



# G20 COMPACT WITH AFRICA

COMPACT MONITORING REPORT

## AFRICA ADVISORY GROUP MEETING

October 2021

### CwA Countries:

- Benin • Burkina Faso • Côte d'Ivoire • Egypt • Ethiopia
- Ghana • Guinea • Morocco • Rwanda • Senegal • Togo • Tunisia •

In collaboration with:

Report prepared by:



# ACKNOWLEDGEMENTS

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This report was produced as a collaborative effort between the World Bank Group (WBG), the International Monetary Fund (IMF) and the African Development Bank (AfDB). It also contains a section prepared by the African Center for Economic Transformation (ACET) on the Compact with Africa (CwA) Technical Workshop which took place on September 7, 2021 and which was organized by ACET in collaboration with the World Bank Group.

IFC Contributors: Sudha Bala Krishnan (Task Team Leader), Sabri Youcef Draia (co-Task Team Leader), Alexei Volkov, Julien Manyong Wakubang, Anouk Pechevy

World Bank Contributors: Vincent Palmade, Ileana Cristina Constantinescu

IMF Contributor: Irene Yackovlev (Macroeconomic outlook section)

AfDB Contributor: Gassia Assadourian (Egypt Scaling Solar program section)

ACET Contributors: Freda Yawson, Mavis Owusu-Gyamfi (September 7, 2021 CwA Technical Workshop section)

WBG Leadership/Reviewers: Liane Asta Lohde, Mona Haddad, Ahmadou Moustapha Ndiaye, Sebastien Dessus, Frank Douamba, Martha Licetti, Patrick Luternauer, Ahmadou Moustapha Ndiaye, Stephan Massing, Candyce Da Cruz Rocha, Afef Haddad and Janette Uhlmann

Special thanks to Sandile Dube (South African Treasury) and Frank Schneider (German Ministry of Finance) for their support and guidance.

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# ABBREVIATIONS AND ACRONYMS

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AAG	Africa Advisory Group (G20)
ACET	African Center for Economic Transformation
AU	African Union
AfCFTA	African Continental Free Trade Area (AU)
CwA	Compact with Africa (G20)
CBI	Cross-Border Investment
CPSD	Country Private Sector Diagnostic (World Bank Group)
ECF	Extended Credit Facility
EU	European Union
FDI	Foreign Direct Investment
FY	Fiscal Year
G20	Group of Twenty
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
FDI	Foreign Direct Investment
IFC	International Finance Corporation (World Bank Group)
IMF	International Monetary Fund
MENA/MNA	Middle East and North Africa
M&A	Mergers and Acquisitions
OECD	Organization for Economic Co-operation and Development
SDG	Sustainable Development Goal
SIP	Sustainable Investment Protocol
SSA	Sub-Saharan Africa
UNCTAD	United Nations Conference on Trade and Development
USD	United States Dollar
WAEMU	West African Economic and Monetary Union
WBG	World Bank Group

# *Executive Summary*

# EXECUTIVE SUMMARY

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The G20 Compact with Africa (CwA) was launched in 2017 under the German G20 Presidency. It brings together reform-minded African countries, international organizations and bilateral partners to support reforms and promote private investments. The Africa Advisory Group (AAG) reports bi-annually to Ministers and Central Bank Governors on progress and future ambitions. The main conclusions of this CwA Monitoring Report are:

## 1. Macroeconomic, FDI and trade overview:

- Like in the rest of the world, growth in Compact countries is rebounding with 3.6 percent expected in 2021 and 5.6 percent in 2022. Public debt is expected to increase to 78 percent of GDP in 2022 from 71 percent in 2019. As of September 2021, the IMF approved USD7.5 bn of financing in 10 (out of 12) Compact countries.
- CwA countries have shown greater overall resilience as a result of their past diversification and fiscal consolidation efforts – allowing them the fiscal space to support vulnerable firms and households at grips with the COVID-19 crisis.
- Foreign Direct Investment (FDI) inflows to CwA countries, starting from a higher base, have declined proportionately more than in the rest of Africa (69 percent drop in FY21 compared with 46 percent in the rest of Africa), owing to their small market sizes and higher exposure to global economic conditions. Yet the rebound for 2021 and 2022 is projected to be more pronounced in Compact countries, building on the consensus among partners to deepen reform implementation efforts (including at the sector level). A number of new, greenfield investment deals in high-potential sectors such as renewable energy, agribusiness, healthcare and real estate, also testifies to the gradual investment recovery in CwA countries.
- Compact countries stood out for the fast pace of their goods export recovery in 2021. Goods export grew 22% from 2019 levels for SSA Compact countries compared to 11% for the whole of SSA, and goods exports grew 9% in MENA Compact countries compared to – 3% for the whole of MENA. Services trade of Compact countries remains below pre-pandemic levels, reflecting the slow pace of tourism recovery.

## 2. Overview of the Country Private Sector Diagnostics (CPSDs) in Compact countries:

- CPSDs in all 12 Compact countries have been financed either by donor partners<sup>1</sup> or the WBG. 9 have been published and 3 are underway in Benin, Togo and Tunisia. CPSDs use a sector lens to identify private investment opportunities with strong development impact together with the measures to enable them.
- Agribusiness, ICT, transport, energy and affordable housing have been the sectors most featured in CwA CPSDs. In addition to the cross-cutting reforms supported by the CwA until now, these CPSDs also emphasize the importance of sector-specific reforms/measures to increase competition and productive private investments.
- CPSDs are now informing WBG programs in Compact countries and provide robust foundation and set of policy recommendations for updating the 2018 CwA reform matrices. All 9 completed CPSDs have informed either WBG strategies (7), budget support operations (7), investment lending (9) and/or technical assistance, including follow-up deep dive analysis for key sectors or policy issues (7).

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<sup>1</sup> Donor partners supporting the CwA through the IFC ISCA Trust Fund are Germany, the Netherlands, Norway

### **3. Scaling private investments in key sectors:**

- Compact countries, with the support of Compact partners, are putting in place the regulatory frameworks and support measures to trigger private investments in key sectors through approaches which can be scaled up and replicated within and across Compact countries.
- Such approaches have been developed for healthcare and vaccine manufacturing (Egypt, Ghana, Morocco, Rwanda and Senegal), affordable housing (Cote d'Ivoire, Rwanda and Senegal), solar (Egypt and Senegal), agribusiness (Guinea), and digital (Togo).

### **4. Compact 2.0: Key Takeaways from the September 7, 2021 CwA Technical Workshop organized by ACET:**

- Participating Compact countries welcomed the update of reform matrices to include sector specific policy reforms, with emphasis on digitalizing and greening economies as informed by CPSDs and other diagnostics.
- Participating Compact countries would welcome additional technical and financial support – including peer learning, feasibility studies (as per the presentation from the Global Infrastructure Hub) and budget support.
- Compact countries were interested in the case of Tunisia which mobilized USD6 million of technical assistance through a Tunisia-specific Compact Trust Fund. This Trust Fund is financing an electronic platform to help monitor/coordinate CwA reforms and place them at the heart of the government's overall reform agenda as part of the Tunisia Country Platform.

7.

*Macroeconomic,  
FDI, and Trade  
Overview*



# 1. MACROECONOMIC, FDI AND TRADE OVERVIEW

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## MACROECONOMIC OUTLOOK

### Uneven progress toward recovery

Hard-won gains in macroeconomic stability in the years leading up to the pandemic gave Compact with Africa countries a stronger resilience. Ten of the Compact countries – Benin, Burkina Faso, Cote d’Ivoire, Egypt, Ghana, Guinea, Rwanda, Senegal, Togo, and Tunisia had an IMF-supported economic program in the years prior to the pandemic. However, as the pandemic grows more protracted, gaps in expected recoveries across economies have emerged, and the risk of long-term scarring remains or increases.

**Growth performance.** The global economic recovery is continuing, notwithstanding the setbacks posed by the spread of new and more contagious variants, unequal access to vaccines, and vaccine hesitancy across some countries and demographics. Emerging market and developing economies are doing worse, on average, than advanced economies where more ample fiscal space and greater access to vaccinations have spurred a faster recovery, on average. On balance, the global growth outlook for 2021 and 2022 remains the same: 6.0 percent in 2021 and 4.9 percent in 2022. However, the stability of the global outlook masks increasing divergence country prospects and a downgrade in the outlook for low-income developing countries.

The outlook for Compact countries tells a similar story, with the overall growth outlook unchanged. Efforts to strengthen macroeconomic fundamentals prior to the crisis and supportive policies since the start of the pandemic are expected to result in a rebound of (weighted) real GDP to 3.6 percent in 2021 and 5.6 in 2022. Like most emerging market and developing economies, Compact countries are expected to continue to grapple with the impact of adverse health outcomes and economic impacts of pandemic resurgence. However, there are sharp fault lines in the CwA recovery driven by additional factors such as differing levels of policy support, dependency on fossil fuel exports and tourism, as well as the share of jobs in contact-intensive sectors. Morocco and Tunisia experienced very sharp economic contractions in 2020, but both are expected to rebound bringing average GDP growth in North African Compact countries to 3.8 in 2021 and 4.2 in 2022, broadly in line with regional peers.<sup>2</sup> Sub-Saharan Africa (SSA) Compact countries are setting their sights on the recovery, a challenging endeavor with many countries still combatting new waves and variants of COVID-19, with extremely limited vaccine access. Supportive financing conditions and rising commodity prices have aided the recovery in some countries, but cumulative output losses are expected to be significant and persistent over the medium-term. Compact countries in Sub-Saharan Africa are expected to grow by 4.8 percent in 2021 and 6.5 percent in 2022 (compared to an average of 4.1 percent between 2016-2019). The uneven recovery in the labor market across and within economies will have a lingering, detrimental effects on poverty reduction and inequality. Risks for the outlook are tilted to the downside, including the risk of new and more aggressive variants that might undermine progress from vaccination efforts.

**Trade.** Export performance was a bright spot in the outlook of the Compact with Africa leading up to the pandemic, with growth in the volume of exports of goods and services averaging 6.7 percent in 2017–19. However, Compact countries have not been spared by the significant disruptions to the global supply chain induced by the pandemic. In 2020, exports plummeted by –8.9 percent. Since then, restrictions have eased in many economies, driving global trade in goods back to pre-pandemic levels, with steady trade growth now expected over the medium-term. In 2021, cross-border services trade remains subdued due to a resurgence of COVID-19 in many countries, and relative travel restrictions and fear of contagion, leaving those countries with a

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<sup>2</sup> See IMF Regional Economic Outlook for Middle East and Central Asia (October 2021).

larger share of GDP to suffer larger declines in activity relative to pre-COVID forecasts. Therefore, export growth in Compact countries (projected to be 7.1 percent in 2021) partially reflects a rebound from the steep decline of 2020. The continued loss of tourism receipts and remittances and a nascent recovery in import demand are offsetting lower fuel prices in non-oil exports leaving the (weighted) average current account deficit basically unchanged at 4.8 percent in 2021 (compared to 4.7 percent in 2020). As the recovery takes hold in 2022, we expect export demand to also recover and the current account deficit to narrow to 3.5 percent. See the subsequent section (after the following section on FDI) devoted to trade for more details.

**Debt vulnerabilities.** As with many emerging market and developing economies, Compact countries used available fiscal space for pandemic policy responses, increasing debt vulnerabilities. The hard-earned declines in debt ratios among Compact countries from 80 to 71 percentage points of GDP between 2017-19, have been partially reversed by the pandemic and are now expected to reach 78 percent of GDP on average by 2022. The fiscal adjustment achieved through expenditure compression that made the initial decline possible, will now be much harder to achieve as countries grapple with the lingering effects of the pandemics well into 2022 and beyond. Wide disparities in debt vulnerabilities across Compact countries mean that for a handful of countries the situation is even more challenging (Tunisia), and a few will be at continued high risk of debt distress (Ghana, Ethiopia).

### International Monetary Fund

The IMF continues to support the CwA by working with member countries to strengthen macroeconomic and financial policy frameworks (Pillars 1 and 2 under the Compact) and to provide financial support – including emergency financing during the COVID-19 crisis.

**IMF-supported programs.** Coordinated and sustained multilateral action is critical to support continued efforts to mitigate COVID-19 and quickly restore growth in Compact countries. Compact countries received significant IMF support during the COVID-19 crisis. In 2019, 8 Compact countries had IMF-supported financial program in place. As of end-September 2021, the IMF had approved financing requests for 10 of 12 Compact countries totaling USD7.5 billion to support the COVID-19 pandemic response, including augmentations in Benin and Togo and a new SBA in Egypt, which was completed successfully in June 2021. In addition, 6 of the poorest compact countries are receiving USD72 million in immediate debt relief under the Catastrophic Containment Relief Trust (CCRT), creating more room to meet exceptional balance of payments needs during the pandemic. Five countries elected to participate in the DSSI–Burkina Faso, Côte d’Ivoire, Guinea, Senegal, and Togo.

**Capacity Development.** Support for Compact countries accounted for 12.3 percent of the IMF’s capacity development (CD) direct country spending in FY 2021; including 311 technical assistance missions, and training of 1346 country officials. All Compact countries are served 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 framework for Germany’s contribution of € 30 million to all AFRITACs and ATI. Five countries elected to participate in the DSSI–Burkina Faso, Côte d’Ivoire, Guinea, Senegal, and Togo.

