and job creation, and to expand irrigated agricultural basins to cope with climatic shocks.

In Tunisia, AfDB has five NSOs that will together, by the end of 2023, achieve anticipated 60 percent of the target indicators on the proportion of private investment in total investment. Going forward, AfDB plans to increase the volume of its NSOs by providing more lines of credit targeting promising sectors; collaborating with other development partners to co-finance NSOs; explore trade financing options for the private sector; and support the preparation of NSOs.



7. PERFORMANCE OF EXPECTED DEVELOPMENT OUTCOMES IN COMPACT WITH AFRICA COUNTRIES

Key Messages

The performance of CwA countries in expected key development outcome indicators was assessed before and after the CwA initiative was launched in 2017 (2010–22) and compared with those of non-CwA countries in Africa. Indicators from the CwA theory of change were used to measure the effectiveness of the initiative and derive conclusions.

- **FDI attractiveness.** CwA countries outperformed non-CwA countries in attracting FDI and maintained a positive trend until the COVID-19 shock, which was followed by a robust recovery. The positive trend in the CwA group average FDI inflows remained stable after 2017 and has been driven by Egypt since 2011. On the other hand, the non-CwA group has experienced a significant decline in FDI inflows since 2015, except in 2021.
- **Trade.** From 2017 onwards, CwA countries demonstrated superior performance in average exports, and the gap with non-CwA countries has been widening since 2016. The slowdown with the COVID-19 shock was followed by a robust recovery in both groups. The performance of the CwA group was driven by Egypt and Morocco.
- **Domestic investment.** CwA countries have shown higher growth rates in gross capital formation compared to non-CwA countries. However, there was a decline in 2019 and a significant impact from the pandemic. Country-level trends show significant volatility. More efforts are needed to encourage sustained private sector investments.
- **GDP growth.** CwA countries consistently outperformed non-CwA countries in GDP growth rate. The positive performance of the CwA group during the pandemic highlights their resilience.
- **GDP per capita.** CwA countries persistently lag non-CwA countries in GDP per capita. Though CwA-NA countries drive up the CwA countries' average GDP per capita, targeted efforts are needed to bridge the gap with CwA-SSA.
- **Creating firms.** CwA countries lag non-CwA countries in creating and sustaining firms, which calls for accelerated support toward high-quality entrepreneurship activities in the region.
- **Employment.** CwA countries consistently lag non-CwA countries in employment ratio. CwA countries are less efficient in creating jobs to meet rising demand from youth. Urgent action is needed to help the CwA group generate enough good quality jobs for the growing working-age population.
- **Progress in economic transformation.** Between 2010 and 2020, CwA countries have outperformed non-CwA countries in their economic transformation index, and the gap has widened since 2017, with non-CwA countries lagging CwA countries. Yet, CwA countries' positive performance as a group is driven by Morocco and Tunisia while wA-SSA countries lagged.

- **Impact of CwA-funded activities.** Preliminary analysis seems to indicate some of the superior economic performance of CwA countries could be associated with the G20 CwA-funded activities (for example, CPSDs, peer learning, technical assistance, and investor outreach). Further analysis will be conducted to assess the overall impacts of the G20 CwA-funded activities in CwA countries.

7.1. Context and Rationale

This section presents evidence on the performance of CwA countries in expected key development outcome indicators before and after 2017 and in comparison, with non-CwA countries. To do so, the CwA initiative theory of change (Figure 7.1) was revisited to identify key development outcome indicators. Second, CwA countries' performance was compared with non-CwA countries before and after 2017 (when the initiative was launched) to assess countries' progress.

The CwA initiative uses several instruments to support Compact Country Teams to achieve their objectives as presented in Figure 7.1. Through the Compact Country Teams led by the country's authorities, the Compact Country Policy Matrix, Country Prospectus Policy, and investment priorities were developed by each country. At the same time, the World Bank/IFC, AfDB, IMF, and ACET have provided technical assistance to this agenda. One of the vehicles used to facilitate the identification and implementation of countries' reform agendas is the CPSD. The CPSD assesses private sector challenges, identifies sectors with high potential for growth and impact, and pinpoints priority policy reforms needed to boost private sector investment (both domestic and foreign) in the country. CPSDs have been conducted in all CwA countries and have contributed to setting strategic priorities for the World Bank Country Engagement Cycle. These CPSDs and follow-up World Bank and IFC implementation actions are supported by the following trust funds supported by G20 partners: ISCA, C-JET, F4D, TAP, and CwA-GBF (see Appendix D for the description of each trust fund). Some of these trust funds are ending and need to be replenished. CPSDs are also complemented by other World Bank diagnostics, including CCDRs and Jobs Diagnostics.

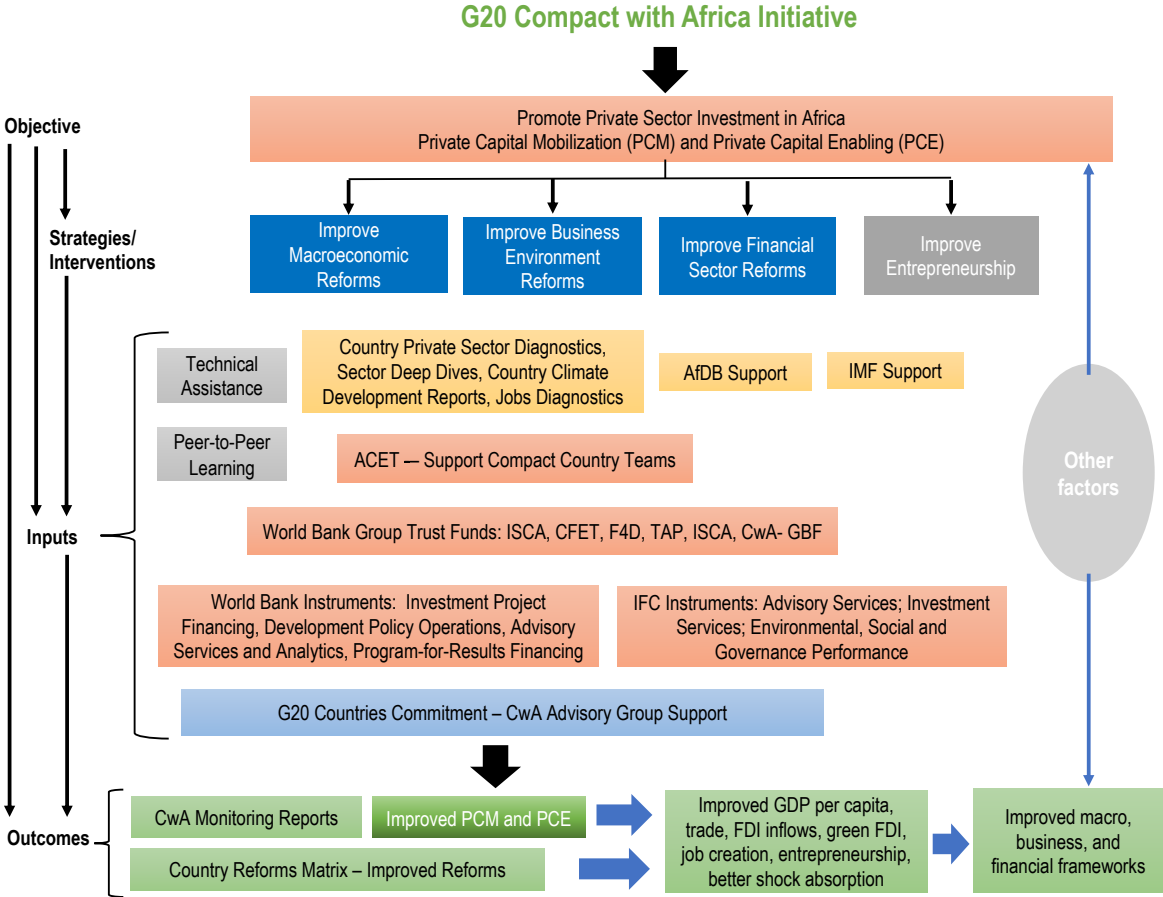
Another important instrument used to support CwA countries is peer-to-peer mechanisms for reform implementation and investment promotion. Peer learning events are at the core of the CwA's value proposition. These learning sessions are organized by ACET in close coordination with the World Bank, IMF, and AfDB and are reported in the CwA monitoring reports. The Compact Country Teams play a key role in this learning mechanism. For example, the Tunisia Country Platform for reform implementation has inspired other CwA countries and paved the way for CwA 2.0.

Support from the CwA initiative in reform implementation is expected to improve CwA countries' attractiveness to private sector investments, including both domestic and foreign direct investments. The progress made by CwA countries on their reform commitments, macroeconomic indicators, and FDI inflows is reported twice a year as part of the CwA monitoring reports. The most recent CwA monitoring reports (2020–23) have indicated that, despite the COVID-19 pandemic, CwA countries are making good progress in reforming their macro, business, and financial frameworks to promote sustainable private sector-led growth.

This chapter looks at trends in expected key development outcome indicators before and after 2017, including:

- Macroeconomic outcomes: FDI inflows, GDP per capita, exports, and gross capital formation (as proxy for domestic investments), and economic transformation (Africa Transformation Index, or ATI).
- Micro-level outcomes: employment ratio and firm growth rates (number of firms).

Figure 7.1. Compact with Africa 1.0 Theory of Change



Note: C-JET = Competitiveness for Jobs and Economic Transformation; CwA-GBF = CwA-Green Business Fund; F4D = Finance for Development; FDI = foreign direct investment; GDP = gross domestic product; ISCA = International Finance Corporation Support to the Compact with Africa; PCE = private capital enabling; PCM = private capital mobilization; TAP = Think Africa Partnership.

7.2. Trends in Expected Key Compact with Africa Development Outcome Indicators

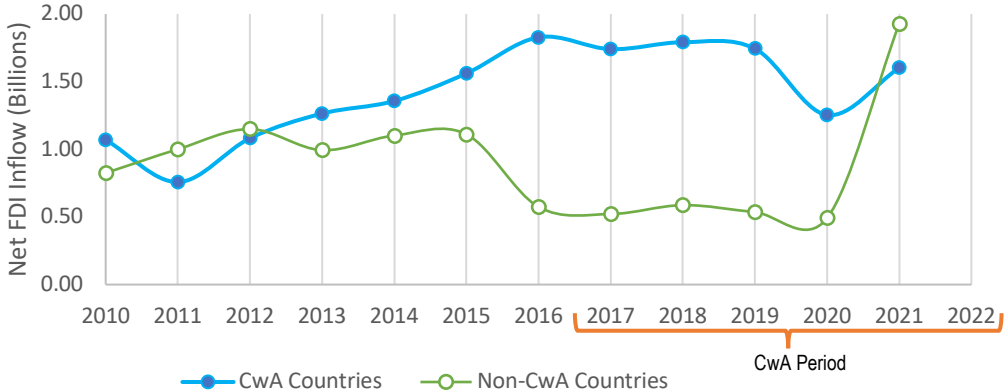
This section compares the performance in key development indicators of CwA countries before and after the CwA started (2017) and with non-CwA countries. We look at countries’ macroeconomic indicators, including net FDI inflows, FDI inward flows,⁵¹ GDP per capita, GDP growth, export, and gross capital formation. At the micro-level, we look at countries’ performance in employment-to-population ratio and firm growth rates (number of firms). This study used the latest available data from various sources. Appendix C provides definitions and sources for these indicators. In this descriptive analysis, the average trends of the CwA countries group are compared to the average trends of the non-CwA countries group for an overall picture. However, these averages hide some heterogeneities among countries in the same group. For CwA countries, country-level trends of the development outcome indicators are presented for comparison purposes.

⁵¹ Net FDI inflows refer to the annual net flows of FDIs (difference between inflows and outflows), while FDI inwards are the total FDI that a country receives in a given year.

Evolution in FDI Inflows

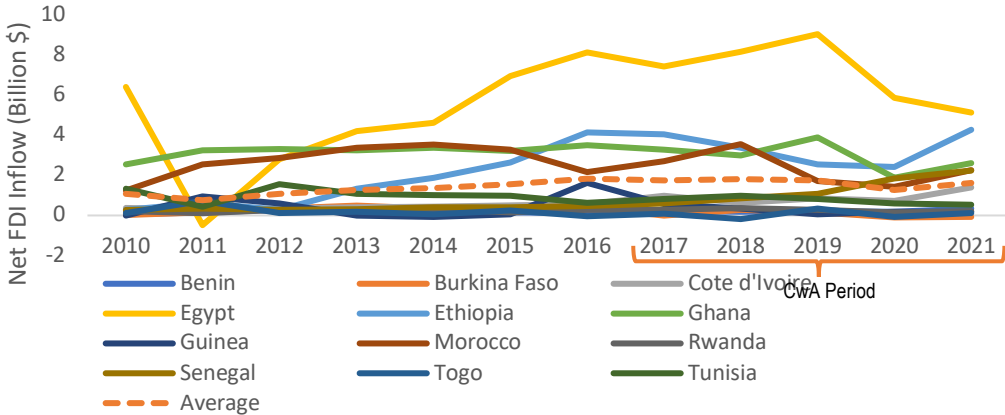
The evolution in net FDI inflows for CwA countries in comparison with non-CwA countries shows some volatility with an overall positive trend observed for the CwA countries group. Before 2017, CwA countries' average net FDI inflow had an upward trend and remained always above the average of non-CwA countries (Figure 7.2a). At the time of the CwA's establishment in 2017, the average net FDI inflows for CwA countries was \$1.74 billion, whereas non-CwA countries on average lagged significantly behind at \$0.52 billion. Before 2017, the CwA group average had an upward trend as opposed to the non-CwA group average, which was tumbling down. In the following years, CwA countries received on average more stable inflows of net FDI inflows, which remained higher compared to non-CwA countries, except after the COVID-19 pandemic shock in 2020. The shock led to a significant decline in the CwA countries' group average of net FDI inflows as opposed to the non-CwA group. However, in 2021, the average of non-CwA countries made a significant jump (\$1.93 billion) to above the average of CwA countries (\$1.60 billion). In other words, the recovery was rapid in non-CwA countries. When looking at country-level trends (Figure 7.2b), Egypt has been driving up the CwA countries group average since 2012, followed by Ethiopia, Ghana, and Morocco as the net FDI inflows remained above the group average over the period. In sum, Egypt has been the driving country for net FDI inflows to CwA countries.

Figure 7.2a. Average Net Foreign Direct Investment Inflow in Compact with Africa and Non-Compact Countries



Source: WDI.

Figure 7.2.b. Net FDI Inflow in Compact with Africa Countries



Source: WDI.

An analysis of the average of inward FDI flows from 2010 to 2022 highlights that CwA countries have attracted more FDI compared to non-CwA countries. However, these inflows to CwA countries on average have remained relatively stable with little fluctuation between 2015–19 to about \$1.7–1.8 billion per year (Figure 7.3a). In addition, upon examining the data at the country level (Figure 7.3b), the CwA group average has experienced an upward trend primarily due to the contribution of Egypt starting from 2011. During the same period, the disparity with the non-CwA group’s average widened as non-CwA countries experienced fluctuations in the downward direction between 2015–19. Notably, the COVID-19 pandemic had a more pronounced impact on the CwA group’s average, causing it to decline from \$1.71 billion in 2019 to \$1.2 billion in 2020. In contrast, the non-CwA group’s average only experienced a slight decline from \$0.73 billion to \$0.69 billion during the same period. Since 2020, the CwA group’s average has steadily increased, reaching its highest point in 2022 (\$2.02 billion), surpassing its pre-pandemic levels. Conversely, the non-CwA group’s average peaked in 2021 but subsequently dropped below its pre-pandemic level, reaching \$0.59 billion in 2022.