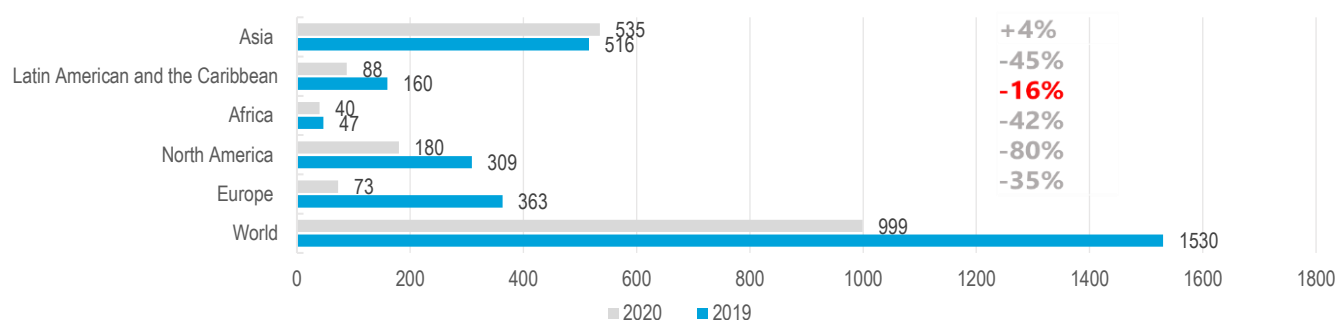
**Direct Engagement with Compact country teams.** IMF staff participate as full members of Compact country teams, with Resident Representatives typically being supported by HQ-based teams as well. Fund staff also engages directly in the monitoring and coordination of the Compact, and maintains the public CwA website, which provides relevant, transparent information to policymakers.

## FDI OVERVIEW

### FDI to Africa have been facing strong headwinds since 2020

The COVID-19 pandemic caused a dramatic fall in global Foreign Direct Investment (FDI) in 2020, bringing FDI flows back to the level last seen in 2005. Globally, in 2020, FDI fell by one third (35 percent) to USD 1 trillion – well below the low point reached after the 2007-08 global financial crisis (Figure 1.1). According to the UNCTAD Investment Report (2021), all components of FDI were down: greenfield investments in infrastructure and manufacturing were hit particularly hard, especially in developing countries. In 2021, as a result of uncertainties on the progress of vaccine roll-out programs and the emergence of new variants, the COVID-19 pandemic is continuing to have a negative impact on cross-border investment globally and regionally. Data from the World Bank’s latest global Multinational Enterprise (MNE) pulse survey shows that the adverse effects of the COVID19 pandemic remained widespread for MNE affiliates in H1-2021, with 93 percent experiencing adverse effects along at least one of the following dimensions: supply chain, input cost, liquidity, labor productivity, demand, output, employment, revenue and profits.

FIGURE 1.1 FDI INFLOWS, BY REGION, 2019 AND 2020 (USD BILLION AND PERCENT)



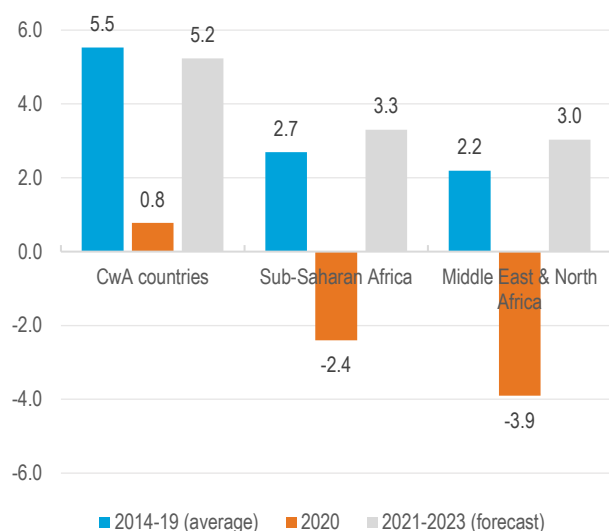
Source : UNCTAD, FDI/MNE database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics))

**The fall in FDI flows is slightly more measured in Africa overall – but entails substantial costs to African economies.** Inflows of cross-border investments to Africa declined by 16 percent in 2020, to USD40 billion (from in 2019): Africa’s share of total global FDI inflows for developing economies fell from 6.3 percent to 5.9 percent between 2019 and 2020. Notably, even within regions the impacts of the pandemic varied. For example, in West Africa, Ghana saw a 52 percent decline in FDI inflows in 2020 (a drop from USD3.9 billion to USD1.9 billion); meanwhile, inflows to Nigeria slightly increased from USD2.3 billion in 2019 to USD2.4 billion in 2020. Overall, foreign investment in Africa directed towards sectors related to the Sustainable Development Goals (SDGs) fell considerably in 2020. For instance, greenfield investment projects fell significantly in food and agriculture (-78 percent to USD1.7 billion) as well as in health (-58 percent to USD267 million) and education (-45 percent to USD143 million), exacerbating investment gaps in human capital and the enhancement of value addition in natural resources. The only exception is renewable energy, with international project finance deals increasing by 28 percent to USD11 billion (from USD9.1 billion in 2019) – in line with global investment trends in renewable energy. As for cross-border mergers and acquisitions (M&A), which form a relatively small part of total inflows to Africa, they fell by 45 percent in 2020, to USD3.2 billion. Although multinational enterprises from the US accounted for the highest value (USD2 billion) of M&As in Africa, transactions from developed economies fell considerably while those from developing economies rose, especially China (at USD844 million, from USD131 million in 2019). Finally, FDI outflows from Africa also fell by two-thirds from USD4.9 billion in 2019 to USD1.6 billion in 2020. Notably, the highest outflows came from Togo, mostly to other African countries.<sup>3</sup>

<sup>3</sup> For example, Togolese company Afrik Assurances opened financial services operations in Benin and Côte d’Ivoire during the pandemic.

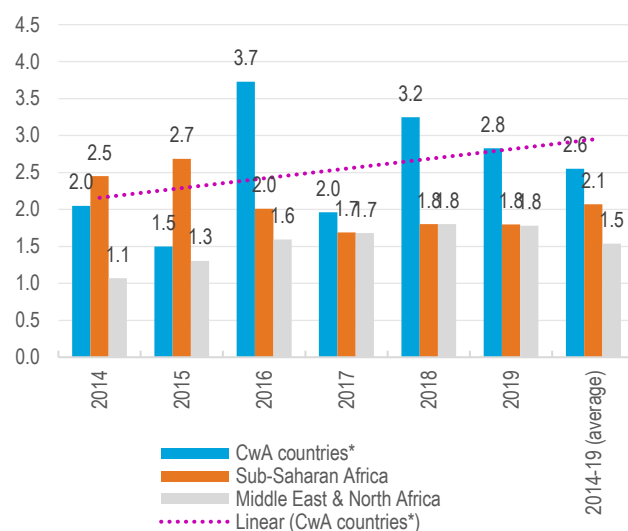
**In FY21, the slowdown in announced, greenfield investment was particularly pronounced in CwA countries, which are characterized by higher FDI-to-GDP ratios<sup>4</sup>** Following strong performance in FY20, FDI inflows to Compact countries slowed sharply in FY21 by 69 percent in value – compared with a decline by 46 percent in value in the rest of Africa (**Figure 1.4**). By project count (or number of new, greenfield investment projects), the decline is also sharper than in the rest of Africa: greenfield cross-border investment (CBI) projects were down by 63 percent, compared with 46 percent year-on-year (**Figure 1.5**). This can be attributed to a variety of factors, such as (i) the relatively smaller market sizes of Compact countries compared with African “giants” such as South Africa, Nigeria and Angola; (ii) the sudden economic slowdown affected principally EU, US and GCC advanced economies, traditional FDI source countries for Compact countries ; (iii) the decline in most commodity prices during H1-2020 (particularly key commodity exports such as cocoa, coffee and crude petroleum), which rendered private investments in commodity-related value chains less profitable ; (iv) country idiosyncrasies such as the deteriorating political and security environment in various Compact countries such as Cote d’Ivoire, Ethiopia, Guinea and Tunisia. As a result, the share of Compact countries in total FDI to Africa declined below 40 percent, from 50-60 percent in earlier years.

**FIGURE 1.2 REAL GDP GROWTH, 2014-19, FORECAST (PERCENT)**



\* 2021-23 forecasts are derived from World Bank GEP 2021.

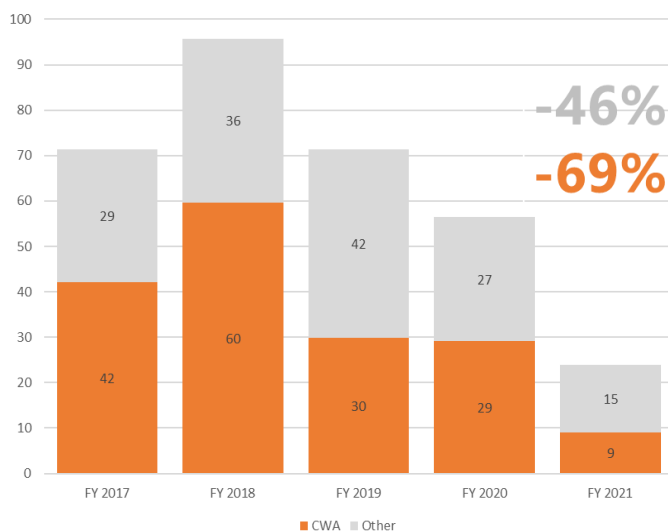
**FIGURE 1.3 FDI NET INFLOWS, 2014-19 (PERCENT OF GDP)**



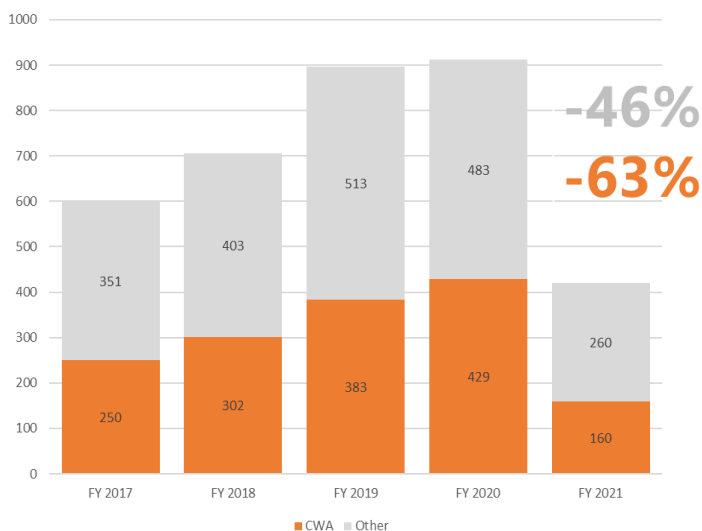
\* Data for Ethiopia, Ghana and Tunisia are incomplete or missing.

<sup>4</sup> FY21 refers to the period July 2020 to June 2021. FY20 refers to the period from July 2019 to June 2020 (World Bank Group).

**FIGURE 1.4 GREENFIELD FDI INFLOWS, FY17-21 (USD BILLION)**



**FIGURE 1.5 GREENFIELD FDI INFLOWS, FY17-21 (PROJECT COUNT)**



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

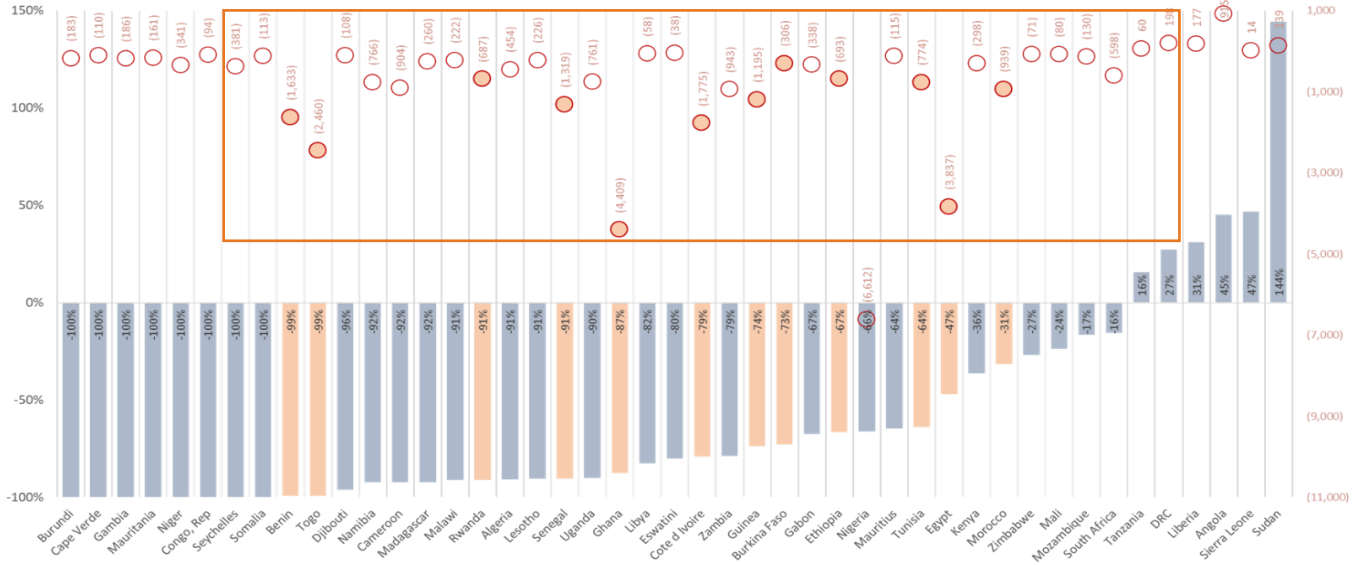
**With the exception of Nigeria, some of the largest variations in FDI inflows occurred in Compact countries – subject to higher vulnerability to global economic conditions (Figure 1.6).** In FY21, Egypt remained the largest destination among Compact countries, at almost half the volume in FY21; Morocco and Ghana also attracted significant share of CBI. While large-scale hydrocarbon investments in Egypt dominated in earlier years, and still represent a large share of FDI inflows to the country, the trend was more normalized across Compact countries in FY19-20.<sup>5</sup> Smaller economies saw a sharp year-on-year decline – as a result of being more exposed to global trade conditions and supply chains disruptions given their small market sizes: largest year-on-year declines were in Benin and Togo (-99 percent), Rwanda and Senegal (-91 percent), Ghana (-87 percent) (Figure 1.7, Figure 1.8).

**In terms of sector composition, foreign investor appetite continued to move away from traditional sectors such as extractive industries (coal, oil and gas), to manufacturing and services.** Between 2006 and 2010, resource extraction, petroleum and coal processing projects made up more than half of greenfield FDI projects announced in Africa, yet between 2016 and 2020, new projects in these sectors accounted for less than a quarter of the total. Other sectors that have continued to attract significant new investment include logistics, communications and IT services and renewable energy. In FY21, as a result of the pandemic shock, declines were seen across most major sectors: in absolute terms, greenfield FDI in the communications and utilities sectors dropped the most, with year-on-year declines of 97 percent, and 100 percent, respectively, despite relatively strong performance in prior quarters. Other emerging sectors include transportation and warehousing, IT services, real estate and renewable energy (Figure 1.10). In terms of policy changes, Compact countries did not introduce any new measures related to FDI entry and screening during H1-2021.

<sup>5</sup> The oil and gas industry remains one of the most dynamic economic sectors in Egypt, with hydrocarbon production by far the largest single industrial activity in the country, representing around 24 percent of total GDP in FY 2019-2020. After declining in the post-2011 revolution years as a result of political instability and increasing arrears to international oil companies, FDI in the oil and gas sector increased from USD 9 billion in FY 2014/2015 to USD 47.8 in FY 2019/2020. The growth rate of oil refining was 25 percent in FY 2019/2020, the highest rate achieved amongst economic sectors in Egypt. In December 2019, new oil and gas discoveries were made in the Abu Senan area of the Western Desert, which are expected to produce around 4,000 barrels of crude oil per day, as well as 10 million cubic meters per day of gas. (US International Trade Administration, 2021).

**FIGURE 1.6 VARIATIONS IN FDI: CWA VS. REST OF AFRICA, COUNTRY-LEVEL, FY21**

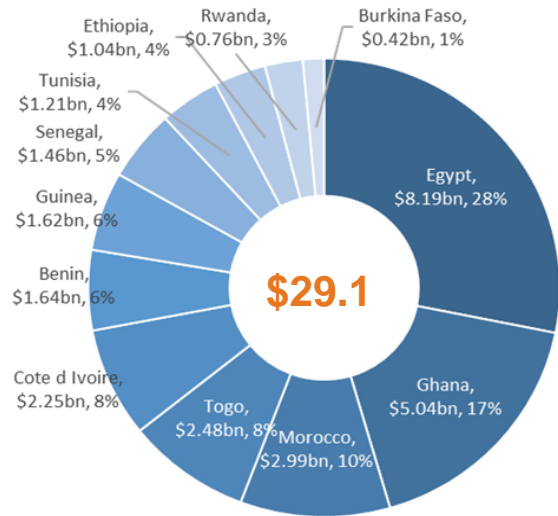
(Bars show y/y change in percent; and round markers show absolute changes in USD. Orange are Compact countries)



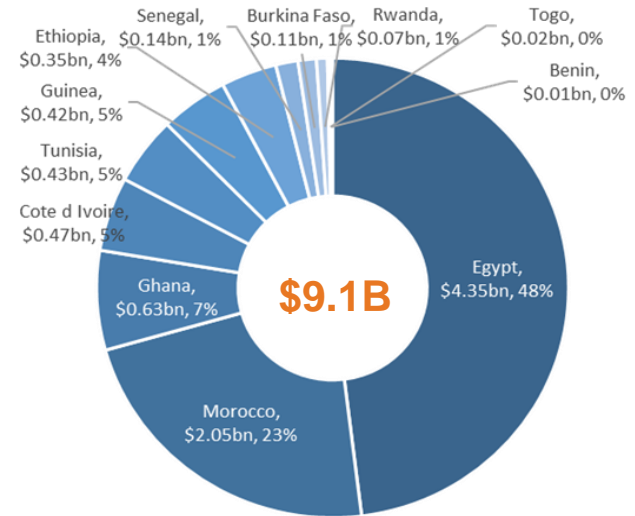
Source: FDI Markets, a service from the Financial Times Ltd.

**Going forward, FDI to Compact countries are projected to increase marginally in 2021 and should gain momentum by 2022 considering emerging trends and developments.** Compact countries have overall demonstrated greater economic resilience in the face of the twin pandemic and commodity price shocks – building on their past diversification and fiscal consolidation efforts, which gave them some fiscal space to support vulnerable firms and households at the heart of the COVID-19 crisis (Figure 1.2). Given a projected GDP growth rate of 3.6 percent in Compact countries in 2021 (compared with 2.8 percent in SSA), which is lower than the projected global average, significant downside risks persist for foreign investment. This contrasts with trade, which is forecast to grow by 8.4 percent. Vaccine availability, domestic economic recovery policies and international financial support will be critical to the revival of FDI and the post-pandemic recovery.

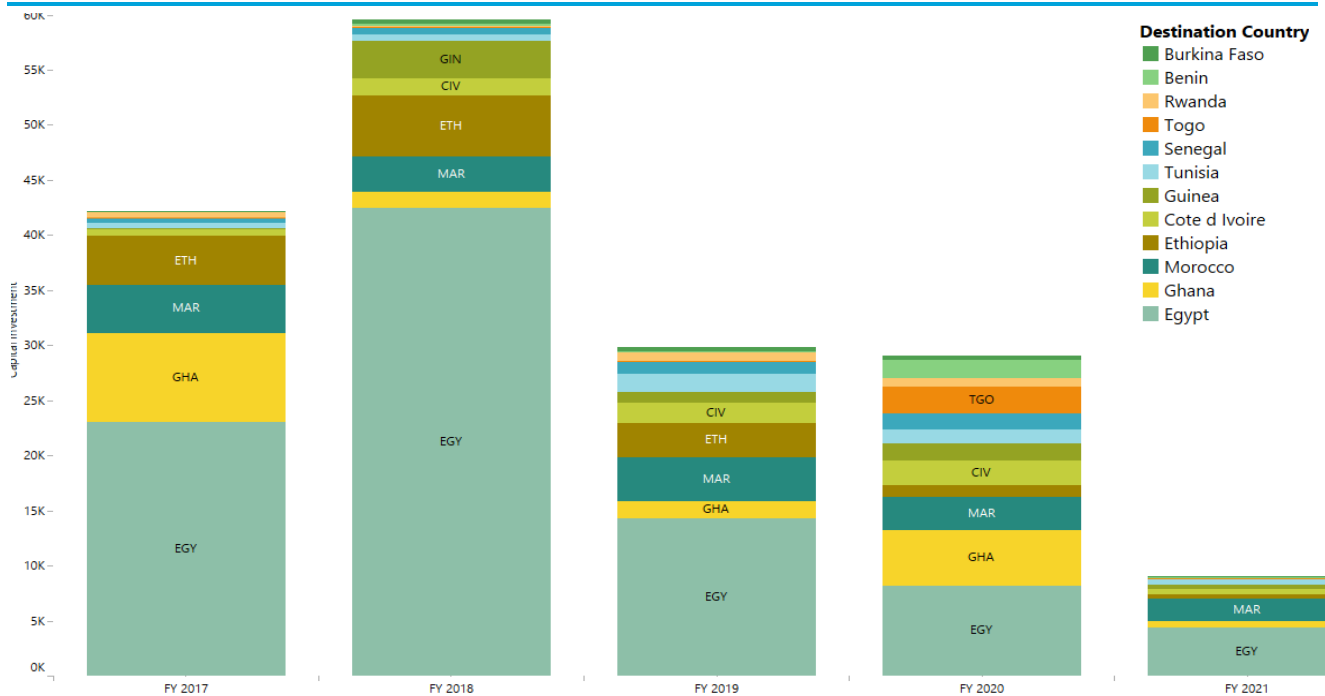
**FIGURE 1.7 CBI INFLOWS IN FY20 BY COUNTRY**



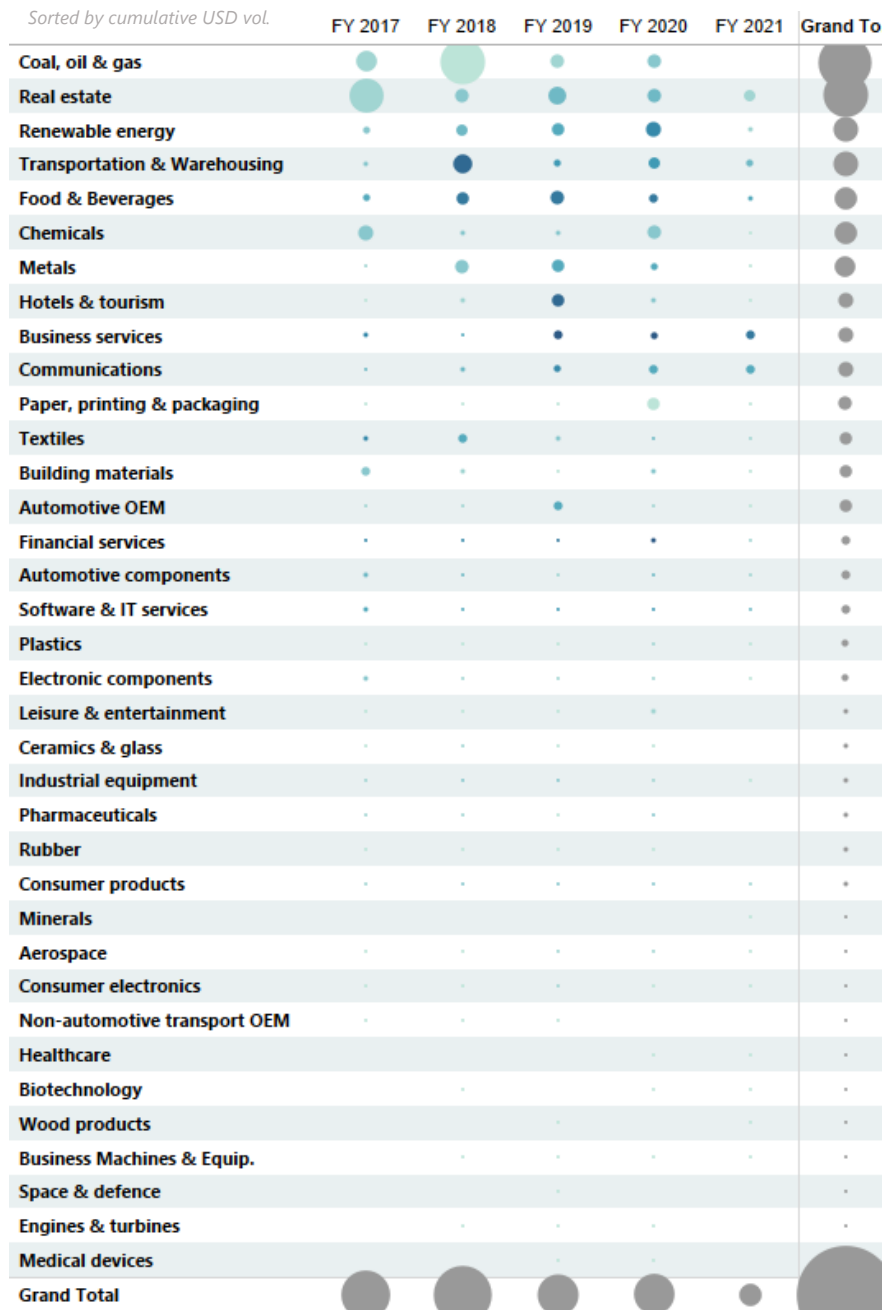
**FIGURE 1.8 CBI INFLOWS IN FY21 BY COUNTRY**



**FIGURE 1.9 CBI INFLOWS BY COUNTRY, WITH CONSIDERABLY LOWER VOLUMES IN FY21**



**FIGURE 1.10 TRENDS IN SECTOR COMPOSITION OF FDI IN CWA COUNTRIES**





**Yet some positive developments for FDI recovery in Compact countries are worth mentioning.** Until 2020, project count has overall showed a solid growth trajectory for FDI inflows to Compact countries in the last few years. In the long run, the speed, and the scale of FDI recovery will depend on the extent to which the economic and social impact of the pandemic can be contained, as well as the global economic situation and the pace of implementing key announced projects. The following will help build momentum for the pickup of FDI:

- (i) Rise in global demand for most commodities, despite lingering volatility: oil prices are projected to increase by 21 percent on average and non-oil commodity prices would also increase by 13 percent.
- (ii) Finalization of the AfCFTA's Sustainable Investment Protocol – the latest development in the implementation of the African Continental Free Trade Area (AfCFTA), which should serve as a platform to harmonize investment rules and create a level playing field for international investors.<sup>6</sup>
- (iii) New opportunities due to global value chain restructuring and the approval of key projects (**Box 1**).

**The COVID-19 pandemic has created a unique opportunity to reframe investor engagement with the African continent, and attracting FDI during the post-pandemic recovery will require renewed efforts.** This entails enacting a new generation of business environment reforms, deepening implementation efforts, while pursuing investment promotion and facilitation activities and marketing Compact countries as preferential investment destinations. Revitalizing international investment flows is a major concern as these are vital for sustainable development– creating positive spillovers such as quality jobs, skills, and technology transfers – and critical to address the financing gap in countries generally characterized by low savings rates. Going forward, investment into CwA countries over the coming years should focus on the key sectors and opportunities that will define the continent's growth in the short and long-term. A few of these are worth highlighting: infrastructure, healthcare, agribusiness and agro-industry, renewable energy, and the digital economy.

### BOX 1.1 FDI TO AFRICA: LIGHT AT THE END OF THE TUNNEL?

Despite significant risks related to foreign investment in 2021, some indicators point to a potential return of FDI to pre-COVID levels in Compact countries by 2022. Although the overall value of planned project finance and greenfield investments fell considerably, a few large deals announced in 2020 signal that foreign investors are engaged despite the uncertain economic conditions.