Figure 7.3.a. Average FDI Inward Flow in Compact and Non-Compact Africa Countries

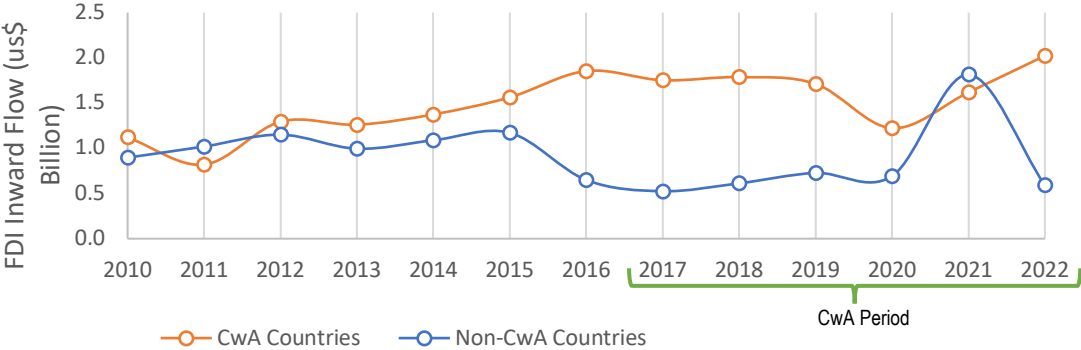
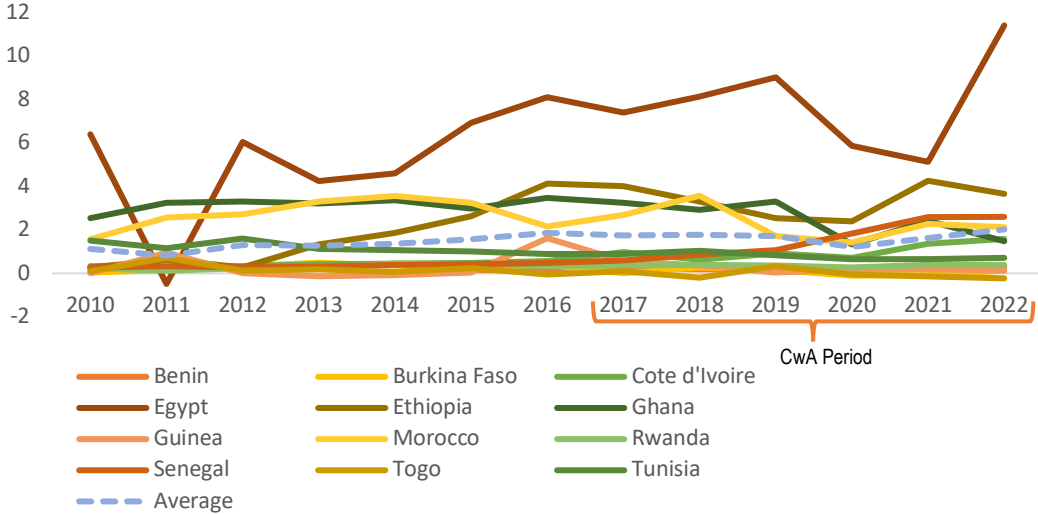


Figure 7.3.b. FDI Inward Flow in Compact with Africa Countries



Source: UNCTAD.

Evolution in GDP growth rates

When examining the GDP growth rate before and after the CwA initiative started in 2017, CwA countries on average have outperformed non-CwA countries and the gap had even widened between 2015–19 (Figure 7.4a). In 2017, countries participating in the CwA initiative had an average GDP growth rate of 6.20 percent, which was notably higher than the average rate of 2.35 percent reported by non-CwA countries. Yet, this positive performance of CwA countries remained insufficient to bridge the GDP per capita gap with non-CwA countries. At the country level (Figure 7.4b), Ethiopia had a marginally higher GDP growth rate than the majority of CwA countries before the COVID-19 outbreak. The COVID-19 shock led to a significant decline in the GDP growth averages for both groups while the average CwA countries group continued to remain above non-CwA countries group average. CwA countries showed remarkable resilience by maintaining an average GDP growth rate of 0.54 percent, driven in part by Rwanda. In contrast, non-CwA countries experienced a substantial contraction with an average GDP growth rate of -3.24 percent. In other words, on average, CwA countries have been able to better absorb the COVID-19 shock compared to non-CwA countries. In 2021, a GDP growth rebound was observed in both groups' averages with the CwA group still outperforming, this time led by Rwanda. However, in 2022, the CwA countries group registered a significant decline compared to the previous year, while the non-CwA countries group average slightly rose, bridging the gap that used to exist between the two groups' averages. This indicates that the recovery efforts from the COVID-19 shock have not been sustained in CwA countries. More efforts are needed to support this group of countries to bridge the gap with non-CwA countries.

Figure 7.4a. Average GDP Growth in Compact with Africa and Non-Compact Countries

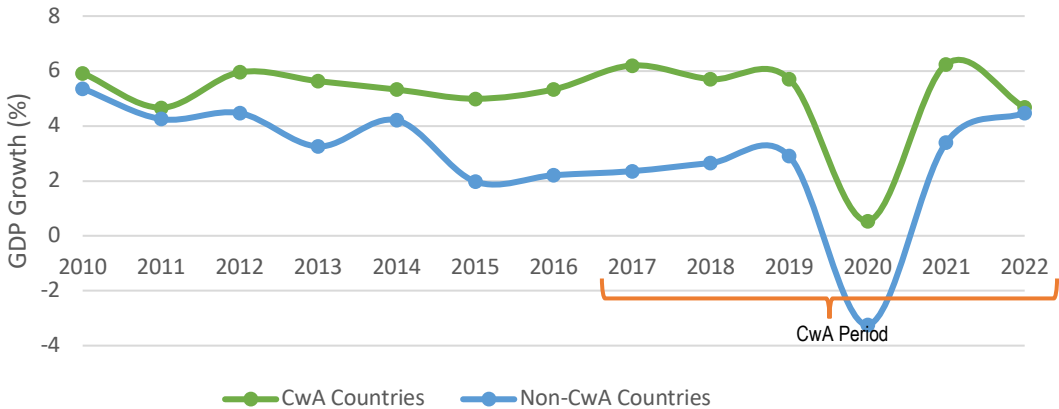
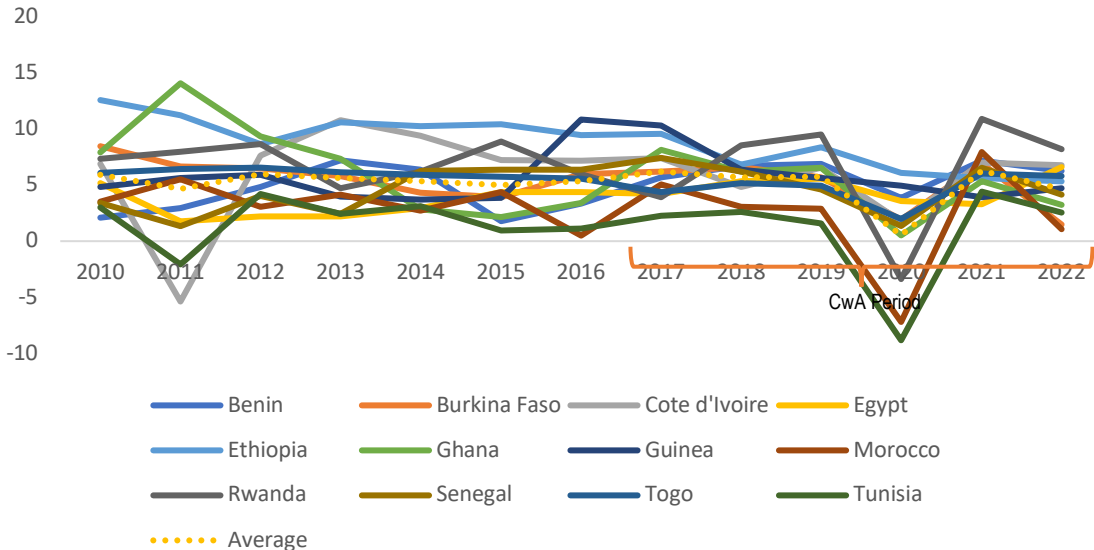


Figure 7.4b. GDP Growth in Compact with Africa Countries

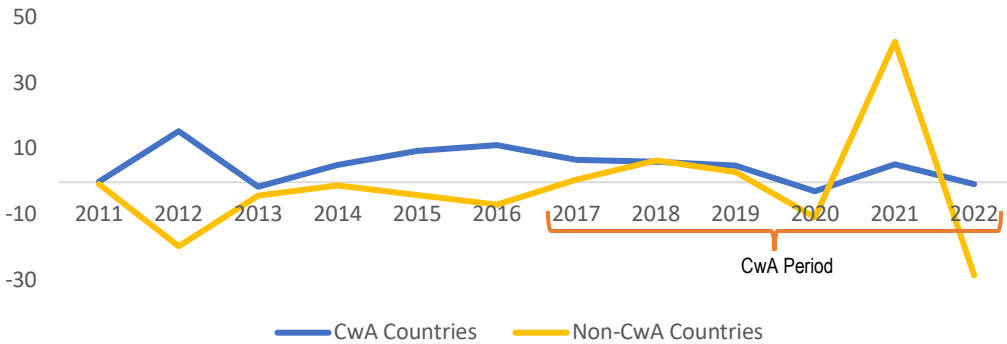


Source: WDI.

Evolution of Gross Domestic Investment

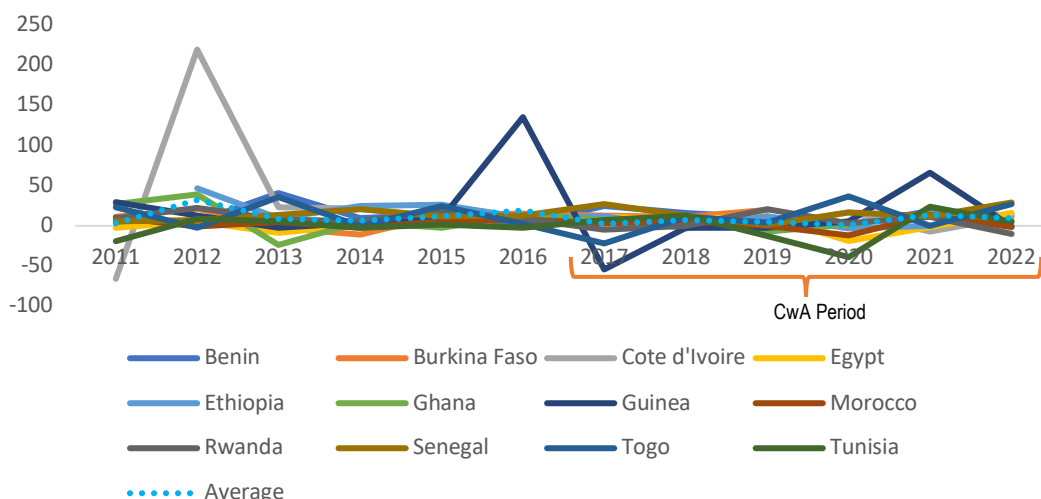
To gain insight into the changes in domestic investment, the average growth rate of gross capital formation⁵² was examined in both CwA countries and non-CwA countries. On average, between 2010–22, CwA countries have had relatively higher gross capital formation growth rates compared to non-CwA countries, except in 2021 (Figure 7.5a). In 2017, the CwA group average growth was about 6.81 percent, far above the non-CwA group average of 0.8 percent. However, the CwA group average declined to 5.1 percent while the non-CwA group average was about 3 percent in 2019 just before the pandemic. The pandemic led to a significant decline in both group averages to respectively -2.75 percent for the CwA group and -10.66 percent for the non-CwA group. The year 2021 saw a significant rebound in non-CwA countries (+42.78 percent) compared to a small growth rate for CwA countries (5.4 percent), which was not sustained in 2022 as both groups’ averages contracted to -0.68 percent for the CwA group and -28.34 percent for the non-CwA group. In sum, like in non-CwA countries, more efforts are needed to encourage private sector investments in a sustainable way. CwA country-level trends are presented in Figure 7.5b.

Figure 7.5a. Average Gross Capital Formation Growth Rate in Compact with Africa and Non-Compact Countries



⁵² It is important to note that the quality of data used for this indicator is usually very poor.

Figure 7.5b. Gross Capital Formation Growth Rate in Compact with Africa Countries



Source WDI.

Evolution in Exports

The assessment of export performance from 2010 to 2022 shows a significant improvement in exports in CwA countries since 2015 (Figure 7.6a). Country-level trends (Figure 7.6b) show that Egypt and Morocco mainly drove this positive trend. Ghana has also shown a consistent improvement in exports above the group average. On the other hand, the non-CwA countries group on average has experienced a decline since 2011. From 2017 onwards, CwA countries consistently demonstrated superior performance in average exports with \$13.4 billion compared to non-CwA countries' average of \$9.7 billion. The gap remained consistent throughout the period. In 2020, CwA countries managed to maintain a robust average export performance of \$13.7 billion despite facing economic challenges. After the COVID-19 shock hit, the averages of both groups rose while the non-CwA group average still lagged. In 2022, countries participating in the CwA experienced a notable increase in their average exports, reaching \$20.4 billion. This surpassed the average exports of non-CwA countries, which stood at \$13.3 billion.

Figure 7.6a. Average Export Value in Compact and Non-Compact African Countries

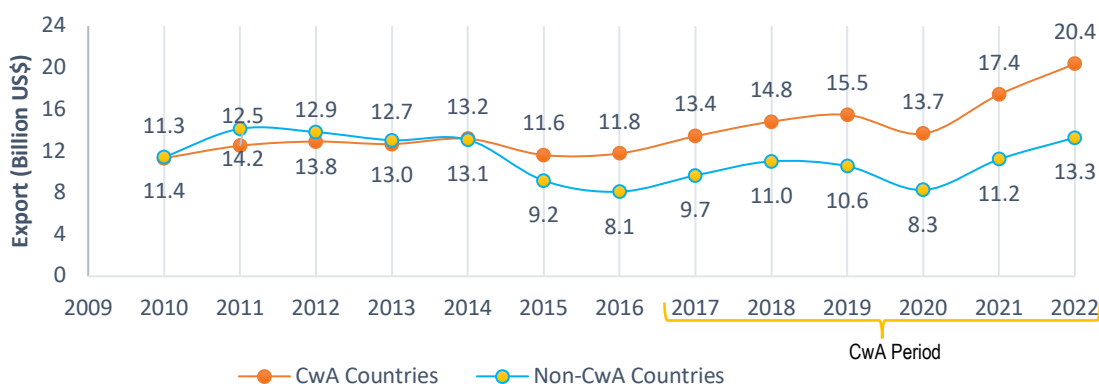
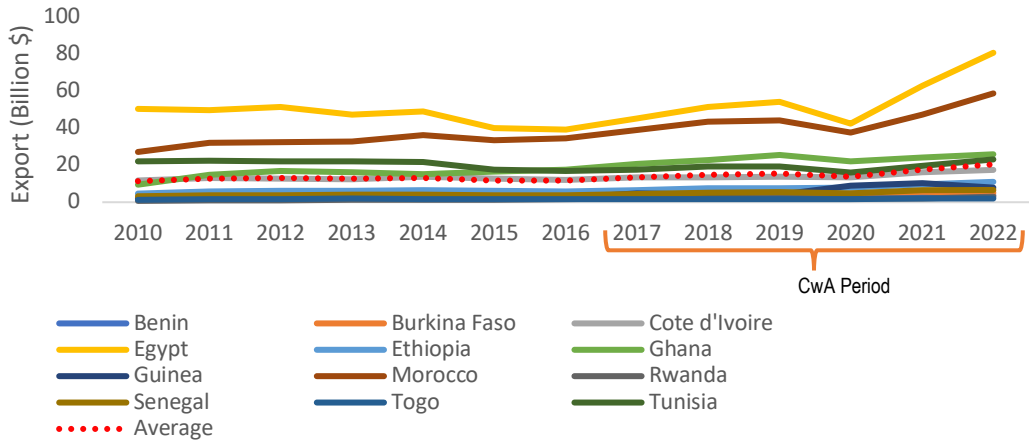


Figure 7.6b. Export Values in Compact with Africa Countries



Source: WDI, IMF, and WTO.

Evolution in GDP per Capita

The GDP per capita (2015 constant US\$) data from 2010 to 2022 shows a consistent gap between the two groups of countries' averages, both evolving in a parallel trend and with the CwA group average lagging non-CwA countries (Figure 7.7a). In 2017, the CwA countries group average of GDP per capita was about \$1,696, far below the non-CwA group average of \$2,829. By 2019, just before the pandemic, the CwA group average rose to \$1,847 while the non-CwA group average remained almost stable at \$ 2,848. At the country level (Figure 7.7b), Egypt, Morocco, and Tunisia have been driving up the CwA group average with GDP per capita far above the CwA and non-CwA countries group averages. But countries such as Côte d'Ivoire have had a steady growth, with GDP per capita growing from \$1,520 in 2011 to \$2,430 in 2022, above the group average. However, the average GDP per capita in CwA countries, specifically CwA-SSA countries, has remained relatively stable with little improvement. Even though the COVID-19 pandemic caused a slight decline in the averages of both categories, the disparity has remained significant. In other words, the positive macroeconomic performance observed in CwA countries over the past few years has not yet translated into an increase in per capita GDP, and additional efforts are required to accelerate growth and economic transformation in CwA-SSA countries. For CwA-SSA countries to bridge the gap with the non-CwA group, they need to grow at a faster speed far above non-CwA countries. This calls for targeted support of the CwA initiative toward CwA-SSA countries to boost economic development that can lead to higher GDP growth rates. Such targeted support can help reduce the gap between their North African peers and the average non-CwA country.

Figure 7.7a. Average GDP Per Capita in Compact with Africa and Non-Compact Countries

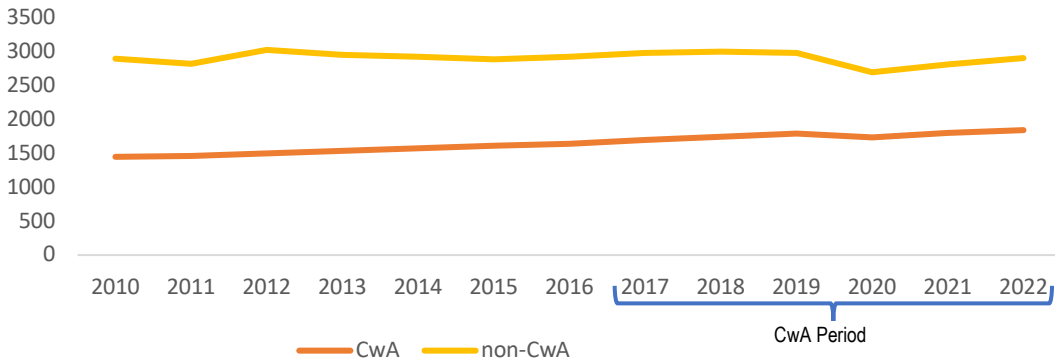
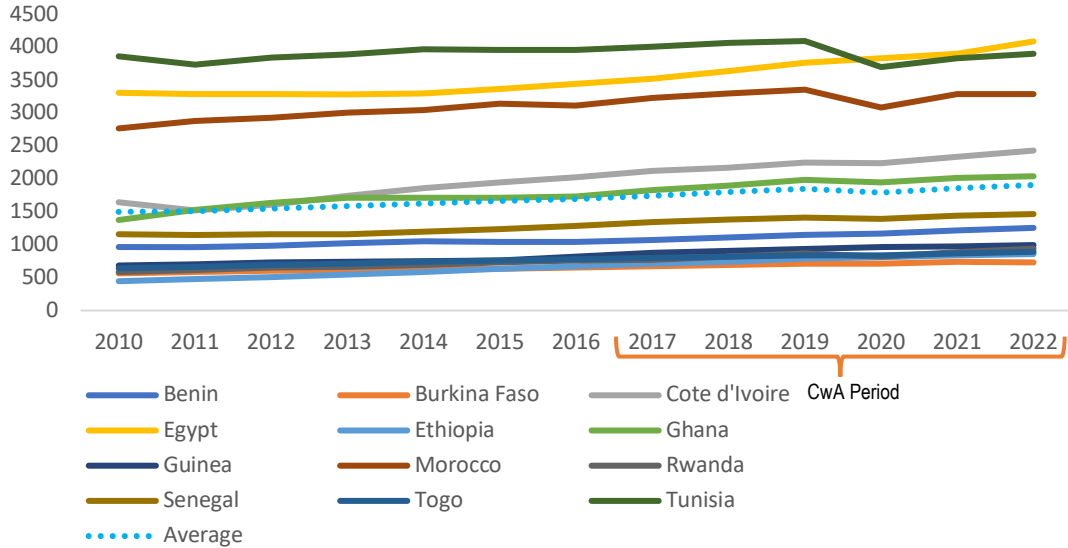


Figure 7.7b. Average GDP Per Capita in Compact with Africa Countries



Source: WDI.

Evolution in Firm Growth Rates

As previously mentioned, a significant micro-level expected development outcome of the CwA initiative is the improvement of entrepreneurship within the group. This analysis examined the trajectory of firm growth in quantity, focusing on the number of firms rather than their investments or size. The analysis of firm growth suggests that since 2014, CwA countries have displayed lower average firm growth rates than non-CwA countries (Figure 7.8a). In other words, CwA economies have lagged non-CwA economies in the creation and maintenance of new firms. CwA had the lowest average firm growth rate in 2015 at 1.97 percent but managed to catch up to non-CwA countries by 2018, when their average firm growth rate was 3.2 percent compared to 3.5 percent for non-CwA countries. However, since 2018, both groups have experienced a decline in firm growth rate, which was accelerated by the COVID-19 shock in 2020. Country-level trends (Figure 7.8b) show that several CwA countries have exhibited volatile firm growth with Senegal having the highest but declining firm growth rate between 2015–19. The weaker performance of CwA countries in sustainably creating more firms suggests that more targeted efforts are needed to support CwA countries to accelerate entrepreneurship development, and more specifically the creation of quality firms (as discussed in Chapter 8 on entrepreneurship).

Figure 7.8a. Firm Growth Rate (Average) in Compact and Non-Compact African Countries

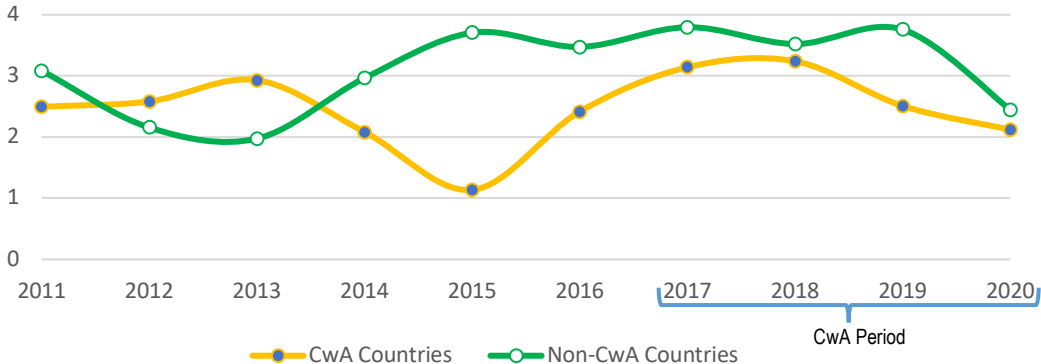
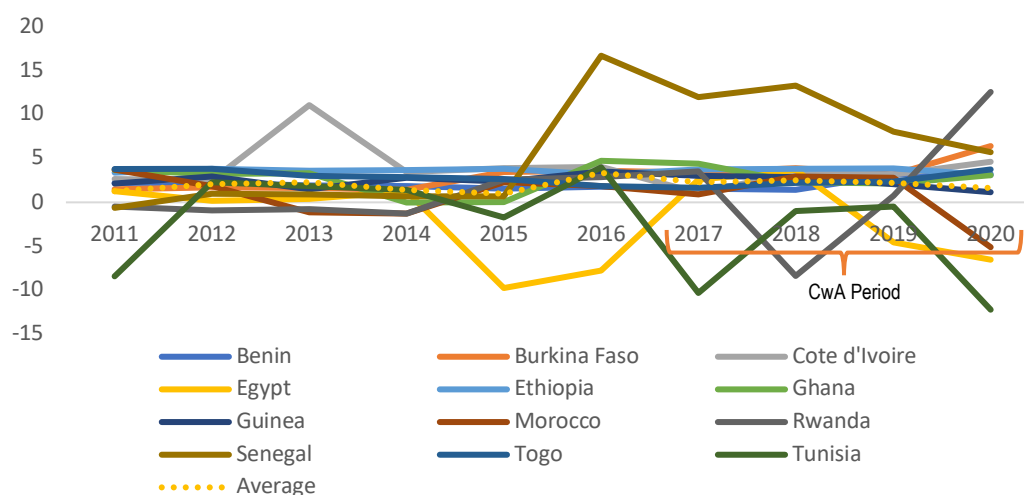


Figure 7.8b. Firm Growth Rate in Compact with Africa Countries



Source: IFC.

Evolution in Employment Indicator

Another micro-level expected development outcome of the CwA initiative is jobs to meet the demand of a growing working-age population. The analysis looked at the employment ratio⁵³ to assess the efficiency of CwA economies in providing jobs for their working-age population. On average, between 2010–20 for both groups, the average employment ratio declined over the past few years, indicative of African economies struggling to create more jobs for their growing and youthful population (Figure 7.9a). More importantly, CwA countries have lagged non-CwA countries in providing more jobs to their growing working-age population. In addition, CwA countries have struggled to catch up with non-CwA countries as shown in the consistent gap between both group averages. The COVID-19 pandemic slightly widened the gap. The CwA average hid some heterogeneity among countries, with Ethiopia having the highest growth rate, followed by Benin and Ghana (Figure 7.9b). However, higher employment rates do not mean that those jobs are better quality jobs, given that the indicator includes all types of employment. When the CwA initiative started in 2017, the CwA countries' employment ratio was about 64.91 percent compared to 69.46 percent for non-CwA countries. Over the subsequent years, both ratios continued to decline and reached their lowest levels in 2020 when the pandemic hit (63.4 percent and 68.05 percent, respectively). Since then, both groups have struggled to reach their pre-pandemic levels. The sustained gaps in employment ratio trajectories indicate that more targeted efforts are needed to help CwA economies improve their efficiency in creating more jobs for their growing working-age population to bridge the gaps with the non-CwA countries group.

⁵³ The employment-to-population or employment ratio is defined as the proportion of a country's working-age population that is employed. This ratio includes both formal and informal employments and does not necessary account for the job quality.

Figure 7.9a. Average Employment-to-Population Ratio in Compact and Non-Compact countries

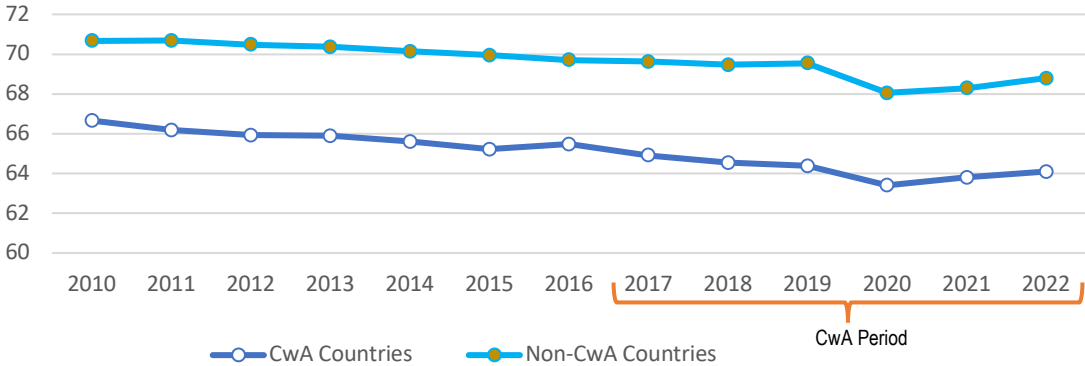
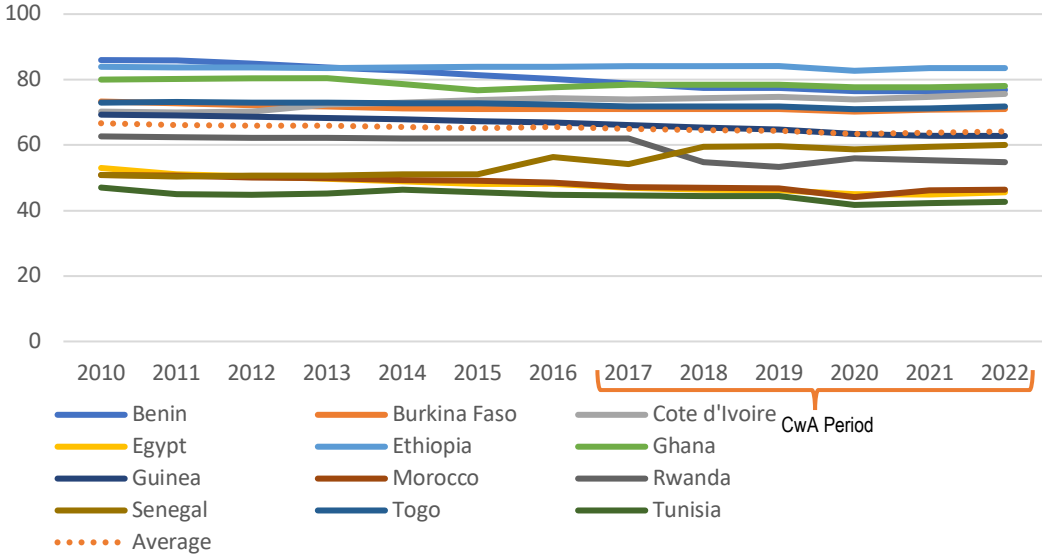


Figure 7.9b. Employment-to-Population Ratio in Compact with Africa Countries



Source: ILO.

Progress in economic transformation

This section looks at how recent progress made by CwA countries has translated into economic transformation. The ACET index, which tracks African countries' progress in economic transformation, was used. ACET developed the ATI to measure gains or losses in five dimensions: diversification, export competitiveness, productivity increases, technology upgrading, and human well-being.⁵⁴ This aggregated score is used to compare progress on economic transformation in CwA countries with the non-CwA counterpart between 2010 and 2020. During the entire period, CwA countries outperformed non-CwA countries. From 2017 to 2020, CwA countries consistently showed improvements in their overall ATI score unlike non-CwA countries (Figure 7.10a). Between 2016 and 2017, CwA countries' ATI score increased substantially from 33.29 to 35.16 (out of 100), surpassing non-CwA countries' ATI score, which increased only marginally from 29.49 to 30.50 (out of 100). These trends continued since then, and by 2020, CwA countries maintained the positive trend with their ATI score reaching 36.40, while non-CwA countries saw a decline with their

⁵⁴ For more detailed information on the ATI, please read the most recent ACET report (2023) available on their website: <https://acetforafrica.org/ati/>

ATI reaching its lowest level since 2010 to 29.05. The positive trend in CwA countries' ATI score was mainly driven by CwA-NA countries, with Morocco and Tunisia driving this progress with substantial increases in their ATI (Figure 7.10b). Morocco's ATI increased from 52.37 in 2017 to 60.16 in 2020, while Tunisia's ATI increased from 68.45 in 2017 to 69.54 in 2020. However, not all CwA countries have experienced such improvements, with Côte d'Ivoire and Ghana experiencing some decline during the same period.