- **In North Africa, Egypt remained the largest recipient in Africa followed by Morocco, albeit with a significant reduction (-35 percent).** Egypt multiplied efforts to promote FDI diversification such as the recent agreement to activate the USD16 billion Saudi-Egyptian investment fund that lists tourism, health, pharmaceuticals, infrastructure, digital technologies, financial services, education and food as priority sectors. One sizeable investment outside the gas industry was the establishment by Realme (China), a smartphone manufacturer, of its USD210 million regional sales and servicing facility in Cairo, to serve the entire African market. Flows to Morocco remained almost unchanged (at USD1.8 billion), owing to Morocco's relatively diversified FDI profile, with an established presence of some major MNEs in manufacturing industries including automotive, aerospace and textiles. The long-term commitment of these firms to the country, coupled with steady inflows in phosphate mining, mitigated against a decrease in cross-border investment inflows despite the global crisis. Inflows to Tunisia declined by 23 percent (from USD845million to USD652 million), with the manufacturing sector attracting 54 percent of FDI, followed by energy (33 percent).

<sup>6</sup> The AfCFTA's Sustainable Investment Protocol (Phase 2 of the AfCFTA, currently under negotiation) seeks to create a continental common investment area in Africa. It belongs to the family of international investment agreement (IIAs), international legal instruments that address issues relevant to cross-border investments, usually for the purpose of protecting, promoting, and liberalizing investments. The SIP is being negotiated as a Phase 2 issue of the agreement, along with competition policy and intellectual property rights.

- **In West Africa, despite the pandemic, the long-term policy of FDI diversification appears to have had some impact.** Renewable energy projects were announced in many countries, including some with weak electricity infrastructure: Schneider Electric Solar (France) announced a USD165 million solar energy project in Burkina Faso. Senegal was among the few economies on the continent to have received higher inflows in 2020, with a 39 percent increase to USD1.5 billion, due to investments in energy, in both the traditional oil and gas industry as well as renewables. Work on offshore oil and gas fields started for the first time in Senegal in 2020; with production expected to start in 2022. Almost half of the FDI to Ghana was in manufacturing, whereas the services and mining sectors accounted for 25 and 16percent of foreign investment respectively.
- **In East Africa, Ethiopia accounted for over a third of foreign investments** despite registering a 6 percent reduction in inflows to USD2.4 billion. Despite the pandemic, the Ethiopian economy still grew a substantial 6.1 percent. The manufacturing, agriculture and hospitality industries drew the highest shares of investment in 2020. The Government initiated a program to facilitate FDI in the manufacturing of personal protective equipment (PPE) and several Chinese firms have already started production.
- **In Southern Africa, Mozambique and South Africa accounted for most inflows while repatriation of capital by MNEs in the oil and gas industry slowed** (the country registered net inflows of -USD1.9 billion, as compared with - USD4.1 billion in 2019). Cross-border M&As in South Africa dipped significantly - by 52 percent to USD2.2 billion - but still accounted for a large part of total inflows. The largest investment realized in 2020 was PepsiCo's acquisition of Pioneer Foods (USD1.7 billion) after the Competition Tribunal of South Africa approved the deal. In November 2020, Google announced it would invest approximately USD140 million in a fiber-optic submarine cable that will accelerate deployment of high-speed internet connectivity in Southern Africa.

Furthermore, in the context of enhanced regional integration, international investors are likely to increasingly pursue regional market-seeking investments and leverage the increasing number of African SEZs, considered as points of entry into regional markets and helping scale up FDI towards the most competitive zones. According to a recent UNCTAD survey of SEZ stakeholders in Africa (2019), FDI in SEZs is expected to increase by 15 percent from other members of AfCFTA and by 30 percent from outside Africa. The most promising industries for FDI flows include agriculture and food, light manufacturing, textiles, and electronics – while more and more SEZs are also looking to attract investment in the automotive and construction sectors. In this regard, the implementation of the AfCFTA presents a window of opportunity for SEZs to pivot away from primary commodities traditionally driving African investment and trade flows, such as mining and hydrocarbons, while instead attracting and leveraging investment into higher value-added industries.

## TRADE DYNAMICS

### Main messages

- By June 2021, global merchandise trade values had rebounded sharply from the lockdown-induced collapse in 2020. Global services trade is on a recovery path as well, but yet to reach pre-pandemic levels.
- Boosted by strong global demand and rising commodity prices, Compact countries' merchandise exports in current U.S. dollars grew robustly in the first half of 2021 relative to pre-pandemic levels. Goods export grew 22% from 2019 levels for SSA Compact countries compared to 11% for the whole of SSA, and goods exports grew 9% in MENA Compact countries compared to – 3% for the whole of MENA.

- Meanwhile, goods imports were yet to catch up with the 2019 levels, and services trade remained significantly depressed - in line with global trends - due to the slow recovery in travel services.
- Compact countries should stay on track to “take advantage” of this crisis to deepen their trade integration with the world, their main trading partners and leverage the African Continental Free Trade Area

## The recovery in global trade is still on-going

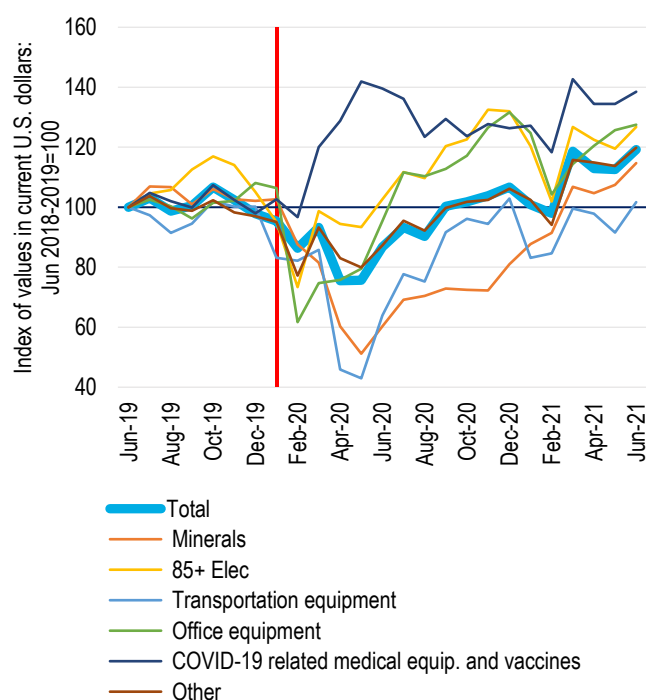
**In 2021, global trade values continued to recover from the lockdown-induced collapse in the second quarter of 2020.**

During the second quarter of 2021, goods trade exceeded pre-pandemic levels by close to 20 percent, on the back of robust trade growth in all regions and most broad product groups (Figure 1a). By contrast, aggregate services trade fell short of a full catch up to pre-pandemic levels due to the still sluggish travel services (Figure 1b). Underlying the rise in global trade values were the strong recovery in traded quantities on the one hand and the rapid increase in unit values on the other.<sup>7</sup> In particular, during 2021, non-fuel commodities prices surged to levels last seen in 2010, while shipping costs picked up significantly, amid shipping and port operational disruptions caused by tensions between a booming demand and the lack of sufficient shipping capacity.

**FIGURE 1. GOODS AND SERVICES TRADE VALUES IN CURRENT U.S. DOLLARS**

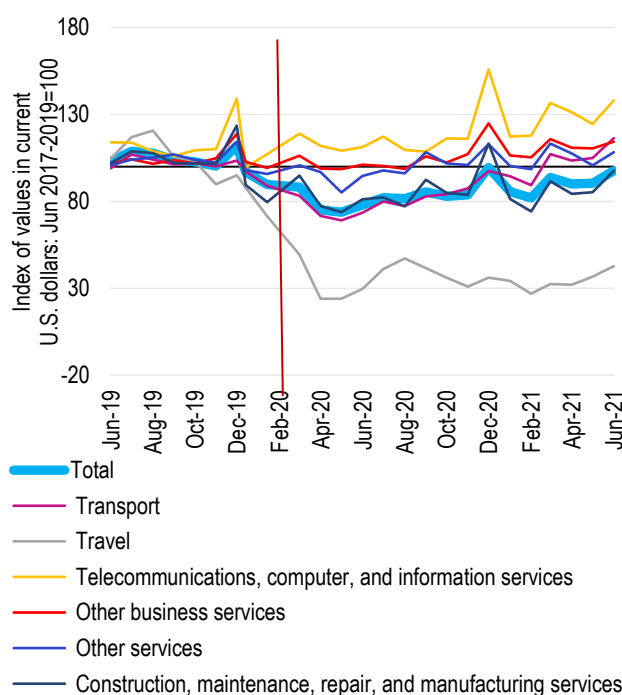
### a. Trends in global goods trade

Trade in most broad product groups continue to exceed pre-pandemic levels.



### b. Trends in global services trade

Services trade are still below pre-pandemic levels due primarily to travel services, which remain significantly depressed.



**Source:** World Bank's COVID-19 Trade Watch (Sep 2021). **Notes:** Trade values in current U.S. dollars.

<sup>7</sup> For more details on the global trade slowdown and recovery see the World Bank's COVID-19 Trade Watch series at <https://www.worldbank.org/en/topic/trade/brief/trade-and-covid-19>.

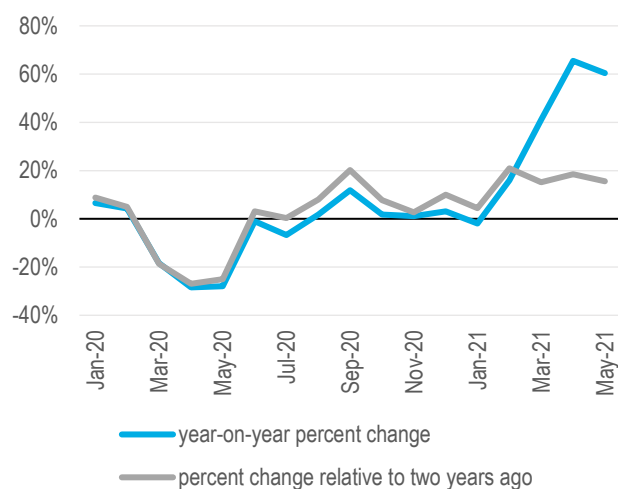
## Trends in the aggregate goods trade of CWA countries

In the first half of 2021, the goods exports of the Compact countries grew robustly on the back of the strong global demand and surging commodity prices, while imports remained subdued relative to the pre-pandemic period (Figure 2). Exports and imports surged in 2021 relative to 2020 by a whopping 60 and 40 percent, respectively, as the historically low trade levels in the second quarter of 2020 compounded the on-going recovery. Controlling for the low base effect - by relating trade in 2021 to 2019 instead of 2020, - reveals a 20 percent robust growth rate for exports and relatively sluggish imports that are still about 3 percent below pre-pandemic levels.

**FIGURE 2. MERCHANDISE TRADE OF COMPACT COUNTRIES: PERCENT CHANGE FROM PREVIOUS TWO YEARS**

In 2021, goods exports and imports exceeded the 2020 levels by about 50 percent, as low base effects compounded the recovery. Exports also exceeded pre-pandemic levels by 20 percent.

### a. Exports



### b. Imports



**Sources:** World Bank estimates based on World Bank Global Economic Monitor (Egypt, Morocco, Tunisia and exports of Ghana), IMF Direction of Trade (the other countries), World Bank World Development Indicators. **Notes:** Trade expressed in current U.S. dollars.

**The Compact countries in Sub-Saharan Africa are driving the group’s strong export growth in 2021 relative to the pre-pandemic levels.** Sub-Saharan African Compact countries saw on average larger percentage increases in exports than those of the North African Compact countries and other regions. However, this hides heterogeneity, such as, for example, larger growth in Benin and Senegal (due to increasing exports for soybeans and ground nuts, respectively, to China), and Burkina Faso (reflecting gold exports to Switzerland) as well as declines in Ethiopia, Ghana and Togo. As for imports, both geographical regions remained below pre-pandemic levels by about 3.8 percent. By contrast, other regions saw milder rates for export growth and a balanced performance across exports and imports.

**TABLE 1. COMPACT COUNTRIES' MERCHANDISE EXPORTS AND IMPORTS GROWTH, JAN 2020 – MAY 2021 (PERCENT CHANGE RELATIVE TO THE CORRESPONDING PERIOD IN 2019)**

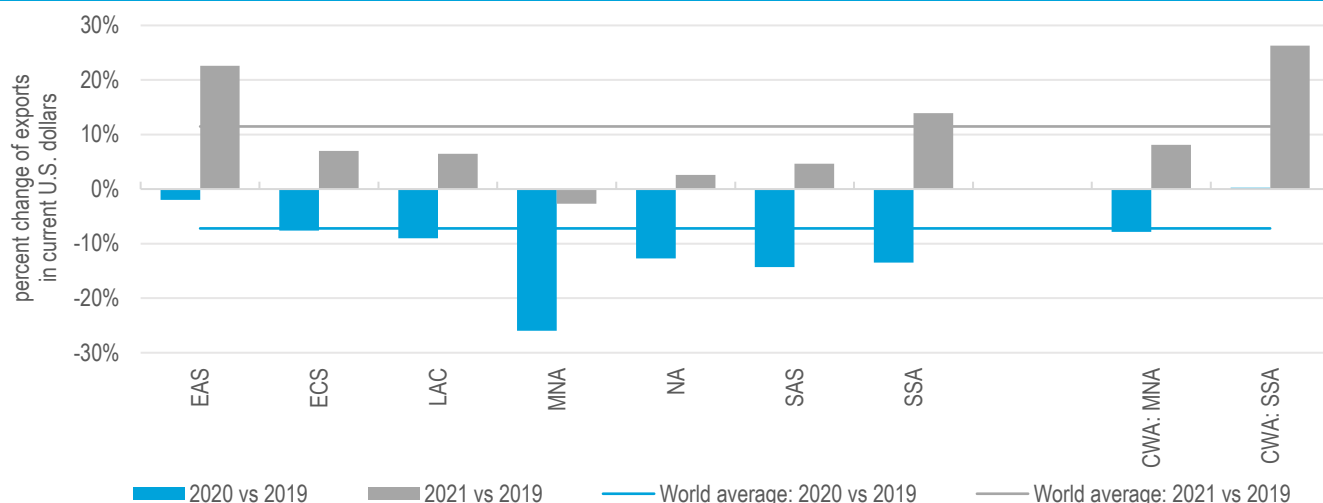
	EXPORTS						IMPORTS					
	2020 vs 2019				2021 vs 2019		2020 vs 2019				2021 vs 2019	
	Q1	Q2	Q3	Q4	Q1	Apr/May	Q1	Q2	Q3	Q4	Q1	Apr/May
<b>CWA countries</b>	-3.1	-19.7	2.2	2.0	13.5	17.0	-3.2	-22.7	-12.5	-4.1	-0.9	-3.8
<b>CWA countries in NA</b>	-5.0	-27.0	-1.3	2.5	8.6	7.4	-6.3	-27.5	-18.1	-8.1	-4.5	-3.7
Egypt	0.8	-27.1	-4.9	-7.9	10.5	9.3	-7.8	-23.4	-23.1	-13.0	-12.1	-10.2
Morocco	-10.6	-26.4	3.8	10.7	8.7	6.7	-4.4	-30.8	-13.0	-1.4	5.8	7.0
Tunisia	-5.3	-27.9	-4.0	7.2	4.6	5.0	-5.6	-33.8	-11.9	-6.8	-0.2	-5.2
<b>CWA countries in SSA</b>	0.2	-7.6	8.0	1.3	21.7	33.2	4.2	-11.6	-0.4	3.6	7.6	-3.9
Benin	45.6	17.4	11.2	58.1	64.8	65.7	-44.9	-44.0	-5.9	82.7	-21.3	-32.5
Burking Faso	2.4	38.4	60.9	48.1	143.2	328.5	23.7	11.6	9.3	16.7	60.5	52.3
Cote d'Ivoire	-1.0	-19.7	9.2	-15.0	12.1	27.6	-6.6	-3.5	7.7	40.7	39.9	34.3
Ethiopia	11.7	-1.8	0.9	9.7	-9.4	-15.8	20.3	-24.1	-22.2	-10.2	-7.4	-41.1
Ghana	-3.2	-13.0	-7.2	-7.1	-1.4	-7.9	-16.5	0.8	43.5	19.9	-5.1	39.5
Guinea	-22.7	34.1	47.4	43.6	20.6	11.2	1.8	14.3	13.6	-3.2	15.0	14.7
Rwanda	27.7	22.4	95.7	14.0	5.1	-1.0	26.8	-2.3	15.7	-2.7	-12.5	-36.2
Senegal	13.4	-9.2	-6.3	-1.3	48.4	106.4	22.0	-1.8	-10.9	-20.0	17.7	13.8
Togo	-25.2	-76.3	-62.9	30.2	31.3	-46.5	9.3	-34.5	3.0	-6.9	-15.3	-35.2
<b>Reference</b>												
<i>World</i>	-5.8	-20.3	-3.6	3.7	9.7	12.6	-5.7	-20.9	-5.8	2.5	7.8	10.0
<i>Sub-Saharan Africa</i>	-3.2	-32.0	-16.7	-6.1	11.2	20.6	-2.5	-25.0	-17.8	-3.5	8.4	-4.6
<i>Other regions</i>	-5.9	-20.2	-3.7	3.7	9.6	12.4	-5.7	-20.7	-5.6	2.7	8.0	10.2

\*Burkina Faso is excluded.

**Sources:** World Bank estimates based on World Bank Global Economic Monitor (Egypt, Morocco, Tunisia and exports of Ghana), IMF Direction of Trade (the other countries), World Bank World Development Indicators. **Note:** Recent months based on preliminary data some of which may be subject to significant revisions. NA: North Africa; SSA: Sub-Saharan Africa. Annual trade values are the sum of exports and imports in current U.S. dollars.

**Sub-Saharan African Compact countries stand out among other regions for the fast pace of the group's export recovery in 2021 compared to pre-pandemic levels (Figure 3).** Notable destinations that have contributed significantly to the export growth in recent months include Switzerland, China as well as other Sub-Saharan countries. SSA's exports have also shown relatively more resilience in 2020.

**FIGURE 3. COMPACT COUNTRIES VERSUS OTHER REGIONS: PERCENT CHANGE IN EXPORT VALUES (CURRENT U.S. DOLLARS), 2020 AND 2021 VS 2019.**



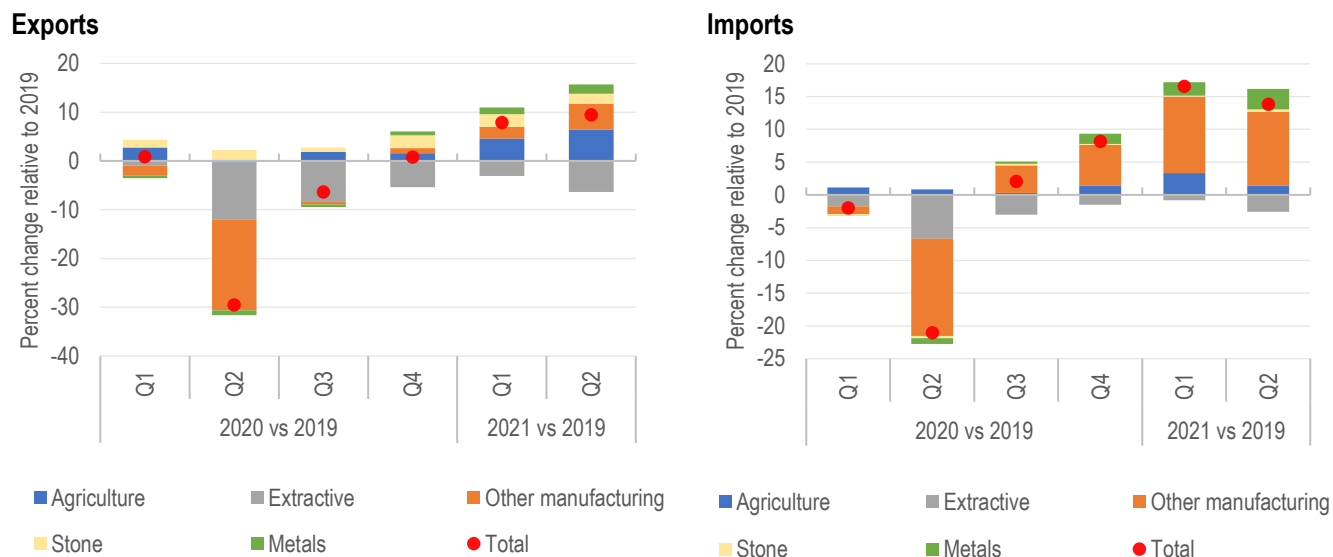
**Sources:** World Bank estimates based on World Bank Global Economic Monitor (Egypt, Morocco, Tunisia and exports of Ghana), IMF Direction of Trade (the other countries), World Bank World Development Indicators. **Notes:** Trade values in current U.S. dollars.

### Trends in the product-specific trade between the Compact countries and selected trading partners

**Non-fuel commodities helped boost the exports of Compact countries during the first half of 2021.** Bilateral trade reported by China, the E.U., Japan, Switzerland and the United States provides an informative picture of the product specific trade of the Compact countries (footnote 8). The pace of trade in commodities (notably the exports of crops and foodstuffs by Benin, Cote d’Ivoire, Rwanda, and Senegal and of metals by Morocco and Tunisia) picked up in 2021 compared to the pre-pandemic years. The relatively steady growth of stone exports by Sub-Saharan African countries continued, while the trade in fuel and other extractives remained depressed relative to 2019. Exports of manufacturing grew further, amid robust performance in Moroccan and Tunisian sectors of machinery and transportation equipment. The growth in commodity exports translated into substantial contributions to the aggregate growth in goods exports of the Compact countries (Figure 4).

<sup>8</sup> These five economies are important trading partners for most CWA countries. Nine CWA countries send at least 35 percent of their exports to the five destinations (Benin, Rwanda and Togo are the other three countries). Moreover, all 12 countries are sourcing at least 35 percent of their imports from China, the E.U. Japan, Switzerland, and the United States. For ten out of the 12 countries, the share exceeds 45 percent.

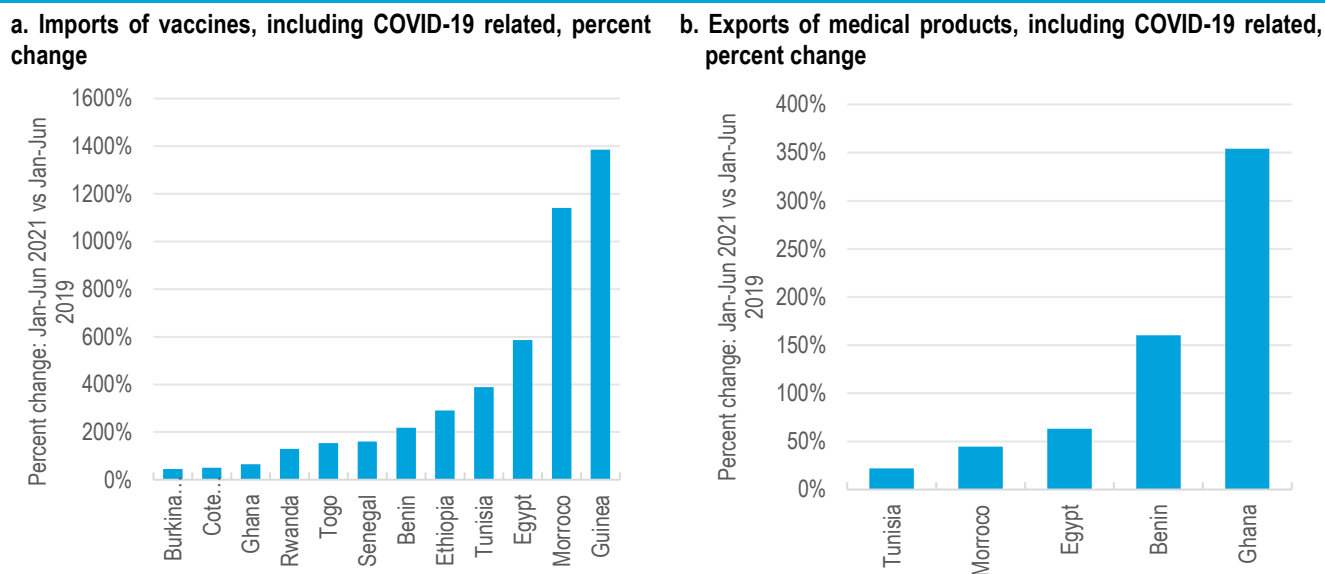
**FIGURE 4. COMPACT COUNTRIES' AGGREGATE TRADE WITH FIVE ECONOMIES (CHINA, EU, JAPAN, SWITZERLAND, US), CONTRIBUTIONS TO THE 2020 AND 2021 YOY PERCENT CHANGE VERSUS 2019**



**Source:** World Bank staff estimates based on official data from China, Eurostat, Japan, and the United States and on UN Comtrade data for Switzerland.  
**Notes:** Trade in current U.S. dollars, not seasonally adjusted.

**Trade in medical products, including COVID-19 related items such as personal protective equipment and others as well as vaccines picked up in the Compact countries.** In recent months, all Compact countries have increased their vaccine imports from China, EU, Japan or the U.S., but some countries stood out for their large increases relative to the pre-pandemic levels (e.g. Guinea, Morocco and Egypt) (Figure 5a). Trade in other COVID-19 related products also increased globally due to a robust demand compounded by a surge in prices (as documented in the World Bank’s Trade Watch). Several CWA countries, notably Ghana, Benin, Egypt, Morocco, and Tunisia were able to seize the opportunity to produce and export such products (Figure 5b).

**FIGURE 5. COMPACT COUNTRIES' TRADE IN MEDICAL PRODUCTS AND VACCINES, INCLUDING RELATED TO COVID-19.**

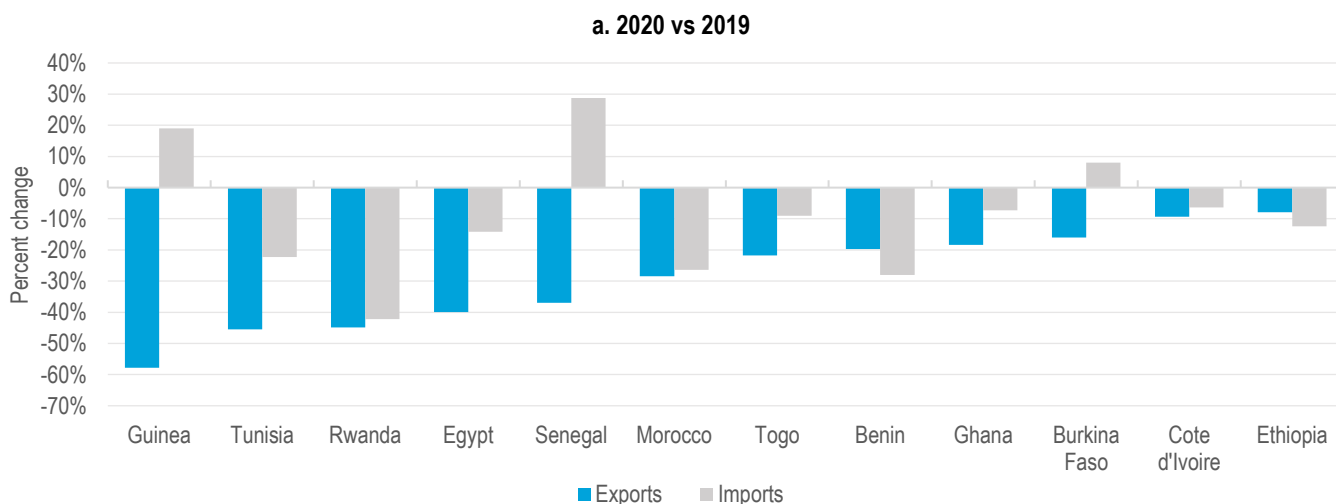


**Source:** World Bank staff estimates based on official data from China, Eurostat, Japan, and the United States and on UN Comtrade data for Switzerland.  
**Notes:** Trade values in current U.S. dollars.