Figure 7.10a. Average ATI Index in Compact and Non-Compact Countries

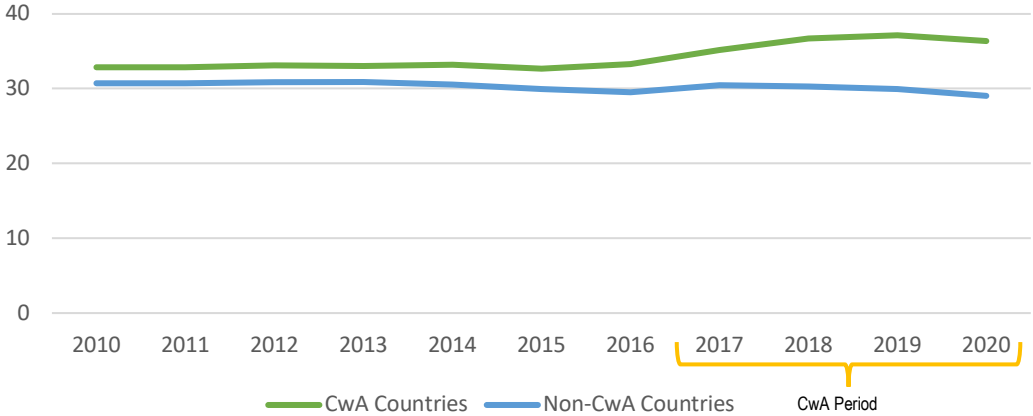
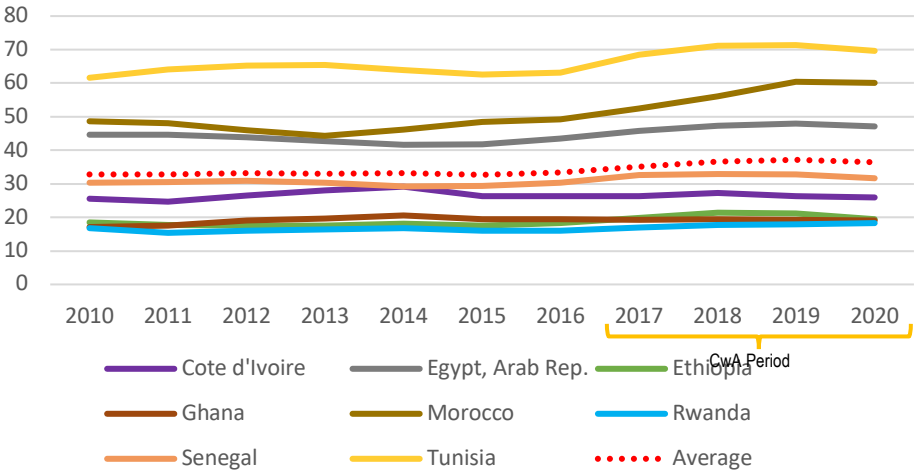


Figure 7.10b. Average ATI Index in Compact Countries



Source: ACET.

7.3. Contribution of the G20 Compact with Africa Initiative to Development Outcomes in Compact Countries: Some Preliminary Findings

To further validate findings from the descriptive analysis, a robust estimation tool allows the assessment of the effect of the CwA initiative on participating countries in comparison with non-participating countries. We conducted the analysis using data spanning 2010 to 2022, encompassing 44 African countries. Within this dataset, the 12 countries that were initially part of CwA during this period are identified as beneficiary countries of CwA initiative. We looked at both macroeconomic outcome indicators and micro-level outcome indicators as described in the CwA

theory of change to measure the effectiveness of the initiative in achieving its objectives. We explored both conventional and advanced technical tools such as difference in difference and machine learning modeling tools to help in the attribution or not of the changes in outcomes to the G20 CwA initiative. Since the CwA was initiated in 2017 until 2022, preliminary findings show that CwA countries outperformed non-CwA countries across some CwA outcome indicators, including inward FDI inflows, exports, and gross capital formation (as proxy for domestic investments). These preliminary results also indicate that CwA countries lag non-CwA countries in other outcome indicators, including GDP per capita, firm creation, and employment. These preliminary findings show that those stronger development outcomes of CwA countries compared to non-CwA countries could be attributed to the G20 CwA initiative. The CwA-funded activities that could have contributed to this superior economic performance include: CPSDs, peer learning, technical assistance, and investor outreach activities. Increasing these CwA-funded activities, following the request of CwA countries, is at the heart of CwA 2.0 as discussed in Chapter 9. CwA 2.0 will entail further in-depth impact evaluation analysis of the impacts of CwA-funded activities.



8. PEER LEARNING AND REVIEW ACTIVITIES

8.1. Peer Learning Events

Climate

On March 29–31, 2023, the first peer learning event on “Country Experiences on Using International Carbon Markets to Achieve NDC Targets” was held in Kigali, Rwanda. The World Bank’s Climate Change group and Partnership for Market Implementation organized the workshop in collaboration with the recently established CwA Green Business Fund (GBF) that supports locally led climate-smart initiatives, focusing on SMEs. A country-specific session was co-hosted with ACET and attended by six CwA countries to identify opportunities for integrating climate priorities into their reform matrices.

Key challenges discussed included high-risk perception by investors, the lack or weakness of legal frameworks, policy structures and taxonomies for climate, inadequate financing for project development activities, the impact of economic shocks, and others. Countries and private sector representatives discussed ongoing initiatives, such as ecosystem approaches to financing and aggregation of users. Countries identified several opportunities for integrating climate into their reform matrices, such as prioritizing legal frameworks for climate finance, building the capacity of farmers and SMEs to understand climate financing opportunities, preparing climate financing strategies for NDCs and National Adaptation Plans, climate resilience plans, and more. GBF and ACET will continue to collaborate to support CwA partner countries to mainstream climate in their reform agenda.

Infrastructure

The second peer learning event on “Structuring Investment Ready Infrastructure Projects” was held in Accra, Ghana from June 22–24, 2023. This event was held in collaboration with the AU’s New Partnership for Economic Development’s (AUDA-NEPAD) Program for Infrastructure Development in Africa (PIDA), AfDB, Africa Finance Corporation (AFC), World Bank Group, IMF, and Organization for Economic Cooperation and Development’s Development Center (OECD-DEV). The objective was to facilitate an understanding of country project priorities and opportunities for technical assistance, facilitate links between regional and national infrastructure stakeholders for

project collaboration, and share knowledge and best practices on project preparation, de-risking strategies, and blended financing for digital, energy, and transport infrastructure.

The event was attended by 20 representatives from PPP Units and Ministries of Finance of 10 CwA Countries (Benin, Burkina Faso, Côte d'Ivoire, Egypt, Ethiopia, Ghana, Guinea, Morocco, Senegal, and Togo) who shared their strategic infrastructure priorities and highlighted elements of their PPP Framework. Participants discussed challenges experienced with the structuring process, cross-border projects, de-risking and blended financing and had the opportunity to put it into practice through two example cases. This also featured presentations and discussions from colleagues at AFC, AfDB, African Infrastructure Development Association (AFIDA), AUDA-NEPAD, the Arab Bank for Economic Development (BADEA), West African Development Bank (BOAD), African Guarantee and Economic Cooperation Fund (FAGACE), OECD, and the Accelerating & Scaling Quality Infrastructure in Africa Project.

Areas for further capacity building requested included Advanced Excel for financial modeling, blended financing, generic sectoral-based tools for de-risking, such as de-risking matrices, a database for environmental, social, and governance studies by country, project appraisal processes, and so on. Though there is depth of expertise on national projects, additional training is also needed for structuring cross-border projects. Our representatives agreed to continue this network by sharing experiences, capacity-building opportunities, and an annual meeting in a community of practice if possible. We will leverage existing networks, such as the WPPP network.

8.2. Peer Review

ACET has engaged the CwA Advisory Panel experts to assess and evaluate the impact of the CwA program and how it can be further refined to meet its objectives. The Advisory Panel is conducting a background review of the status of programs since their last country visit to inform what has worked well and what has not. This will be followed up by in-country visits with focal points, private sector actors, and key development partners and summarized in a final peer review paper.

ACET has also completed country visits this year to Benin, Côte d'Ivoire, and Togo and virtual meetings with others to clarify learning needs and CwA team challenges. Countries reiterated the need to engage G-20 private sector partners and shared specific learning needs across the four learning areas identified for 2023 (climate, infrastructure, fiscal policy, and entrepreneurship). ACET will continue its engagement with remaining countries to identify specific areas of learning and knowledge-sharing as inputs for upcoming peer learning events and country-specific analysis.

8.3. Partner Meetings

To better maximize support for CwA countries, ACET, AfDB, IMF, World Bank Group, and the Co-Chairs have initiated monthly meetings to strategize, review priorities, exchange information, plan events, and coordinate activities. This has been especially helpful in promoting cohesion and alignment and ensuring that the CwA program also benefits from and complements existing programs across all cooperating partner organizations more broadly.



9. TAKING THE G20 COMPACT WITH AFRICA TO THE NEXT LEVEL: CWA 2.0

9.1. Background

The G20 CwA Initiative was launched in 2017 to bring together reform-minded African countries, bilateral partners from G20 and beyond, and international organizations. At the heart of the Compact is an agreement between CwA countries and the G20, whereby CwA countries commit to macro, business, and financing policy reforms in exchange for G20 countries mobilizing their private investors. The initiative is led by the CwA countries and open to all African countries. It is supported by ACET, AfDB, IMF, and the World Bank. Progress on reform commitments and FDI is reported bi-annually at the G20 AAG meetings and on the public [CwA website](#).

During these first five years, CwA countries fulfilled most of their initial reform commitments and outperformed their African peers in FDI, but all feel more can and should be done. On December 8, 2022, the G20 AAG unanimously agreed on a reform package to further strengthen the Compact. CwA 2.0 builds on the initiative's strengths (such as member-led and access to the G20) and responds to a set of the countries' common challenges, such as macroeconomic concerns (debt, inflation, financial stability) and the need for increased domestic resource mobilization. CwA 2.0 aims to mobilize and enable private capital and realize emerging opportunities, including through the digital and green transition, and the AfCFTA. The following CwA 2.0 reforms were approved by the G20 AAG:

- **To formalize the admission procedure, keeping membership to reform-minded countries.** The DRC is the first country admitted following this process, bringing the number of CwA countries to 13: Benin, Burkina Faso, Côte d'Ivoire, DRC, Egypt, Ethiopia, Ghana, Guinea, Morocco, Rwanda, Senegal, Togo, and Tunisia. A growing set of African countries is expressing interest in joining the Compact.
- **Responding to requests from CwA countries, CwA 2.0 will enhance technical assistance to strengthen Compact Country Teams, peer learning, and investment promotion (\$100 million is needed to fund this strategic technical assistance over the next five years).** Quoting from the Chairs' conclusions: "we explicitly call upon our G20 partners to strengthen their engagement. This should include investment promotion for Compact countries, namely by enhancing public-private dialogue, and also the promotion of joint funding, including adequately resourced multi-donor trust funds, which will facilitate reform implementation in Compact countries." Discussions have taken place with each CwA country to follow up on their written request for strategic technical assistance, whereby a few U.S. millions of strategic technical assistance will help mobilize and increase the impact of U.S. billions from international organizations and G20

public/private partners by formalizing the Country Teams as part of Country Platforms (adapted to the country context).

- **To enhance the understanding of entrepreneurial activities in CwA countries to identify concrete and country-specific policy recommendations (see Chapter 5 of this report).**

To realize these CwA 2.0 reforms, it is therefore proposed to:

- Link the **Compact Country Platforms** to the **Chief Economists of Governments (CEoG) initiative**. This will ensure direct access to the Head of States, which is a key feature of successful reform programs.
- Increase the focus on Africa's **green transition**, particularly to leverage its green assets (renewable energy, critical minerals, and carbon capture assets).
- Increase the focus on the **domestic revenue mobilization** necessary for macroeconomic stability and the sustainable financing of the public goods required to crowd-in transformative private investments.
- Increase the **role of the AU** in the Compact, leveraging the AU having become a permanent member of the G20 on September 9, 2023. This will increase Africa's ownership of the Compact and help share the Compact's good practices to other African countries, including supporting and complementing the implementation of the AfCFTA.

We discuss in the remainder of this chapter:

- CwA countries to lead Africa through major challenges and opportunities
- CwA countries' request for strategic technical assistance
- Millions needed to mobilize and leverage billions of development programs and private investments
- CwA 2.0 implementation roadmap and expected results

9.2. Compact with Africa Countries to Lead Africa Through Major Challenges and Opportunities

The CwA empowers its members to harness private investments and economic opportunities at a time of strong headwinds. Multiple crises are dampening development trajectories in African countries, including due to the aftermaths of the pandemic, inflation, rising debt levels and limited fiscal space, overstressed banks and financial stability concerns, and aggravating conditions for firms' access to finance, particularly for SMEs. This is complicated by geopolitical tensions and limited resources among high-income countries due to Russia's invasion of Ukraine and an intensified conflict in the Middle East. Meanwhile, the impacts of the climate crisis are worsening and demand urgent and large-scale action on mitigation and adaptation.

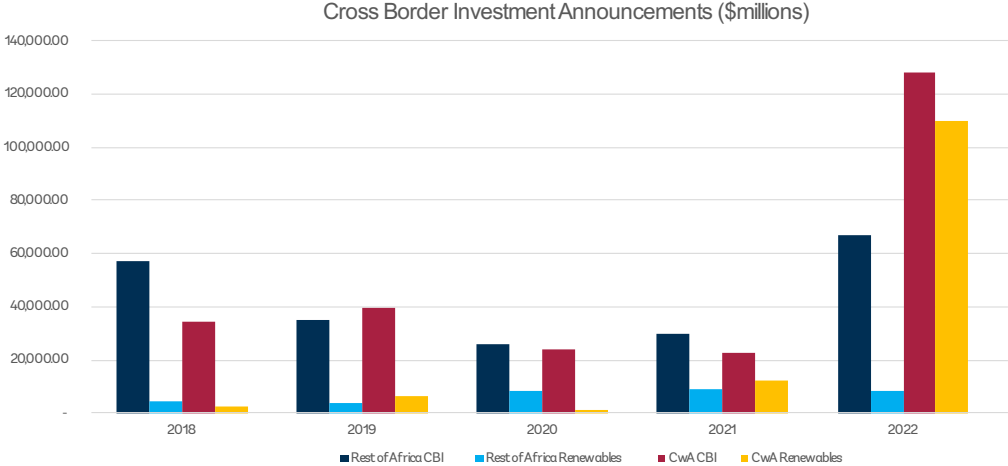
Through strategic collaboration with G20 countries, CwA countries can leverage private investments and seize economic opportunities, particularly related to the green and digital transformations and the AfCFTA. Many CwA countries hold the key to the green transition due to renewable energy potentials, access to resources like rare earths, and critical natural ecosystems (such as carbon sinks). Digital opportunities enable better market access through online platforms, efficient and inclusive value chains, access to finance through fintech, and trade in digital services. The Compact supports countries make use of these assets, enhance local value addition, and create jobs for the growing populations.

In that context CwA countries have outperformed their peers as discussed in previous chapters (Chapter 1, 2, 7). As also noted in the June 2023 CwA Monitoring Report, CwA countries continued to make strong progress on their 2017 reform commitments and have been adding new reform commitments, especially to promote green private

investments. Also, CwA countries had a superior (green) FDI performance (see chapter 2 for more details). Figure 9.1 shows FDI announcements to CwA countries jumped six times in 2022 to \$133 billion, exceeding pre-pandemic levels of \$80 billion. This is compared to \$58 billion for the rest of Africa, which ‘only’ doubled in 2022. The main drivers of this jump were renewable energy projects in Egypt and Morocco – positioning CwA countries as beacons of good practices and AfCFTA locomotives.

This also underlines the importance of the Compact as a platform for G20 governments, the private sector, and host countries in promoting and facilitating (green) investments.

Figure 9.1. Compact with Africa Countries Outperforming their Peers in (Green) Foreign Direct Investment



Source: Financial Times CBI Announcements database.

9.3. Compact with Africa Countries’ Request for Strategic Technical Assistance

As part of the transition to the next phase, eleven out of twelve CwA countries submitted written requests for strategic technical assistance as synthesized in Table 9.1. These requests express the countries’ urgent needs over the next 3-5 years to deal with concurrent crises and realize the opportunities described above, particularly by delivering reforms that help mobilize private capital; maneuvering complex macroeconomic conditions; advancing their socio-ecological transition; and tapping into the digital, green, and regional opportunities, leveraging the AfCFTA.