### Trends in the services trade of Compact countries

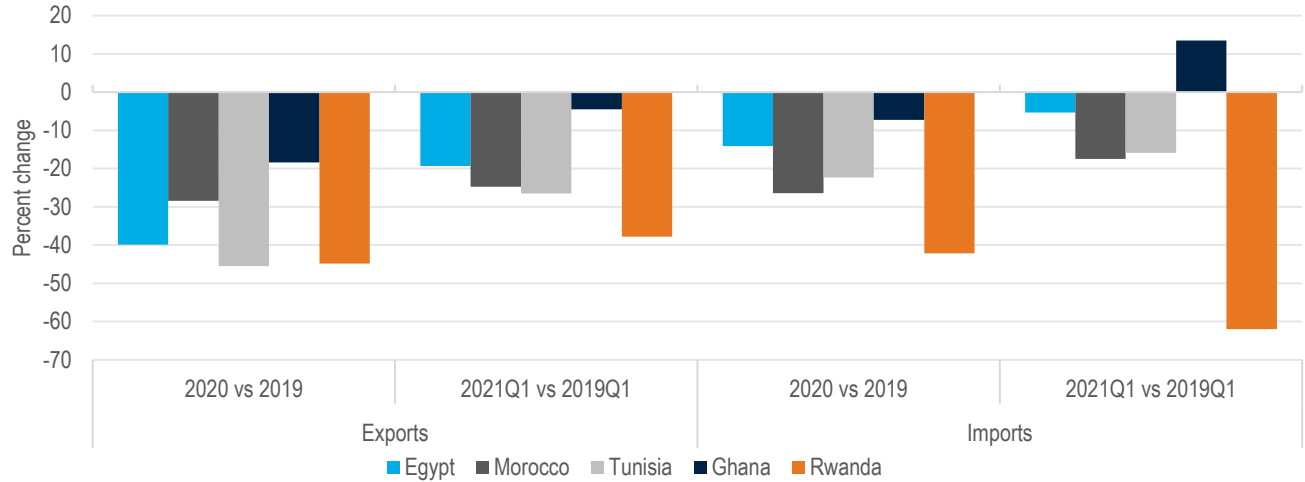
For most Compact countries, services exports and imports in 2020 remained below the levels in 2019 (Figure 6a). Moreover, the services trade of the few countries with available data in 2021 Q1, is yet to catch up with the pre-pandemic levels, despite the ongoing recovery (Figure 6b). Also, consistent with global trends, travel services exports have seen the largest and most persistent declines (Figure 7).

**FIGURE 6. COMPACT COUNTRIES' SERVICES TRADE**



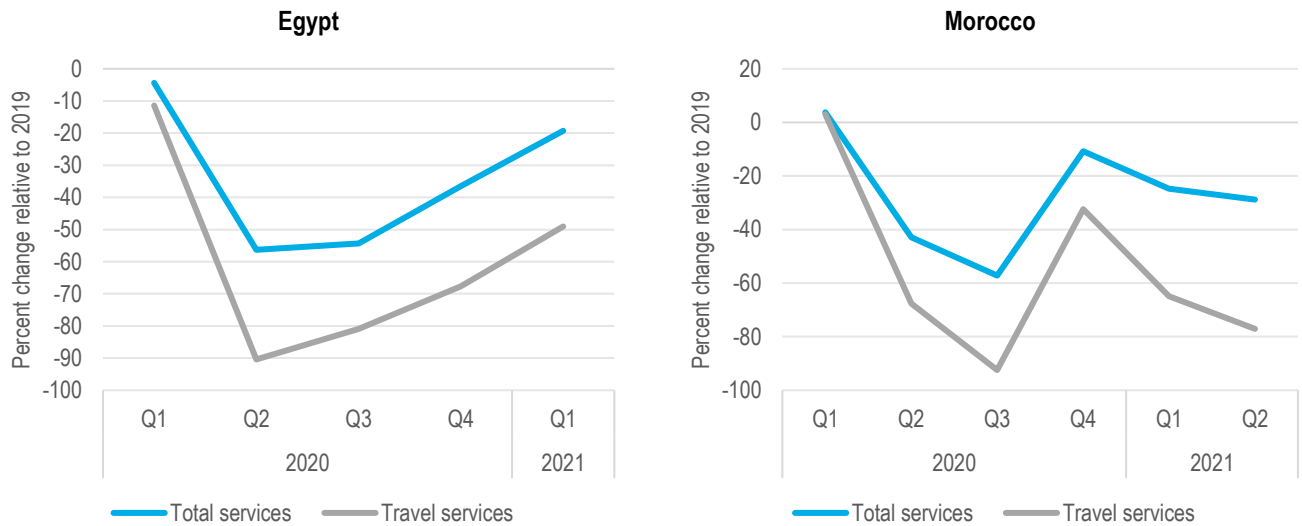


b. 2020 and 2021 vs 2019



Source: World Trade Organization services statistics. Notes: Trade values in current U.S. dollars.

FIGURE 7. EXPORTS OF TOTAL VERSUS TRAVEL SERVICES



Source: World Trade Organization services statistics. Note: Each quarter in 2020 and 2021 is compared to the corresponding quarter in 2019. Trade values in current U.S. dollars.

2.

*Overview of the  
Country Private  
Sector Diagnostics  
(CPSDs) in  
Compact Countries*

## 2. OVERVIEW OF CPSDs IN COMPACT COUNTRIES

The Country Private Sector Diagnostic (CPSD) assesses opportunities for and constraints to private-sector led growth. Each CPSD includes an assessment of the state of the private sector, identification of near-term opportunities for private sector engagement, and recommendations of reforms and policy actions to mobilize private investment and drive solutions to key development challenges. By combining both economy-wide and sector-specific analysis of constraints, the CPSD helps to create a common analytical basis to shape policy dialogue and guide transformational private investment. Analysis and recommendations of the CPSD inform the World Bank Group’s country engagement process, as inputs to the IFC Country Strategy, the broader Systematic Country Diagnostic, and the Country Partnership Framework as well as WBG lending and advisory services. IFC and other development finance institutions are working together to provide in-depth economic analyses that identify opportunities for the private sector to maximize development impact.

As shown in Exhibit 1 below, the CPSD program already covers 57 countries<sup>9</sup> – including all 12 Compact countries (9 have been published and 3 are underway in Benin, Togo, and Tunisia). CPSDs in Compact countries are being financed by ISCA, IFC’s multi-donor CwA trust fund and the WBG<sup>10</sup>. The CPSD reports are also, when further analysis is required, followed up by “deep dive” analysis of key sectors and policy issues.

### Exhibit 1 - CPSD Countries

ONGOING (24)		FORTHCOMING (13)		PUBLISHED (20)	
<ul style="list-style-type: none"> <li>• AFGANISTAN</li> <li>• ALBANIA</li> <li>• AZERBAIJAN</li> <li>• BENIN</li> <li>• BOLIVIA</li> <li>• BOTSWANA</li> <li>• BURUNDI</li> <li>• CAR</li> <li>• CHAD</li> <li>• CHILE</li> <li>• COLOMBIA</li> <li>• ESWATINI</li> <li>• FIJI</li> </ul>	<ul style="list-style-type: none"> <li>• HONDURAS</li> <li>• JAMAICA</li> <li>• LEBANON</li> <li>• MOLDOVA</li> <li>• NAMIBIA</li> <li>• PERU</li> <li>• SRI LANKA</li> <li>• THAILAND</li> <li>• TOGO</li> <li>• TUNISIA</li> <li>• UGANDA</li> </ul>	<ul style="list-style-type: none"> <li>• BANGLADESH</li> <li>• CAMEROON</li> <li>• D.R OF CONGO</li> <li>• ECUADOR</li> <li>• HAITI</li> <li>• JORDAN</li> </ul>	<ul style="list-style-type: none"> <li>• KYRGYZ REP.</li> <li>• MADAGASCAR</li> <li>• MALAWI</li> <li>• MALI</li> <li>• MOZAMBIQUE</li> <li>• PAKISTAN</li> <li>• VIETNAM</li> </ul>	<ul style="list-style-type: none"> <li>• ANGOLA</li> <li>• BURKINA FASO</li> <li>• COTE D'IVOIRE</li> <li>• EGYPT</li> <li>• ETHIOPIA</li> <li>• GHANA</li> <li>• GUINEA</li> <li>• INDONESIA</li> <li>• KAZAKHSTAN</li> <li>• KENYA</li> </ul>	<ul style="list-style-type: none"> <li>• MOROCCO</li> <li>• MYANMAR</li> <li>• NEPAL</li> <li>• NIGERIA</li> <li>• PHILIPPINES</li> <li>• RWANDA</li> <li>• SENEGAL</li> <li>• SOUTH AFRICA</li> <li>• UKRAINE</li> <li>• UZEBKISTAN*</li> </ul>

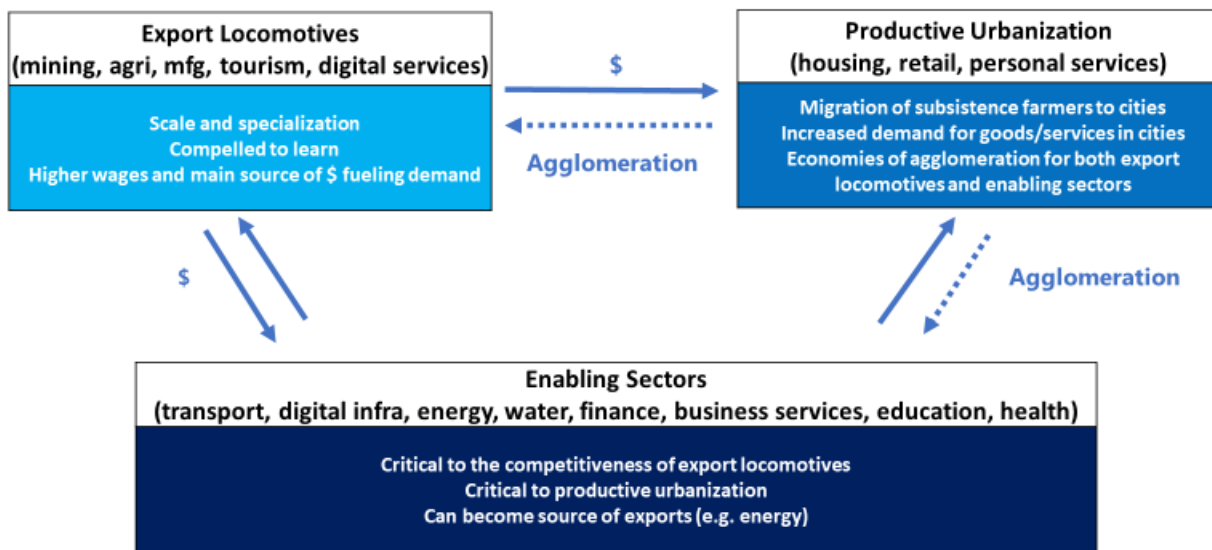
\*Not publicly available

<sup>9</sup> CPSDs are publicly available and can be downloaded from: [https://www.ifc.org/wps/wcm/connect/publications\\_ext\\_content/ifc\\_external\\_publication\\_site/publications/cpsd-by-region?tNum=7&contentquery=IFC\\_Ext\\_Design/CPSD](https://www.ifc.org/wps/wcm/connect/publications_ext_content/ifc_external_publication_site/publications/cpsd-by-region?tNum=7&contentquery=IFC_Ext_Design/CPSD)

<sup>10</sup> Donor partners supporting ISCA are Germany, the Netherlands, Norway

The CPSD methodology and value added is to look at private sector investment opportunities and constraints through a sector lens across the economy, leveraging the sectoral expertise of the IFC and World Bank, building on previous diagnostics, and complemented by extensive consultations with the private and public sector. To that end, the CPSD uses a typology of 17 sectors, differentiating between export locomotives, urban and enabling sectors. Export locomotives drive economic growth by generating FX and productivity growth through economies of scale, specialization and learning from global exposure. Export locomotives also drive urbanization, domestic demand and investments, while enabling sectors support both export locomotives and productive urbanization as reflected in Exhibit 2 below.

### Exhibit 2 - CPSD Theory of Change – Private sector led growth through a sector Lens



For the most promising/important export locomotive and urban sectors, CPSDs analyze how conditions for productive private investments could/should be improved along five enabling dimensions: business environment, access to markets, land, skills and finance - see Exhibit 3 below.