While each of these requests reflect the countries’ own priorities, they were inspired by the experience of Tunisia, which benefited from strategic technical assistance through a \$6 million CwA MDTF active from 2018–23. This strategic technical assistance allowed Tunisia to consolidate reform matrices, develop an information technology system to track reform implementation, create a reform delivery unit at the Prime Minister’s Office, receive technical assistance for reforms not supported by existing programs, and host investor outreach events. This enabled Tunisia to better mobilize and coordinate billions worth of budget support (World Bank, AfDB, KfW, Agence Française de Développement, Japan International Cooperation Agency), investment lending (such as World Bank-Agence Française de Développement co-financing to support SMEs) and technical assistance through the Tunisia Economic Resilience and Inclusion (TERI) umbrella program. Tunisia shared its experience with the other CwA countries through eight peer learning events, including the peer learning event on “Reform Delivery” organized by ACET (with inputs from the World Bank) attended by 11 (out of 12) CwA countries, which all shared their experience with reform delivery.

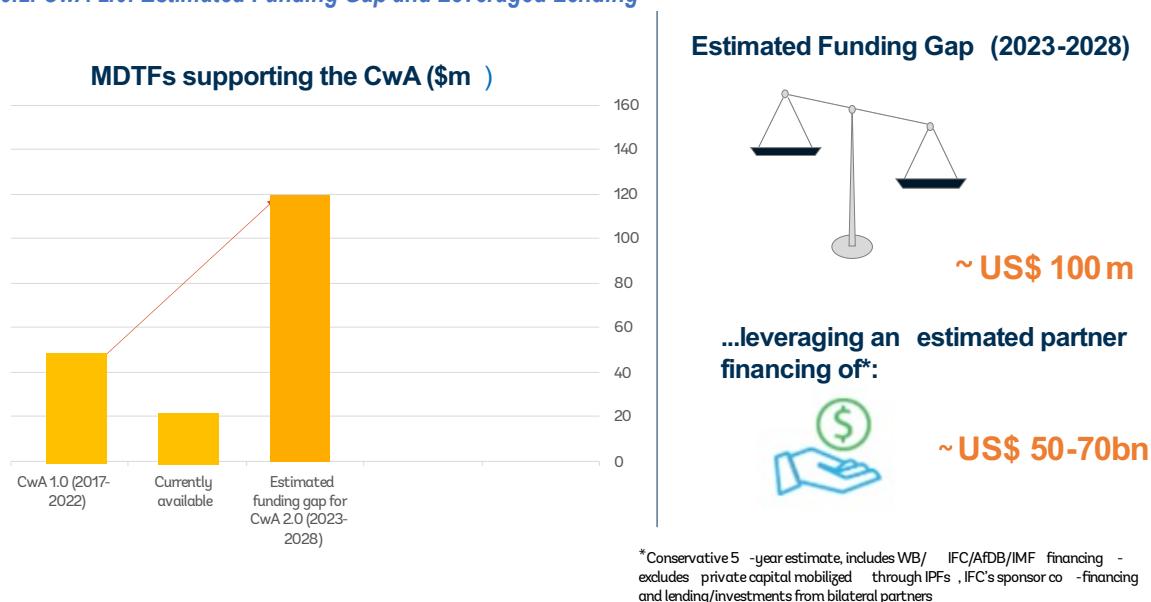
Table 9.1. Synthesis of Countries' Requests (while accounting for existing programs to avoid duplications)

Strategic technical assistance requested	Countries
Reform delivery through Country Platforms: a vast majority of CwA countries requested strategic technical assistance to strengthen their capacity to deliver reforms, and better coordinate and leverage development partners. This includes strategic technical assistance/peer learning to strengthen and formalize their Compact Country Teams into Country Platforms following the Tunisia example.	Most countries
Mobilizing G20 private investors: this will entail strengthening investment promotion agencies (including leveraging WTO's Investment Facilitation Agreements) and investor outreach activities (such as the Tunisia Investment Forum, Ghana-Germany Business Forum, pre-feasibility studies).	Burkina, Egypt, Morocco, Togo
Support to SME and entrepreneurship: on the demand side, this entails building the capacity of SMEs/entrepreneurs (management and technical skills) and support to the preparation of financing proposals. On the supply side, this entails building the capacity of Banks and non-banks (such as Fintech) to lend to SMEs, help SMEs tap into capital markets, together with the deployment of instruments to facilitate access to finance (such as partial credit guarantees, credit lines, green financing)	Burkina, CIV, Egypt, Guinea, Morocco, Togo.
Crisis support: Assistance requested to be able to access emergency funding in case of crisis (such as climate events, pandemics, political-security crisis)	CIV, Ethiopia
Regional integration: Support to implementing and leveraging the AfCFTA.	Morocco, Tunisia
Peer learning: The peer learning coordinated by ACET with inputs from development partners has proven very popular. Countries request more and deeper peer learning on the following topics: reform delivery, investor mobilization, PPPs, digital, climate challenges and opportunities, entrepreneurship.	CIV, Guinea, Senegal, Tunisia

A few millions worth of strategic technical assistance will help mobilize and leverage billions of development programs and private investments

The strategic technical assistance requested by CwA countries will help mobilize and leverage billions of development programs (about \$20–35 billion for the World Bank alone) over the next five years. The estimate reaches \$50–70 billion when considering the IFC (about \$10 billion), AfDB (\$5–\$10 billion) and IMF (about \$15 billion). It does not include programs from bilateral institutions such as KfW and Proparco. Discussions have taken place with each CwA country to follow up on their written request for strategic technical assistance, whereby a few U.S. millions of strategic technical assistance will help mobilize and increase the impact of U.S. billions from international organizations and G20 public/private partners. This requested strategic technical assistance will require over the next five years about \$100 million in additional trust fund contributions. .

Figure 9.2. CwA 2.0: Estimated Funding Gap and Leveraged Lending



9.4. CwA 2.0 Implementation Milestones and Expected Results

The reform package underpinning CwA 2.0 was unanimously adopted at the G20 AAG on December 8, 2022, following the written inputs provided by 11 out of 12 CwA countries. Implementation started thereafter, with the DRC following the new admission procedure, an increase in peer learning activities, and the elaboration of strategic technical assistance proposals to be financed through the MDTF(s). The expected results of CwA 2.0 will be set as the MDTF resources will be made available to CwA countries.

CwA 2.0 Implementation Milestones

- December 8, 2022 – AAG
Unanimous approval of CwA 2.0 reforms (based on the written inputs by 11 out of 12 CwA countries):
 - Formalization of admission procedure
 - Increase in peer learning and strategic technical assistance to increase capacity of CwA countries through the strengthening of the Compact Country Teams/Platforms
 - Increased focus on SMEs and entrepreneurship

“The AAG called upon G20 partners to strengthen their engagement with CwA countries. This includes promoting investment in CwA countries, enhancing public-private dialogue, and supporting adequately resourced multi-donor trust funds to facilitate reform implementation.”

- June 13, 2023 – AAG
Presentation of the Monitoring Report showing CwA countries continuing to outperform their African peers, especially with respect to green FDI. The Finance Minister of the DRC presented the DRC's reform commitments as part of the formalized admission procedure. The DRC was subsequently admitted to the CwA following a vote by CwA countries.

- November 16, 2023 – AAG
Presentation of the Monitoring Report, Renewed call to G20 partners to contribute to the MDTF(s), presentation by the OECD on the Domestic Resource Mobilization report back from CwA countries, open discussion.
- November 20, 2023 – CwA Heads of State Summit (Berlin)
CwA Heads of State Summit hosted by the German Chancellor to discuss how CwA 2.0 can help:
 - Strengthen economic cooperation and private sector led growth in Africa
 - Strengthen Africa's (green) energy sector and management of natural resources

The Summit will also include a business conference and a roundtable with African Entrepreneurs.
- December 2023 – February 2024
Roadshow to seek G20 contributions to the MDTF(s) supporting the implementation of CwA 2.0.

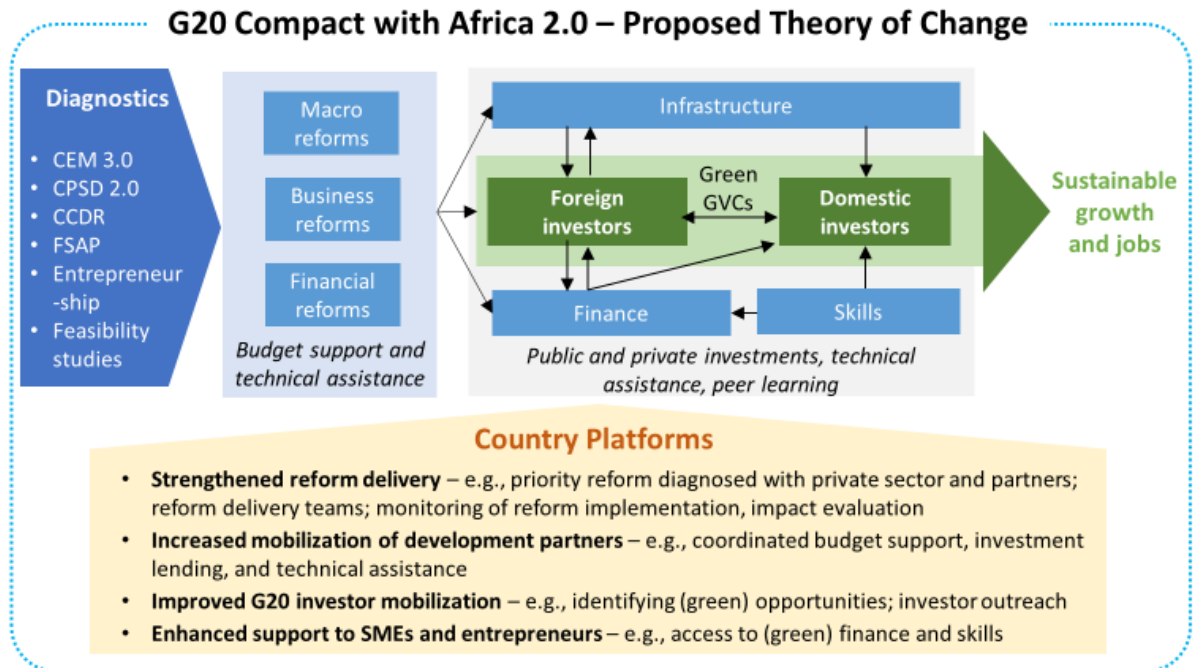
CwA 2.0 Expected Results

The results categories outlined below are derived from the country requests (see the proposed CwA 2.0 Theory of Change in Figure 9.3). The actual targets will be set as MDTF resources are made available to CwA countries. The results will be reported in the CwA Monitoring Report and verified through independent monitoring and impact evaluation.

- Inputs
 - Resources made available through the MDTF(s)
 - Technical assistance/peer learning
 - Resources allocated by CwA countries (dedicated staff, budget)
- Outputs
 - Country platforms operational and connected to Chief Economists of Government
 - Peer learning events to share good practices on reform implementation and investment attraction
 - Reform action plans
 - Training of financial institutions and SMEs on green/climate finance
 - Feasibility studies and design of instruments for transformative private investments (including PPPs)
 - Investor outreach events
 - Knowledge products disseminated across Africa
- Outcomes
 - Reforms
 - Coordinated budget support, investment lending and technical assistance
 - FDI announcements
 - Financing for SMEs
- Impact
 - FDI (o/w green investments and PPPs)
 - Exports

- SME growth
- Jobs

Figure 9.3. Proposed Theory of Change for G20 Compact with Africa 2.0



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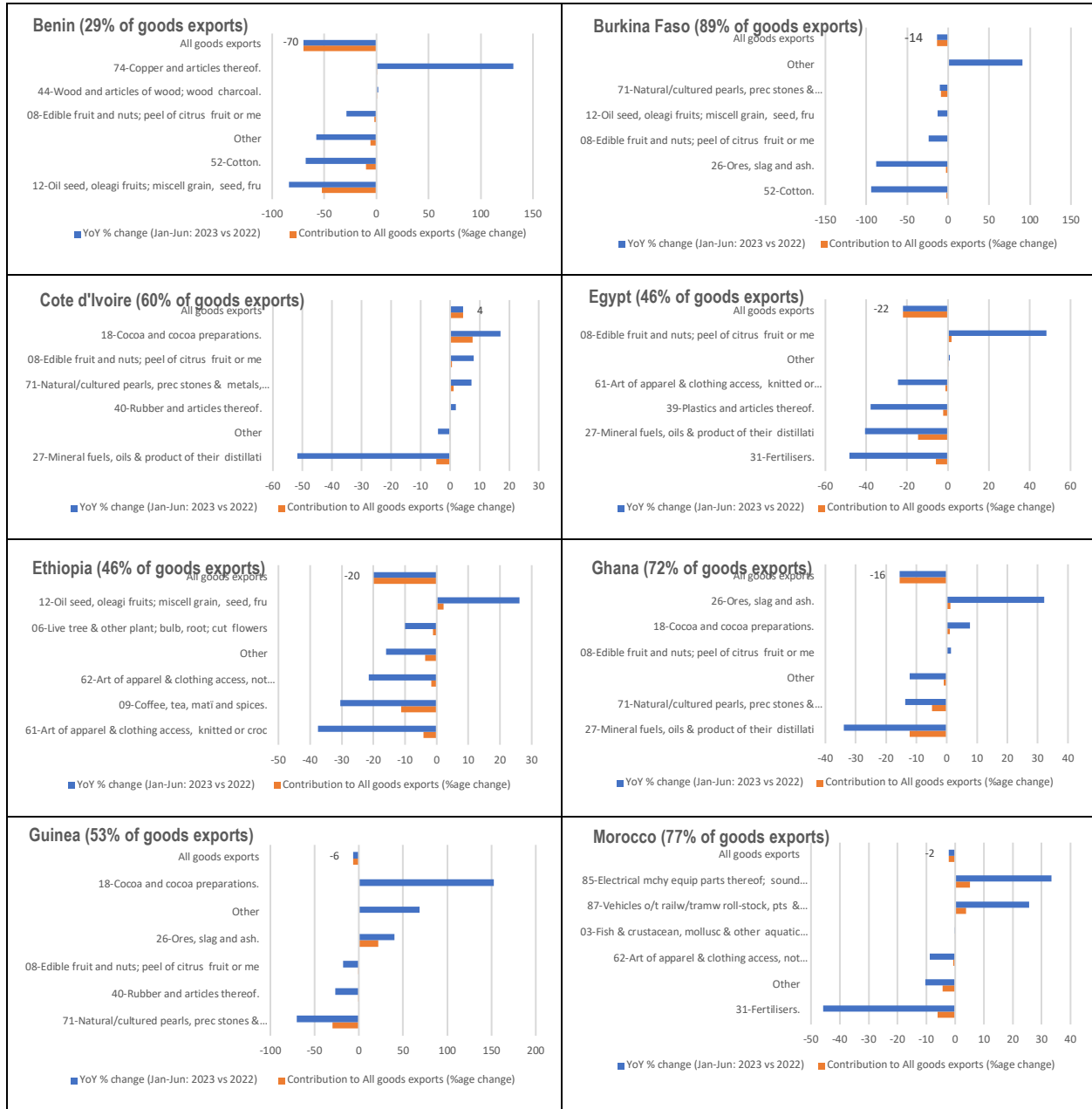
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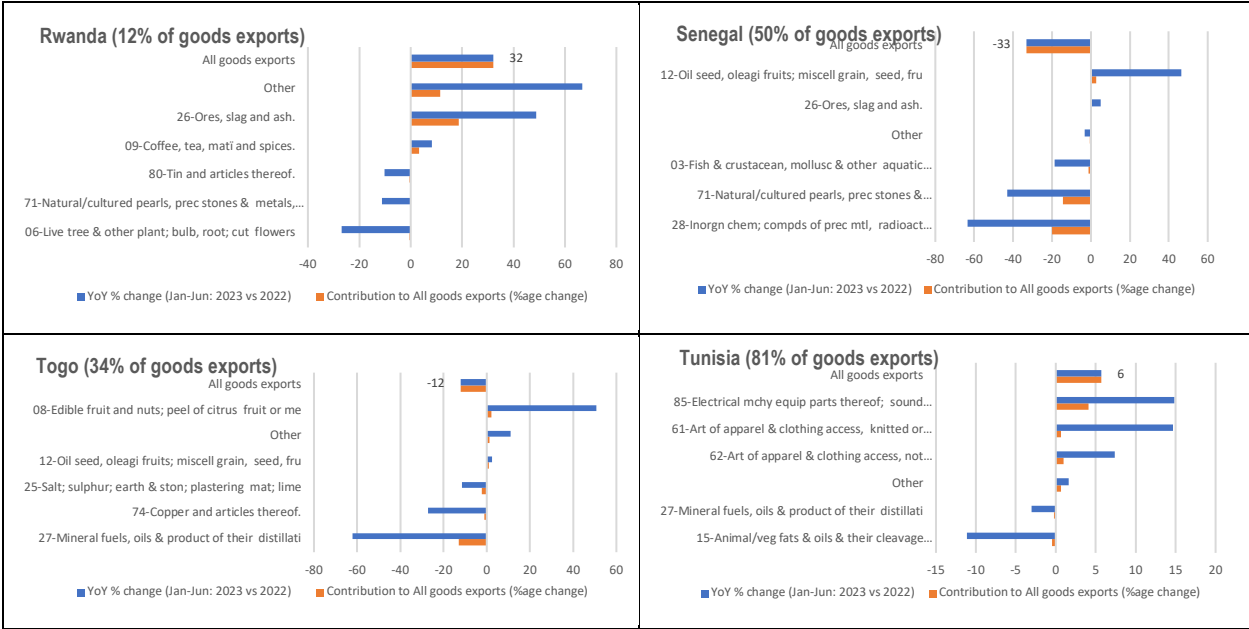
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APPENDIXES

A. Growth in Export Values of Top Five Product Groups, by Country

Current U.S. Dollars





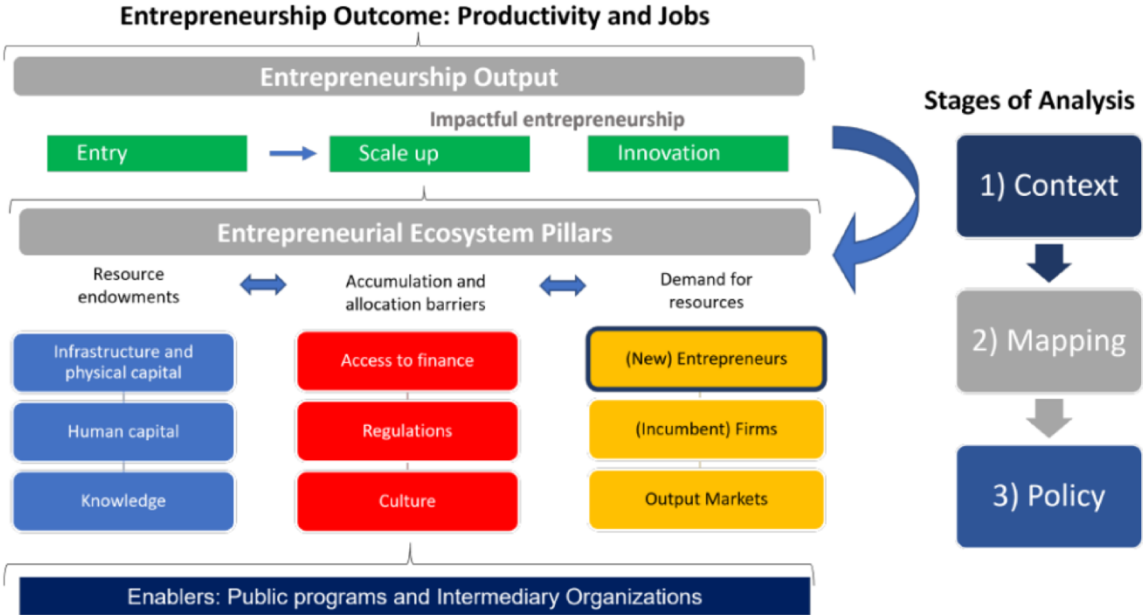
Source: Staff calculations based on data from China Customs, Eurostat, Japan Customs, U.S. Census, UN Comtrade.

Note: Based on mirror trade data reported by 43 countries accounting on average for 60 percent of the CwA's goods exports (2019–22). Labels indicate product group's HS codes. Share of destinations in exports indicated next to each CwA country name. The growth rates may be inconsistent with figures reported in Table 3.1, particularly for CwA countries with small coverage of the 43 reporters.

B. Conceptual Framework for Assessing Entrepreneurial Ecosystems

The conceptual framework for assessing entrepreneurial ecosystems builds on the entrepreneur’s problem to start or expand a business by combining resources to produce goods and services for the market. First, the framework identifies the key outputs associated with entrepreneurship at the extensive (entry) and intensive (scale up and innovation) margins. These different dimensions capture the quantity and quality of entrepreneurship, which is critical for analyzing the impact of an entrepreneurial ecosystem. Second, the entrepreneurial ecosystem pillars are defined as key relevant functions for entrepreneurship, grouping these elements into three categories: (i) resource endowments (physical capital, human capital, and knowledge); (ii) demand for resources in the ecosystem (entrepreneur’s characteristics, markets, firm capabilities); and (iii) accumulation and allocation barriers (access to finance, regulations, culture). Policymakers can influence the entrepreneurial ecosystem to maximize economic growth, and subsequent high-quality job creation, by addressing market failures. This conceptual framework builds on a rich literature analyzing entrepreneurial and innovation ecosystems (see Acs, Autio, and Szerb 2014; Maloney 2017; and Stam and Van de Ven 2021. Cruz and Zhu (2023) provide further details on how to implement this diagnostic, including data sources and practical examples in countries in Africa, with a focus on digital ecosystems.

Figure B.1. Entrepreneurship Ecosystem Assessment Framework



Source: Audretsch, Cruz, and Torres 2023.

C. Description of Key Outcome Variables

Variables	Description	Source
Net FDI Inflow	Net FDI inflows (bop, current US\$) represent the annual net flow of FDI in a specific year, showing the difference between FDI inflows and outflows.	WDI
FDI Inward Flow	FDI inward (US\$ at current prices in billions) reflects the accumulated stock of FDI at a given point in time. It represents the total FDI that has been invested in a country up to that specific date.	UNCTAD
GDP Growth	GDP growth is the annual percentage change in the GDP of a country or region. It measures the rate at which the economic output of a country increases or decreases over a specific period, usually a year. Positive GDP growth indicates economic expansion, while negative growth suggests a contraction.	WDI
Gross Capital Formation	Gross capital formation (2015 constant US\$), formerly gross domestic capital formation, represents the total value of investments in physical assets, such as machinery, equipment, infrastructure, and construction made during a specific time. It is a key indicator of a country's investment in productive capacity and future economic growth.	WDI
GDP per Capita	GDP per capita (2015 constant US\$) represents the GDP of a country divided by its population. It provides an estimate of the average economic output per person in that country. This metric helps to assess the standard of living and economic well-being of a population.	WDI
Export	Exports of goods and services (current US\$, billion) measures the total value of a country's exports, including both goods and services, typically reported in current U.S. dollars. Exports of goods represent the value of tangible products sold to foreign countries, while services include intangible products like tourism, consulting, or financial services. This metric reflects a country's international trade performance.	WDI, IMF, and WTO
Employment-to-Population Ratio	Employment-to-population ratio (age 25 and above) is the ILO 2022 modeled estimate according to the 13th International Conference of Labor Statisticians (definitions for various labor statistics. The ratio is the number of persons who are employed as a percent of the total of the working-age population. An employed person is defined as any person above a specified age who, during a specified brief reference period, did any work for wage or profit (including work for at least one hour) or had a job or business from which they were temporarily absent due to leave, illness, a labor dispute, or another similar reason.	ILO
Number of Firms	Total number of firms, both multi-person firms and single-person firms.	IFC
African Transformation Index	The Africa Transformation Index (ATI) is a composite index designed to assess and measure the economic transformation and development progress of African countries. The index (ranging from 0–100) tracks progress on five dimensions: diversification of production and exports, which measures countries' capability to produce a widening array of goods and services;	African Center on Economic Transformation

Variables	Description	Source
	export competitiveness, which measures the country's global non-extractive export share to its global non-extractive GDP share; productivity increases, which measures labor productivity across the agriculture, manufacturing and construction, and services industries; technology upgrading, which measures the use of medium and high technology in manufactured exports of goods and services; and human well-being, which measures income, income inequality, and overall and female formal employment.	

D. Definitions for the World Bank Group and IFC Trust Funds

The World Bank Group trust funds being mobilized to provide strategic technical assistance to all CwA countries are ISCA, C-JET, F4D, TAP, and CwA-GBF. These trust funds are either new and/or in need of replenishment. The trust funds complement one another.

ISCA (IFC Support to the CwA) is the IFC MDTF supporting advisory services and diagnostics (such as the World Bank Group CPSDs), reforms, engagements with the private sector, and support to firms leading to IFC private investments. ISCA would need to be extended and replenished.

C-JET (Competitiveness for Jobs and Economic Transformation) is the new umbrella World Bank MDTF focusing on private sector enabling reforms, green competitiveness of key value chains, firms and tech adoption by leveraging World Bank lending.

F4D (Finance for Development) is the new umbrella World Bank MDTF focusing on financial sector reforms, green finance, banks and digital financial services, and access to finance by leveraging World Bank lending.

TAP (Think Africa Partnership) is the World Bank Africa Region's flagship trust fund translating knowledge into economic policy action by supporting peer learning through the ACET.

CwA-GBF (CwA-Green Business Fund) is the World Bank MDTF that brings a unique value proposition in the climate finance landscape by supporting SMEs and financial institutions to adopt and scale climate-smart practices and technologies across different sectors, for adaptation and mitigation, by leveraging ongoing World Bank operations.

E. Foreign Direct Investment Snapshots for Compact with Africa Countries

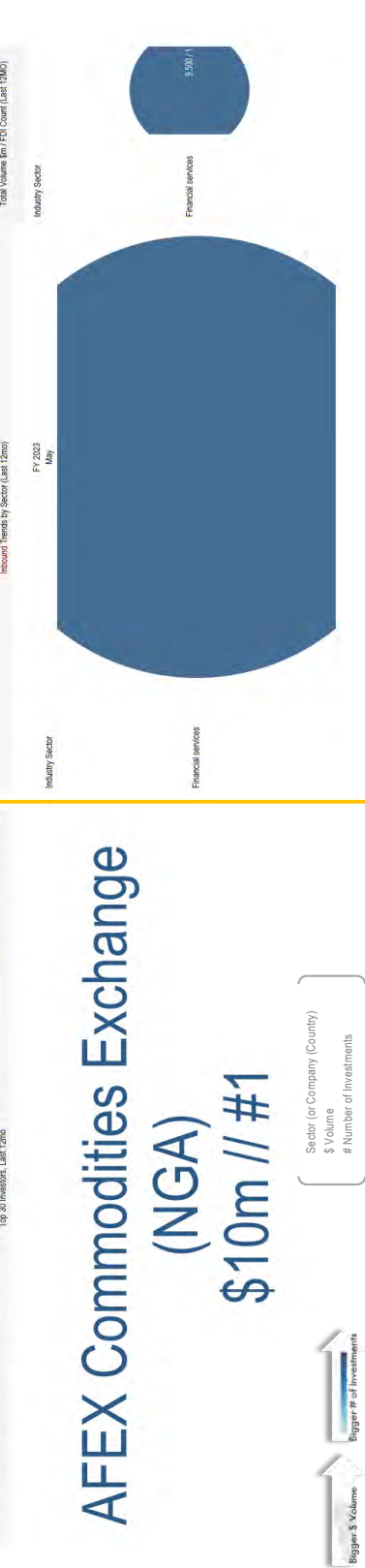
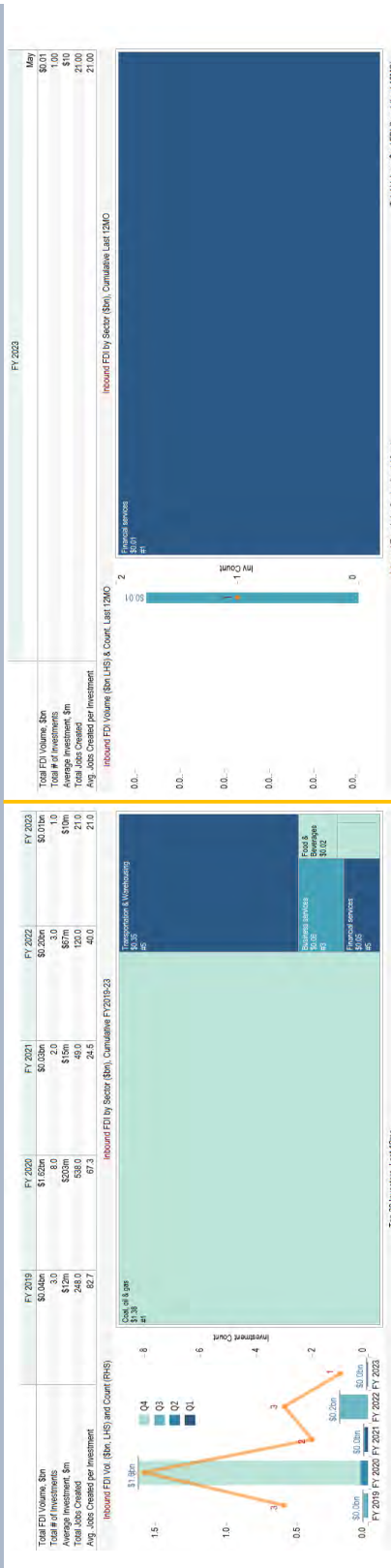
Benin

Top CBI Source Countries FY19-23

# of projects	\$ Investment
France	\$1.411m
Togo	\$165m
Nigeria	\$165m
United States	\$39m
UAE	\$28m

Top CBI Source Countries Last 12mo

Nigeria	\$10m
1	\$ Investment



AFEX Commodities Exchange
(NGA)
\$10m // #1



Burkina Faso

Top CBI Source Countries FY19-23

Country	# of projects	\$ Investment
France	5	\$398m
UAE	3	\$318m
Mauritius	2	\$165m
United Kingdom	2	\$65m
South Africa	1	\$28m

Top CBI Source Countries Last 12mo

Country	# of projects	\$ Investment
France	5	\$398m
UAE	3	\$318m
Mauritius	2	\$165m
United Kingdom	2	\$65m
South Africa	1	\$28m

	FY 2019	FY 2020	FY 2021	FY 2022
Total FDI Volume, \$bn	\$0.37bn	\$0.42bn	\$0.13bn	\$0.19bn
Total # of Investments	8.0	7.0	3.0	4.0
Average Investment, \$m	\$46m	\$60m	\$42m	\$47m
Total Jobs Created	327.0	238.0	111.0	88.0
Avg. Job Created per Investment	115.9	32.6	37.0	146.5



NOTE: no CBI recorded



NOTE: no CBI recorded

Sector (or Company) (Country)
\$ Volume
Number of Investments



Côte d'Ivoire

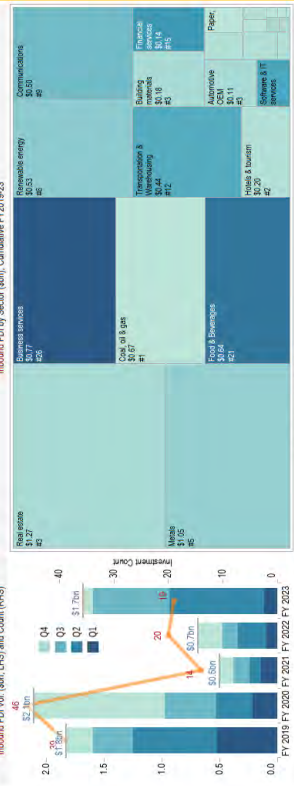
Top CBI Source Countries FY19-23

Country	# of projects	\$ Investment
France	41	\$1,834m
Morocco	9	\$1,271m
Switzerland	8	\$780m
United Kingdom	6	\$425m
Japan	5	\$251m