### Exhibit 3 - Framework used in CPSDs to develop recommendations

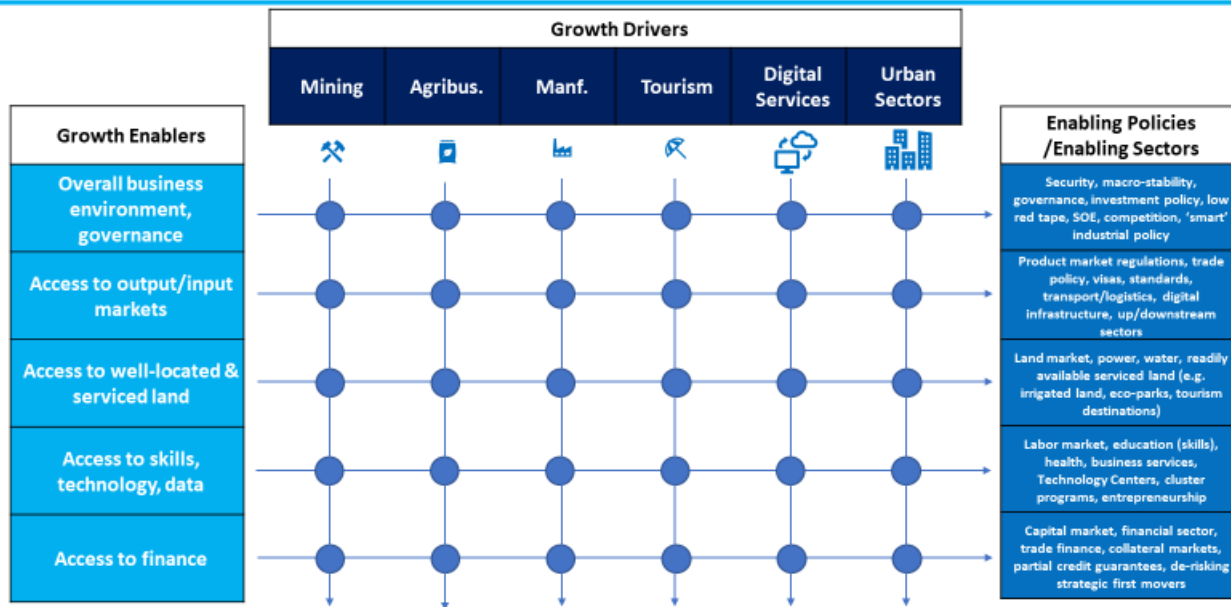


Exhibit 4 below shows the sectors which have been selected by CPSD teams for sector assessments in Compact countries. Agribusiness has been selected in all 12 Compact countries both because of large untapped potential and its direct positive impact on poor people, the vast majority being in rural areas. The next most popular sector is ICT (both as an enabling sector and export locomotives) which has been assessed in 8 Compact countries. It should be noted that one should not infer that a non-selected sector in a country means this sector offers little opportunities for private investments – in fact in many cases, sectors were not selected because they had been extensively studied prior to the CPSD (e.g., manufacturing in Ethiopia, or the financial sector in most Compact countries).

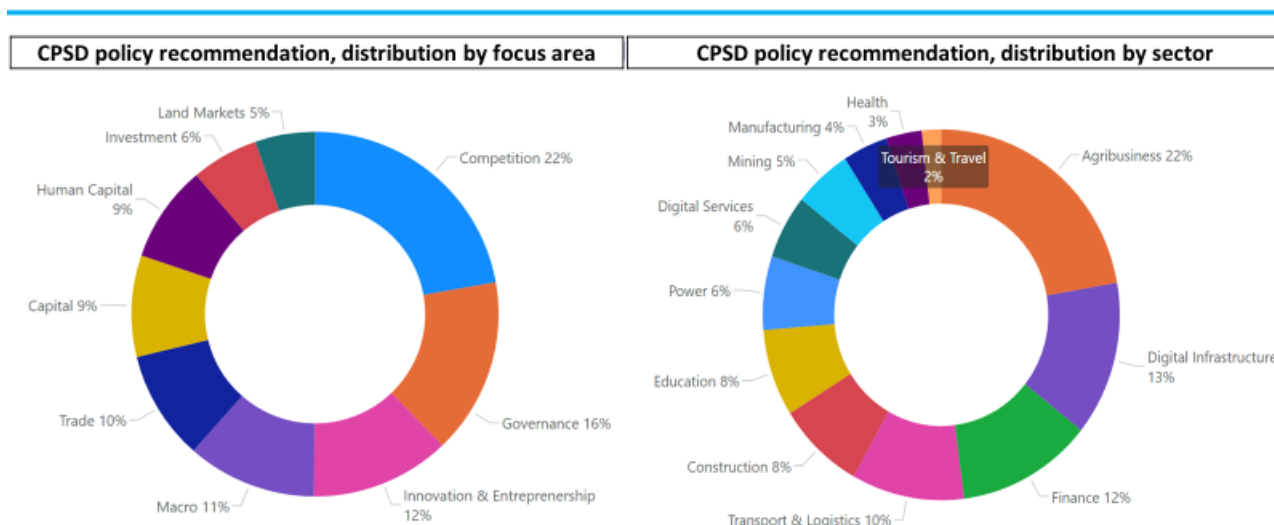
### Exhibit 4 - Sectors selected for deeper assessments in CwA CPSDs

	Agribus.	Extractives	Manuf.	Services & Tourism	Affordable Housing	Transport & Logistics	Energy & Renewables	ICT	Financial Markets	Education & Health
BENIN*	X			X	X					
BURKINA FASO	X	X						X		
COTE D'IVOIRE	X					X		X	X	X
EGYPT	X		X					X		X
ETHIOPIA	Deep Dive			Deep Dive		X	X	X	X	X
GHANA	X							X		X
GUINEA	X	X			X		X	X		
MOROCCO	X		X							X
RWANDA	X				X					
SENEGAL	X			X	X		X			
TOGO*	X	X				X		X		
TUNISIA**	X		X			X		X		

\*Ongoing  
 \*\* Being Finalized

From these sector analyses, CPSDs have made recommendations to tackle both cross-cutting and sector specific issues – see Exhibit 5 below.

### Exhibit 5 - Policy Recommendations – Overall & by Sector in CwA CPSDs



#### Examples of cross-cutting recommendations:

- Trade facilitation through single windows (Egypt) – “Enact a new customs law and executive regulations aligned with the Revised Kyoto Convention and WTO Trade Facilitation Agreement.”

- Competition (Morocco) – “Review the competitive neutrality of SOE commercial activities by implementing subsidiarity analyses and clarifying the scope of SOE activities. Apply the same set of rules and provide the same incentives to SOEs’ commercial activities as those offered to private firms (for example, procurement, access to land, access to finance).”
- Land (Senegal) - “Reform the legal framework to validate the evolution of customary law rights toward real, codified rights.”
- PPPs (most Compact countries) – create/reinforce good practice PPP institutional set up with significant resources to conduct quality feasibility studies to promote opportunities through competitive process.

**Examples of sector specific recommendations:**

- Agribusiness (Ghana) – “Engage in improving land markets through the development of model land leases between local communities and private investors.”
- Manufacturing (Cote d’Ivoire) – “Integrate industrial zones and new SEZs into a coherent and dynamic vision of spatial development, supported by key infrastructure (transport, energy, and communications).”
- Digital Services – Access to broadband, Accra Digital Center (Ghana)
- Transport/Mining (Guinea) – “Implement institutional, legal and regulatory reforms driving shared-use of ancillary mining infrastructure.”
- Energy/Mining (Burkina Faso) – “Develop least-cost energy generation plan and grid integration study, taking into account regional inter-connections and shared infrastructure with mining companies.”
- Housing (Rwanda) – “Support private sector to invest in alternative building technologies (ABTs) to complement traditional construction techniques and reduce the costs of construction materials with innovative approaches.”
- Finance (Ethiopia) – “Ease current regulations on deposits of, and access to, foreign exchange for exporters.” Access to foreign exchange affects all firms in Ethiopia, the initial focus on exporters stems from the fact there are susceptible to increase FX reserves, exporting more than they are importing.
- Infrastructure sectors (most Compact countries) – Create/reinforce independent regulator to ensure economic pricing and promote competition

The CPSDs are informing the WBG country strategies and operations supporting private sector led growth in Compact countries – see the Table and Exhibit 6 below.

WBG OPERATIONS INFORMED BY CPSDs IN COMPACT COUNTRIES (ON-GOING IN BENIN, TOGO AND TUNISIA)						
Countries	IFC Country Strategy	WBG strategy	Budget Support	Investment Lending	Deep dive analysis and technical assistance	IFC investments
Burkina Faso	Yes		Yes	Yes (upcoming)	Investment climate program	
Cote d'Ivoire			Yes	Yes		
Egypt	Yes	Done before CPSD	Yes		Agribusiness, healthcare	
Ethiopia	Yes	Yes	Yes	Yes (infrastructure with a focus on urbanization)	Agribusiness, tourism	
Ghana	Yes	Yes		Yes (zones)	Agribusiness	
Guinea			Yes	Yes (agribusiness)		
Morocco	Yes	Yes	Yes		Competition	Vocational training
Rwanda	Yes	Yes		Yes (housing)		Housing (pipeline)
Senegal	Done before CPSD	Done before CPSD	Yes	Yes (agribusiness, energy, housing)		

### Exhibit 6 - Examples of impact of CwA CPSDs on WBG Strategy and Operations to date

<p><b>Cote D'Ivoire (2020)</b></p> <p>The key sectors discussed in the CPSD informed the priorities in the IFC CS and SCD for private sector engagement and provided an effective platform for dialogue with the government. It informed the focus of the JET project, resulted in a rearticulation of DPO to be more private-sector focused and informed policy dialogue at the PM-level. The CPSD was instrumental for the articulation of PAs in the COVID Emergency DPO to focus on stimulating recovery.</p>	<p><b>Ethiopia (2019)</b></p> <p>The Ethiopia CPSD informed both strategic priorities of IFC &amp; WB and programming. It showed that significant private investment growth is predicated on addressing performance and governance issues in the enabling sectors (telecom, energy, logistics and financial services). CPSD findings are reflected in the DPO. CPSD outlines reform recommendations for a high investment case.</p>	<p><b>Rwanda (2019)</b></p> <p>The Rwanda CPSD shaped significantly key WBG country strategy documents (SCD, IFC CS, CPF), determining sectoral and thematic priorities for WBG engagement in the country. CPSD reform recommendations in the agribusiness and housing sector formed the basis for WB and IFC advisory and lending projects.</p>
<p><b>Egypt (2020)</b></p> <p>CPSD informed the strategic country-level engagement with the Government and the IFC and WB country strategies. The CPSD underpins the prior actions in the Egypt Inclusive Growth for Sustainable Recovery DPF – with emphasis on more competitive markets and stronger job growth. A sector that is being investigated further under CPSD phase 2 is the pharmaceutical sector.</p>	<p><b>Senegal (2020)</b></p> <p>The Senegal CPSD provided strategic frame for the IFC Country Strategy and CPF. It highlighted the opportunities for creating markets in manufacturing, agribusiness and energy – and outlined the reforms required to realize them. The CPSD informed a new generation of JET projects – JET and Recovery project and the 2nd &amp; 3rd Multi-Sectoral Structural Reforms DPF.</p>	<p><b>Morocco (2019)</b></p> <p>The CPSD informed the IFC Country Strategy, specifically highlighting competition as an important, cross-cutting policy area of focus for unlocking private investment. Further, it shaped the IFC 3.0 strategic focus on education and TVET and was the basis of the private sector-focused pillar in the CPF. Follow-up activities from the CPSDs have included technical assistance to the Competition Council.</p>



## How CPSDs are informing the future strategic directions being considered for the Compact 2.0

While good progress has been made on the reform front as shown by the April 2021 CwA Monitoring report, Compact countries have not seen a clear link between FDI and reform efforts, especially in the context of the overall drop in FDI during the pandemic. The CPSDs note the need for moving to a next generation of reforms deepening and adjusting to the new post COVID realities – including with increased emphasis on sector specific policy reforms. It is also clear that more emphasis needs to be put on the digitalization and greening of economies as well as regional integration leveraging the Africa Free Trade Area. These topics have been featured in the last two CwA Monitoring Reports as well as the first and successful CwA technical workshop which just took place on September 7, 2021. The following section of this CwA report features specific examples of private investments enabled/supported by industry specific policy reforms/actions (e.g. Scaling Solar in Senegal, Affordable Housing in Rwanda, ICT in Ghana...). The proposal is thus to update the CwA reform matrices to include these sector specific policy reforms/actions as informed by CPSDs (and their follow-up sector deep dives) and other diagnostics.

To that end, Compact countries who participated at the CwA Technical Workshop (see the last section of this report for the highlights from this workshop) requested more resources to be allocated to support/motivate the CWA reforms – starting with technical assistance (including feasibility studies for PPPs). The ISCA Trust Fund can be further leveraged to that effect though additional resources for ISCA would be needed. There is also the very interesting (and lonely) case of Tunisia which managed to mobilize (with the support of the local WB office) a USD6 million Tunisia specific Compact Trust Fund (Germany, Norway, The Netherlands).

Finally, the CwA initiative/reforms should be further mainstreamed as part of the overall government reform program. There again, the case of Tunisia is very interesting as it is developing (with the Compact Tunisia Trust Fund) an electronic platform to help mobilize and coordinate development partner support (including budget support operations) to the government’s key reforms (showing how the various reform matrices - including the CwA reform matrix – fit and complement with each other). The platform will also monitor implementation progress in real time – making the information available to all internal and external stakeholders, thus greatly facilitating the identification and resolution of implementation bottlenecks. Such a system, essentially the electronic operationalization of the “Country Platform”, could be shared with the other Compact countries and beyond. The Tunisia case was featured at the September 7, 2021 CwA Technical Workshop and drew a lot of interest (see the last section of this report). Such an “electronic Country Platform” could be “manned” by a dedicated world-class “Reform Team” reporting directly to the Head of State and responsible for monitoring and supporting the implementation of priority reforms leveraging the support of development partners in consultation with the private sector – following the approach followed by many successful reforming countries (footnote 11).

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<sup>11</sup> Reform Teams (Crisciuolo et al., World Bank, 2008)

3.

*Scaling private  
investments in  
high-growth  
sectors with  
Compact Partners*

### 3. SCALING PRIVATE INVESTMENTS IN KEY SECTORS WITH COMPACT PARTNERS

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Compact countries in partnership with Compact countries are putting in place the regulatory frameworks and support measures to trigger private investments in key sectors through approaches which can be scaled up and replicated within and across Compact countries. We discuss below such approaches being developed for vaccine manufacturing and healthcare, housing, solar and digital.

#### **SCALING HEALTHCARE AND VACCINE MANUFACTURING *IN SENEGAL, MOROCCO, RWANDA, EGYPT AND GHANA***

The COVID-19 pandemic has created an unprecedented global health crisis, with >200 million confirmed cases and >4 million deaths. The surge in global demand for healthcare products and services caused by COVID-19 far exceeds the supply in both developed and developing countries. At the outset of the pandemic, estimated private sector financing needed to expand manufacturing and delivery capacity for Healthcare Products to meet the demands of COVID-19 exceeded USD60 billion.