Top CBI Source Countries last 12mo

Country	# of projects	\$ Investment
France	4	\$1,092m
United Kingdom	3	\$110m
Japan	3	\$108m
Morocco	1	\$100m
China	1	\$60m

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Total FDI Volume, \$bn	\$1,520m	\$2,110m	\$1,500m	\$0,590m	\$1,580m
Total # of Investments	39	45	14	20	19
Average Investment, \$m	\$41m	\$46m	\$107m	\$29m	\$83m
Total Jobs Created	5,105	5,110	1,010	1,105	2,200
Avg. Jobs Created per Investment	132	120	103	73	153



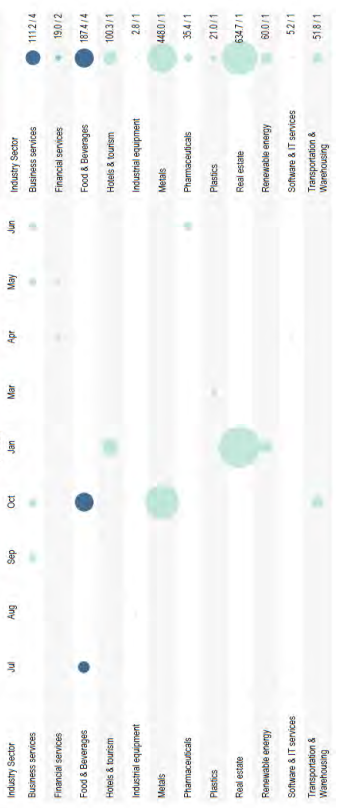
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Total FDI Volume, \$bn	\$0,05	\$0,00	\$0,03	\$0,06	\$0,30	\$0,01	\$0,30	\$0,30	\$0,02	\$0,01	\$0,04	\$0,06
Total # of Investments	2	1	1	5	1	1	3	2	1	2	2	2
Average Investment, \$m	\$27	\$3	\$28	\$122	\$29	\$1	\$95	\$150	\$21	\$7	\$19	\$32
Total Jobs Created	12	30	30	120	120	10	100	100	45	30	50	100
Avg. Jobs Created per Investment	6	30	30	24	120	10	33	50	45	30	25	50



Top 30 Investors Last 12mo

Company	Country	Volume	# of Investments
HC Capital Properties (HCCP) (GBR)	GBR	\$635m	1
Endeavour Mining (GBR)	GBR	\$448m	1
Atlantic Cocoa Corporation (CMR)	CMR	\$108m	1
Kasada Capital Management (ZAF)	ZAF	\$100m	1
The Kinera Group (TKG) (USA)	USA	\$28m	1
Bullmore Group (FRA)	FRA	\$28m	1
Hummingbirds (FRA)	FRA	\$28m	1
AMEIA Power (ARE) (CUB) (LBN)	ARE	\$80m	1
ZEBEX (FRA) (ITA) (ITA)	FRA	\$28m	1
Forum International (CHN)	CHN	\$50m	1

Inbound Transfers by Sector (Last 12mo)



Bigger \$ Volume
Bigger # of Investments

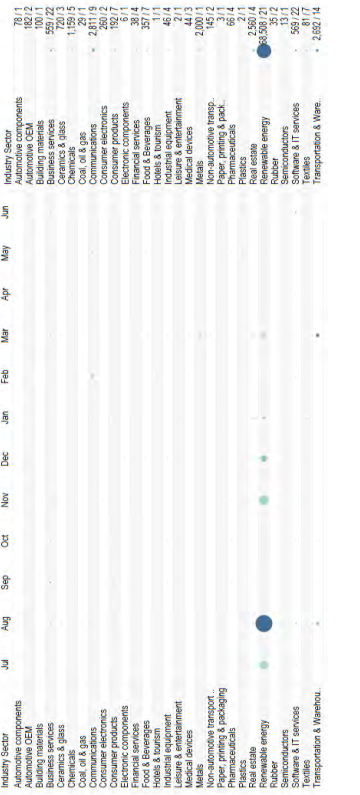
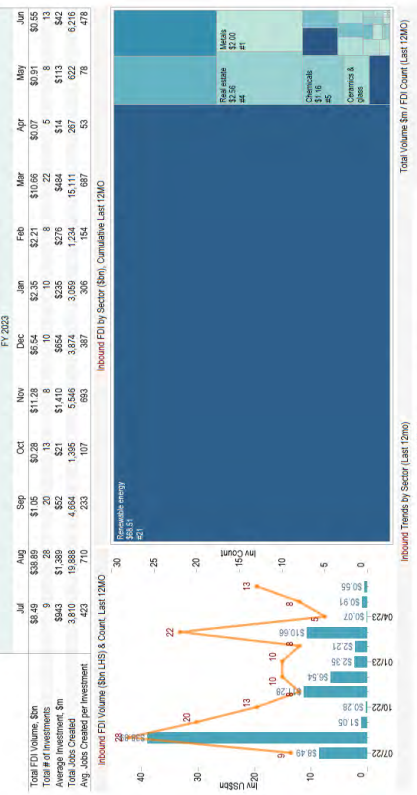
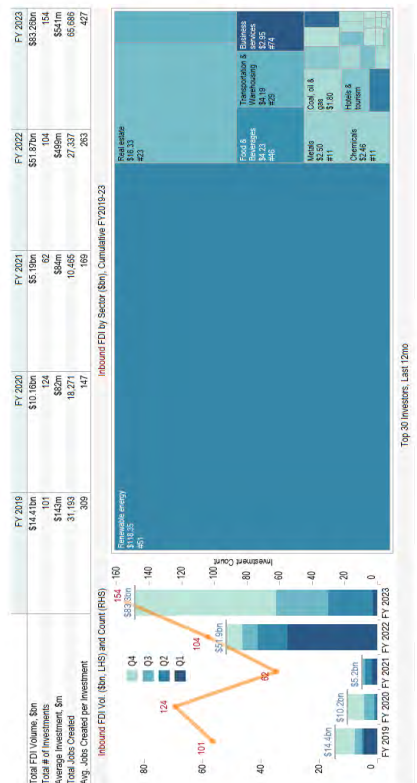
Egypt

Top CBI Source Countries FY19-23

Country	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
UAE	118	118	118	118	118
United States	47	47	47	47	47
Saudi Arabia	40	40	40	40	40
France	36	36	36	36	36
Germany	32	32	32	32	32

Top CBI Source Countries Last 12mo

Country	Investment	# of projects
UAE	\$7,846m	30
United States	\$2,017m	14
India	\$1,498.5m	11
France	\$1,471.5m	10
China	\$1,452.8m	9



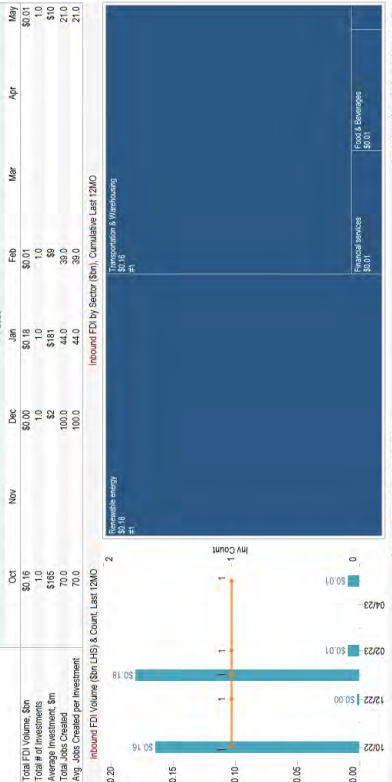
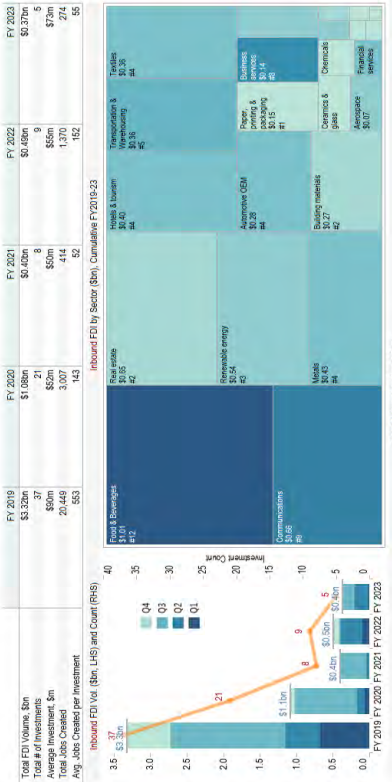
Ethiopia

Top CBI Source Countries FY19-23

Country	# of projects	\$ Investment
UAE	9	\$0.42bn
France	8	\$0.27bn
United Kingdom	8	\$0.27bn
China	7	\$0.27bn
India	5	\$0.27bn

Top CBI Source Countries Last 12mo

Country	# of projects	\$ Investment
UAE	2	\$1.492m
Nigeria	1	\$59.1m
Denmark	1	\$48.6m
France	1	\$42.0m
France	1	\$41.7m



AFEX Commodities Exchange (NGA) - Groupe Castel (FRA) \$10m // #1

Mubadala Investment Company (ARE)

\$181m // #1

AP Moller - Maersk (DNK)

\$165m // #1

Sector (or Company) (Country)
\$ Volume
Number of Investments



Ghana

Top CBI Source Countries FY19-23

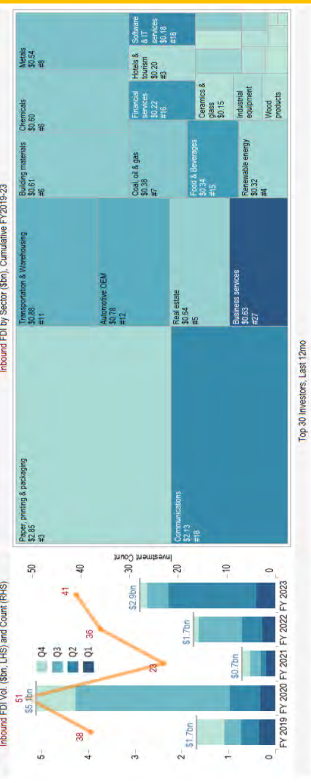
Country	# of projects	\$ Investment
United States	24	\$2,800m
Nigeria	23	\$1,213m
United Kingdom	18	\$1,089m
China	15	\$621m
Germany	12	\$725m

Top CBI Source Countries Last 12mo

Country	# of projects	\$ Investment
United Kingdom	5	\$1,021m
South Africa	4	\$695m
Nigeria	4	\$235m
United States	3	\$201m
Australia	2	\$151m

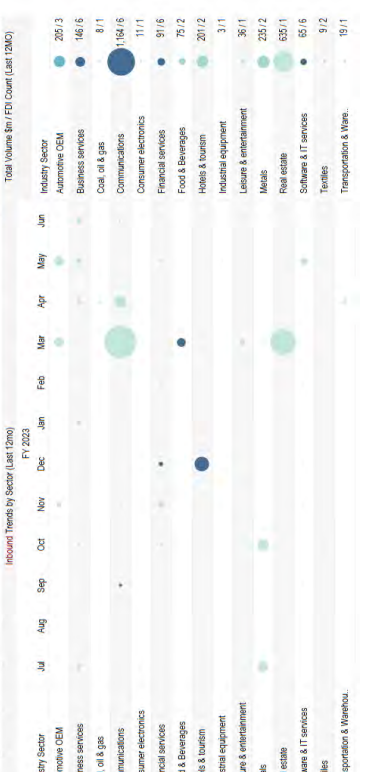
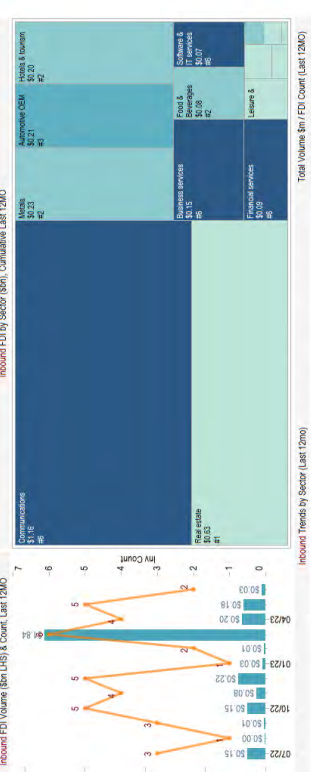
Inbound FDI Vol. (\$bn US\$) and Count (RHs)

Metric	FY (2019)	FY (2020)	FY (2021)	FY (2022)	FY (2023)
Total FDI Volume, \$bn	\$1,820m	\$4,170m	\$1,742m	\$2,742m	\$2,800m
Total # of investments	38	51	23	36	41
Average Investment, \$m	\$48m	\$81m	\$75m	\$76m	\$68m
Total Jobs Created	12,714	12,007	4,784	10,309	10,309
Avg. Jobs Created per Investment	336	248	206	287	281



Inbound FDI Vol. (\$bn US\$) and Count (LHM)

Metric	FY (2022)	FY (2023)
Total FDI Volume, \$bn	\$0.7bn	\$0.7bn
Total # of investments	3	1
Average Investment, \$m	\$233m	\$70m
Total Jobs Created	869	50
Avg. Jobs Created per Investment	286	25



Bigger \$ Volume **Bigger # of Investments**

Sector (or Company) (Country)
 \$ Volume
 # Number of Investments

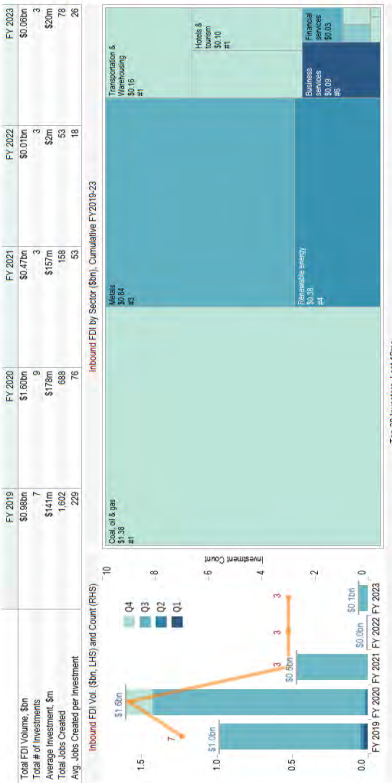
Guinea

Top CBI Source Countries FY19-23

Country	# of Projects	\$ Investment
Cote d'Ivoire	4	\$1.387m
UAE	3	\$835m
Germany	3	\$526m
Switzerland	2	\$109m
China	2	\$100m

Top CBI Source Countries Last 12mo

Country	# of Projects	\$ Investment
Kenya	1	\$28m
United States	1	\$28m
Morocco	1	\$5m
Kenya	1	\$5m

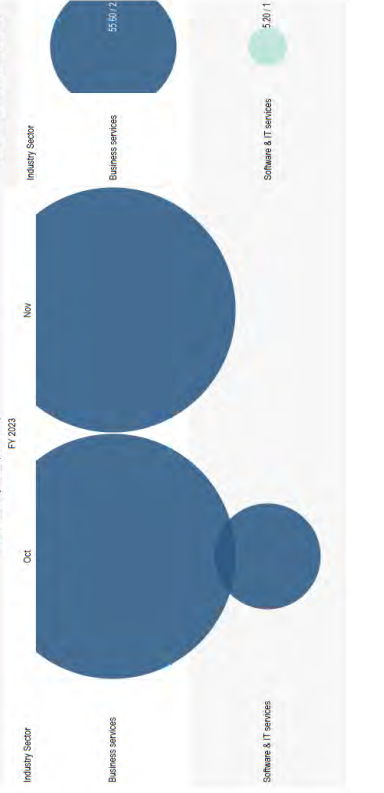
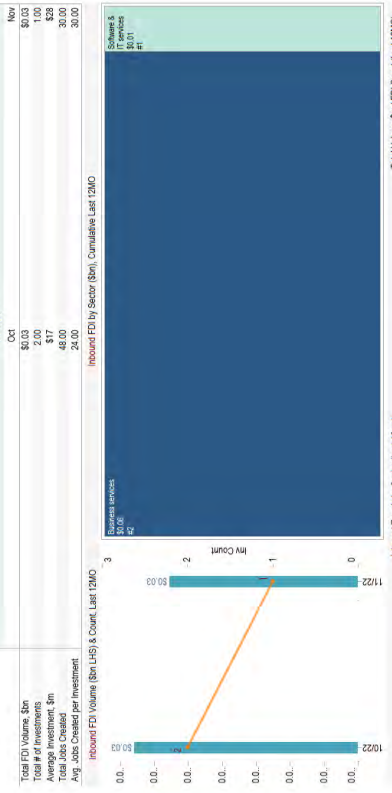


The Khana Group (TKG) (USA)
\$28m // #1

TGCC (General Construction Works of Casablanca) (MAR)
\$28m // #1

Zeraki (Litemore) (KEN)
\$5m // #1

Sector (or Company) (Country)
 \$ Volume
 # Number of Investments



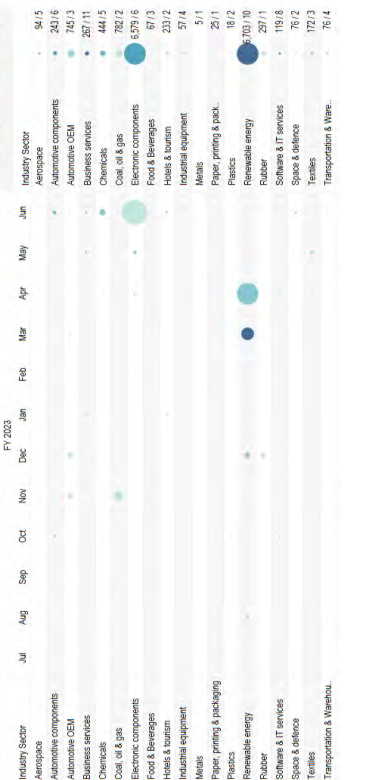
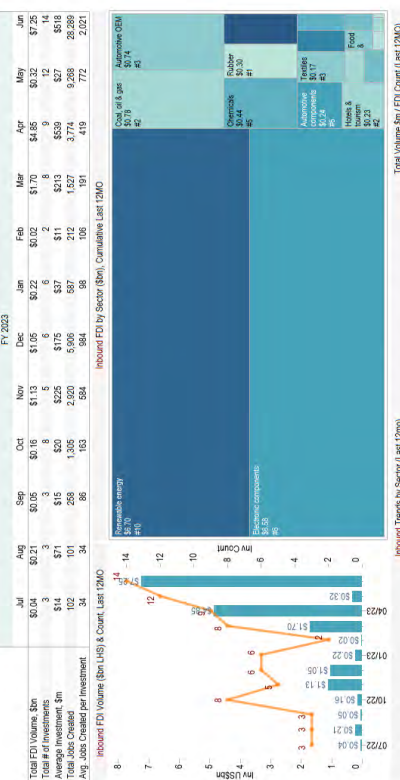
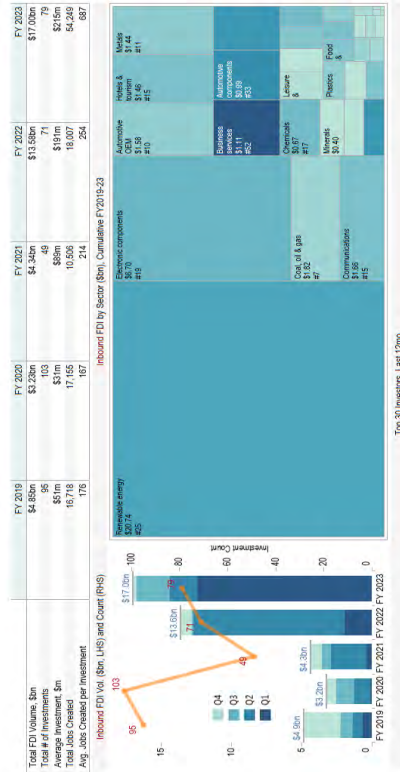
Morocco

Top CBI Source Countries FY19-23

Country	# of Projects	\$ Investment
France	80	\$10,371m
United States	40	\$9,597m
Spain	34	\$4,591m
Germany	26	\$3,835m
Switzerland	23	\$2,572m

Top CBI Source Countries Last 12mo

Country	# of Projects	\$ Investment
France	13	\$9,265m
UAE	7	\$3,096m
United Kingdom	7	\$1,744m
Germany	7	\$692m
United States	6	\$692m
Japan	5	\$352m



Bigger \$ Volume

Bigger # of Investments

Sector (or Company) (Country)
\$ Volume
Number of Investments

Rwanda

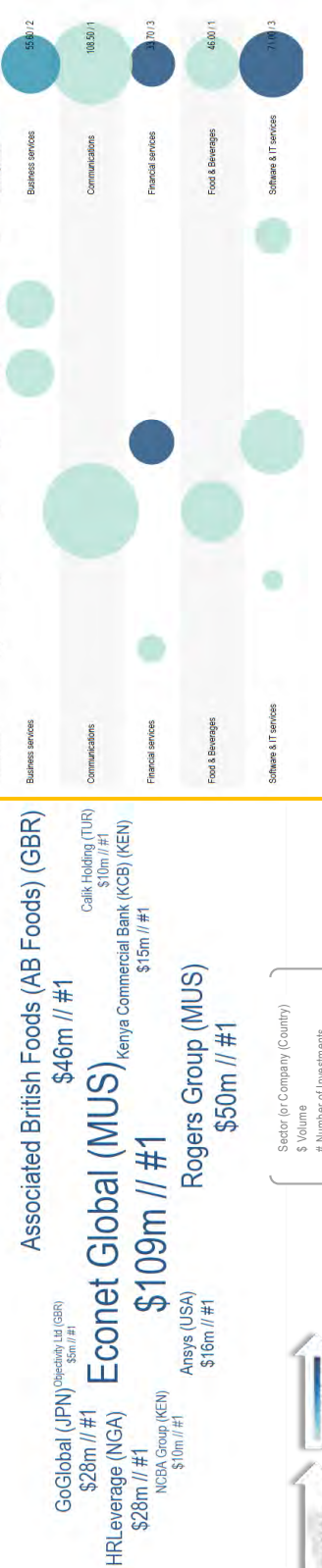
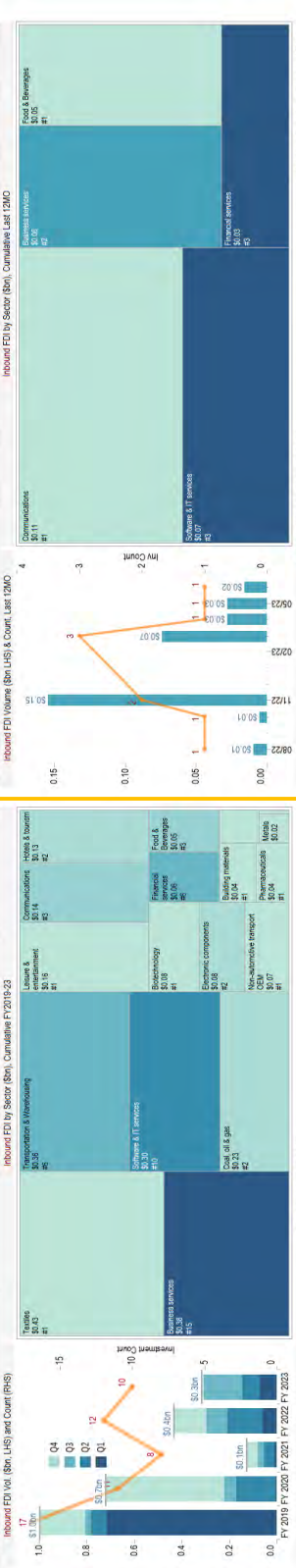
Top CBI Source Countries FY19-23

Country	# of projects	\$ Investment
United States	7	\$553m
UAE	6	\$504m
Switzerland	5	\$297m
United Kingdom	4	\$272m
Kenya	4	\$158m

Top CBI Source Countries Last 12mo

Country	# of projects	\$ Investment
Kenya	2	\$158m
United Kingdom	2	\$51m
Japan	2	\$28m
Nigeria	1	\$28m
United States	1	\$24m

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Total FDI Volume, \$m	\$1,000m	\$0,720m	\$0,120m	\$0,450m	\$0,310m
Average Investment, \$m	\$50m	\$50m	\$10m	\$30m	\$31m
Total Jobs Created	8,386	2,033	1,937	3,444	1,245
Avg. Jobs Created per Investment	494	185	242	287	125



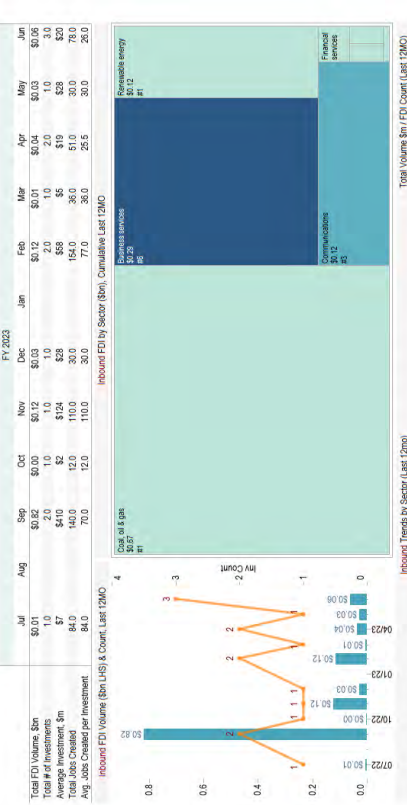
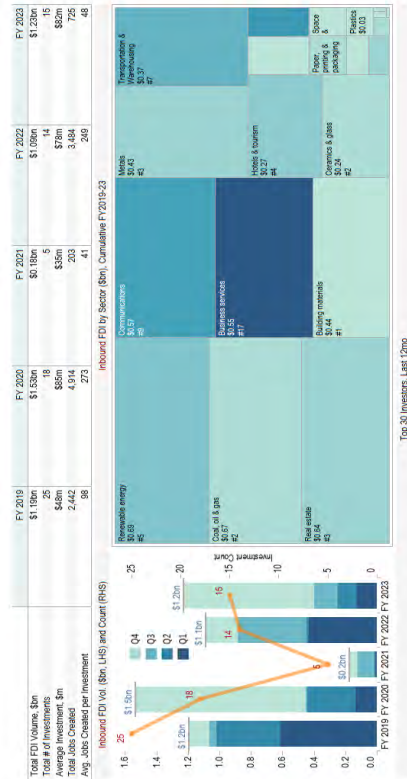
Senegal

Top CBI Source Countries FY19-23

Country	# of projects	\$ Investment
France	22	\$821m
Germany	7	\$770m
UAE	5	\$759m
Morocco	5	\$563m
Spain	3	\$383m

Top CBI Source Countries Last 12mo

Country	# of projects	\$ Investment
France	6	\$821m
Saudi Arabia	2	\$124m
Norway	1	\$109m
Ghana	1	\$53m
Norway	1	\$38m



Togo

Top CBI Source Countries FY19-23

Country	# of projects	\$ Investment
France	5	\$2.075m
UAE	4	\$228m
Nigeria	4	\$199m
Germany	4	\$165m
Côte d'Ivoire	2	\$109m

Top CBI Source Countries Last 12mo

Country	# of projects	\$ Investment
UAE	2	\$186m
Nigeria	1	\$10m

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Total FDI Volume, \$bn	\$0.056n	\$2.48bn	\$0.07n	\$0.37bn	\$0.20n
Total # of Investments	5	15	4	4	3
Average Investment, \$m	\$112m	\$165m	\$17m	\$97m	\$66m
Avg. Jobs Created per Investment	131	274	25	180	34



	Nov	Dec	Jan	Feb	Mar	Apr	May
Total FDI Volume, \$bn	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18
Total # of Investments	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Average Investment, \$m	\$180	\$180	\$180	\$180	\$180	\$180	\$180
Avg. Jobs Created per Investment	44.0	44.0	44.0	44.0	44.0	44.0	28.5



Mitsumi Distribution (ARE)
\$5m // #1

AMEA Power (ARE)

\$181m // #1

AFEX Commodities Exchange (NGA)
\$10m // #1

↑ Bigger \$ Volume
↑ Bigger # of Investments

Sector (or Company) (Country)
\$ Volume
Number of Investments

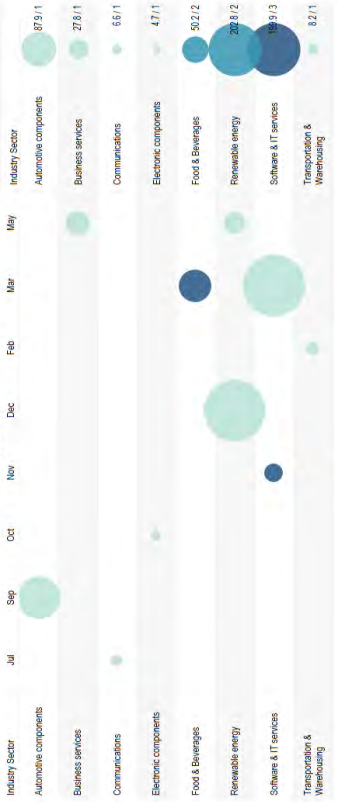
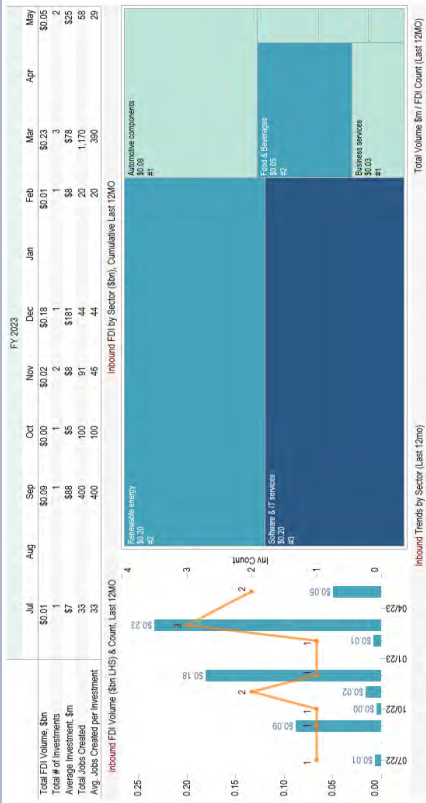
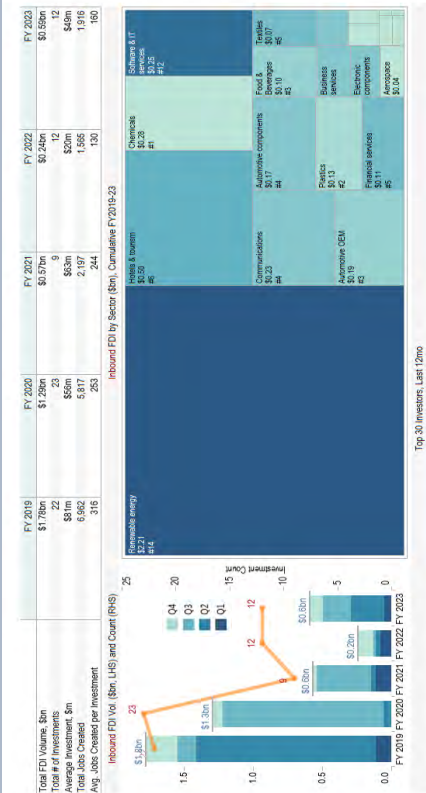
Tunisia

Top CBI Source Countries FY19-23

Country	# of projects	\$ Investment
France	14	\$948m
Germany	11	\$542m
Italy	7	\$539m
Luxembourg	4	\$474m
United States	3	\$282m

Top CBI Source Countries Last 12mo

Country	# of projects	\$ Investment
France	3	\$948m
Qatar	2	\$542m
Germany	2	\$539m
Türkiye	2	\$474m
Morocco	1	\$282m





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