The global supply gap problem is exacerbated by the fact that most of the production of Healthcare Products is concentrated in a few (and in most cases, developed) countries. This geographic concentration of manufacturing suggests that alleviating the immediate needs of developing countries to access essential Healthcare Products requires investments in both developed and developing country capacities.

Many developing countries also lack the required capacities to provide the necessary Healthcare Services to meet the elevated demand to fight COVID-19 and to strengthen their health systems for future resilience. The health systems of many developing countries depend heavily on the private sector's ability to fill in the service gaps and will require more investment and public-private collaboration to improve quality and affordability.

#### **Compact Country Highlights**

The global need for COVID-19 vaccines is estimated to be around 11 billion doses. Due to severe imbalances in access, only 83 million doses have been administered to date in Africa despite an estimated demand for ~1.6B doses on the continent. Given the urgent needs for both short and long-term vaccine manufacturing capacity in Africa, IFC is in active discussions with multiple African companies in various countries (e.g., Senegal, South Africa, Rwanda, Egypt, Morocco, Nigeria, etc.) to provide access to finance and project development support. Key initiatives include:

##### **Institut Pasteur de Dakar (Senegal)**

In July 2021, IFC is partnering with IPD to provide up to USD3.4 million in grant funding to develop IPD's capacity to manufacture 300 million doses/year of COVID-19 vaccines. IFC's funding is part of a USD14 million grant funding package including 3 other DFIs: the Agence Française de Développement, the U.S. International Development Finance Corporation (DFC), and Team Europe, which includes the European Commission and the European Investment Bank (EIB). The funding will kickstart a larger project to upgrade the capacity of IPD's vaccine manufacturing facility in Dakar, allowing it to produce COVID-19 vaccines as a first step, with plans to expand into other vaccines in the medium term. The German government has

recently announced EUR 20 million grant funding to the Project (through KfW), which is expected to be channeled through the Government of Senegal (GoS) during the ramp-up of the Project and will thus complement the initial USD14 million grant funding package coordinated by IFC. KfW is expected to start due diligence for the funding after the disbursement of the initial grant funding.

**Next Steps:** IFC believes that creation of a commercially viable structure that can meet the objectives of GoS and IPD, while attracting the right funding and technical support to the project is achievable. IFC has shared a potential commercial structure for the Project with IPD and the GoS using a combination of grant, concessional, public, and private funding, which will be discussed in due course with the GoS and IPD. Additionally, The World Bank, IFC and other DFIs bring several distinct capabilities and convening power to the table that can help IPD in achieving the non-financial milestones for the project. IFC, along with a small DFI working group (including KfW), will coordinate with GoS and IPD in facilitating and/or joining discussions with external stakeholders, including but not limited to WHO, African Union, GAVI, CEPI, and vaccine developers to ensure support early on for the project and development of a roadmap for achieving the critical milestones in terms of tech transfer, regulatory approvals, offtake arrangements and distribution/supply chain management.

### **Morocco Vaccine Manufacturing**

IFC has signed an MoU with the Morocco Ministry of Health and Institut Pasteur du Maroc (IPM) to analyze the feasibility of local vaccine manufacturing in Morocco. In July 2021, King Mohammed VI initiated a project to provide Morocco with complete and integrated industrial and biotechnological capacities, dedicated to the manufacturing of vaccines in Morocco.

The Moroccan government has signed MoU's with Sinopharm (a Chinese COVID-19 vaccine developer), Recipharm (a Swedish contract manufacturer), and Sothema (a Moroccan pharmaceutical company) for a phased development plan to develop national vaccine manufacturing capacity.

IFC is engaging with Sothema and other Moroccan pharmaceutical companies to explore potential opportunities to partner for vaccine manufacturing.

### **Rwanda Vaccine Manufacturing**

IFC is in active discussions with the Government of Rwanda (GoR) to develop vaccine manufacturing capabilities for a COVID-19 vaccine. The GoR plans to adopt a leapfrog strategy to develop an mRNA vaccine production facility with the vision to create an African biotechnology hub.

In September 2021, IFC and the Rwanda Development Board signed a collaboration agreement to develop vaccine manufacturing capacity in Rwanda and contribute to expanding vaccine production in Africa. As part of the collaboration, IFC will support Rwanda to conduct diagnostic and feasibility studies to understand the constraints, interventions, potential pathways, resources and partnerships required to develop Rwanda's capabilities for vaccine manufacturing including assessment of requirements for in country and regional regulatory systems/certifications. This should set the stage for determining that the right technical and policy frameworks needed to establish a world-class vaccine manufacturing supply chain in Rwanda are in place to produce vaccines for use in Rwanda and for export across Africa.

The partnership will focus on supporting Rwanda's recently announced association with BioNTech, a leading biotechnology company, and the kENUP Foundation to explore establishing end-to-end manufacturing capability for mRNA vaccines. Other

potential vaccine and pharmaceutical production facilities, including a fill-and-finish facility, are expected to be co-located with BioNTech in the Kigali Special Economic Zone.

Africa depends on other countries for 99 percent of its vaccine supply. The African Union and the Africa Centers for Disease Control and Prevention (CDC) are aiming to have 60 percent of Africa's routine vaccines produced locally by 2040. Africa CDC has identified Rwanda (along with Senegal and South Africa) as potential regional vaccine manufacturing hubs in Africa.

## Scaling Healthcare in Egypt

Given Egypt's high population density, the health care system is under great pressure to effectively prevent, control, and respond to public health emergencies in a timely manner. The first COVID-19 case in Egypt was diagnosed in February 2020. The crisis could further stress a system with inadequate funding and inefficient use of facilities, both of which have led to a significant decline of health care provision in public hospitals over the years. These limitations were also not fully offset by an increase in private provision. Although the country has provided access to clinics, the health care authorities have neither addressed concerns about quality of care nor overcome funding challenges. Inadequate funding and inefficient use of facilities have led to a significant decline in the number of hospital beds provided in public hospitals—declines not offset by the increase in private hospital beds. The projected large increase in Egypt's population suggests that substantial investment, more than USD10 billion, will be needed for hospital beds alone.

The private sector has been steadily growing in importance in the health sector.<sup>12</sup> In addition to pharmacies where it dominates, the private sector has established and manages a growing number of private clinics, polyclinics, specialized hospitals—estimated at 1,000 in 2016—more than the number of clinics in the public sector. However, public facilities still provide most of the overall bed capacity. The segments with the largest private sector presence are the laboratory and imaging services, amounting to about 5 to 7 percent of total health expenses. Despite some consolidation, the hospital market is still very fragmented, with the three top firms controlling barely 4 percent of the total number of beds (HSBC 2018). To promote the health of its citizens and reduce their financial burden from health care, the government passed a law to implement a universal health insurance system. The system will be funded through taxes, employer premiums, and subscription fees, with subsidies for the poorest populations. The law, which was passed in December 2017, will be implemented in six phases over a 10-year period (8 remaining) by three agencies in charge of the related elements: (a) health service provision; (b) insurance and procurement; and (c) quality supervision, assurance, and accreditation. These functions will be carried out by the Universal Health Insurance Agency (the purchaser), the Health Care Organization (the provider), and the General Authority for Healthcare Accreditation and Regulation, respectively. In addition, the Egyptian Authority for Standard Procurement and Medical Technology Management (EASPMTM) will prepare plans for standard procurement, implement a national system and IT infrastructure to conduct health technology assessments, and follow up in real time on the needs and uses of equipment and pharmaceuticals.

## Opportunities for Private Sector Participation

The implementation of the universal health insurance system could be a catalyst for creating PPPs for improved health outcomes. If the policy reforms are designed correctly, the private sector could have incentives to innovate and develop facilities that can serve greater volumes of patients, provide better quality care, and lower costs. Although a detailed assessment of specific areas of private sector engagement is required, stakeholder consultations and country experiences point to some areas where the private sector could play an important role.

<sup>12</sup> The private sector consists of for-profit organizations that include traditional private pharmacies, private doctor clinics, auxiliary services (laboratory, radiology, and physiotherapy), and private hospitals of all sizes. The not-for-profit sector is also a participant, especially in underserved areas. In 2013, they were estimated to cover about 4 percent of the population's health occurrences, compared with 11 percent for the public and 85 percent for the private sector.

## Priority Actions to Foster a Modern Health Care Sector

To foster a modern and dynamic health care sector, two steps can be taken in the short term. First, regulations regarding contracts for services need to be simplified or introduced. The current law for licensing medical providers needs to be amended, and contracting requirements could be simplified to incentivize the private sector to operate. Health care services also have yet to benefit from a one-stop shop, or single-window solution, for speedy and efficient contracting of services. A formal mechanism for redressing grievances needs to be scaled up, and a medical liability law should be explored. Second, building the capacity of medical facilities and staff, and exploring incentives for improving efficiency (such as pay-for-performance) is vital. It is also important to develop, apply, and monitor uniform quality standards across all health care facilities. In the medium term, private sector engagement could be strengthened by other steps. For example, the PPP regulatory environment needs to be strengthened through a combination of activities, including building capacity to assess and regulate PPPs and creating models that address private sector bankability, user affordability, and fiscal sustainability. Different private sector models need to be assessed, such as the hub and spoke model to tackle the challenge of expanding commercially viable ISPs into Tier II and III cities. Other measures for the government to consider include more emphasis on contracting and reimbursement mechanisms as well as contractual modalities between the government and the private sector for public health programs (which will remain funded through public sources). A deeper analysis should be done to assess a potential phased approach to allow private sector engagement in services with the largest gaps. Finally, patient awareness needs to be addressed through appropriate knowledge campaigns. IFC is also supporting the following two complementary initiatives:

- **Humania (also in Morocco):** IFC invested and mobilized financing support that will help Humania develop a network of high-quality tertiary hospitals in Egypt and Morocco. The project comes as the COVID-19 pandemic puts pressure on healthcare services in the Middle East and North Africa region. For IFC, this demonstrated a rapid response to the crisis in the region, both through investment services, but also via Advisory services provided to the client in the development and implementation of the project.
- **Improving the services of private healthcare providers.** To support Egypt's goal of achieving universal health coverage by 2030, in June 2021, IFC launched an advisory program to help at least 100 private healthcare providers improve their patient care systems and broaden access to safe and quality healthcare in the country. IFC, through its Egypt Quality Advisory Program, will advise private healthcare service providers across Egypt on enhancing patient safety practices and upgrading their quality assurance systems, ensuring they comply with national requirements and deliver the best quality care. IFC support follows the WB's USD400 million to support Egypt's transformational Universal Health Insurance System (UHIS) as the country's pathway toward achieving universal health coverage (UHC) and improving the health outcomes of its citizens. The WB project will support the Government of Egypt (GOE) to put in place the building blocks of the Universal Health Insurance System; to roll the system out in Phase I Governorates; and to offer temporary financial protection to the most vulnerable across the country to protect them from high out-of-pocket health expenditures resulting from the COVID-19 outbreak.

### Responding to the COVID challenge in Ghana with private health care

The COVID-19 pandemic has shown that quality health care by the private sector is critical to complement government's effort if Ghana is to achieve its goal of universal health care by 2030. In 2015, 45 percent of people in Ghana had universal health coverage (UHC), compared with an average of 80 percent for Organization of Economic Cooperation and Development (OECD) countries.

Thanks to a decade of policy reforms supported by the World Bank Group's Health in Africa (HiA) initiative which was implemented in Ghana from 2012, the private sector has become an indispensable partner to government in the delivery of quality health care for Ghanaians. Through HiA, IFC supported various government agencies to develop private health sector policy including the development of a modern web-based health facility registration and inspectorate system, the update of sectoral regulations, and the drafting an improved legal framework. In 2015, approximately 35 percent of healthcare spend in Ghana came from government, 40 percent private, and the rest from donor funding. Ghana's framework served as model for nine other countries.

COVID-19 tested the system. As the pandemic spread, Ghana's private health care policy framework enabled IFC to accelerate key activities that have proved critical in the country's response to the pandemic and will contribute to a sustained improvement in accessibility to quality health care. IFC made its first investment in a private hospital in Ghana, a USD2.5m loan to New Crystal Health to support the expansion of the group which provides high-quality medical services to lower-middle-income and low-income patients in and around Ghana's capital, Accra. New Crystal quickly ramped up its digital health capability in the first phase of the pandemic.

In July 2020, IFC lent USD5.2 million to Nyaho Medical Centre to support the upgrade of the Ghanaian health leader's main facility in Accra and the company's expansion to other cities to better serve its patients. The financing plan involved a hub and spoke strategy, in which the central hospital would focus more on specialized treatment, testing, and inpatient care. Outpatients would visit their doctors at clinics or virtually. There would also be more specialized facilities, such as a maternal and pediatric care unit, opened in January 2020 at the main campus, and an urgent care center in the nearby city Tema, currently planned to open later in 2021. When the pandemic struck, Nyaho's proactive approach to medical testing and treatment enabled it to play an important role as a trusted advisor to Ghana's government on pandemic response.

An attractive regulatory environment also helped attract FDI that contributed to a better response to the pandemic. For instance, in August 2021, IFC invested USD3 million in South African radiology specialist Bergman, Ross and Partners Incorporated (BRP) to help increase access to world-class medical diagnostic services, including for COVID-19, tuberculosis, and other respiratory illnesses, for thousands of Ghanaians. The pandemic led to a 50 percent surge in demand for the services of BRP's services in Ghana. The new facilities, expected to be operational by the end of 2022, will enable BRP's local partner to serve in excess of 5,000 patients monthly, up from the 3,000 it serves today.

Ghana's reforms in the sector supported private investment, but also more sustainable operations in the sector. In June 2020, IFC's Excellence in Design for Greater Efficiencies (EDGE) green building program supported the Ghana Infectious Disease Centre, a product of the Ghana COVID-19 Private Sector Fund, to receive EDGE certification. Greening the 100-bed facility enabled it to reduce energy use by about a quarter, and water by a third, freeing up money for critical items such as additional medical equipment. COVID-19 has contributed to a sharp increase in Ghana's public sector debt, constraining the government's ability to invest in critical health infrastructure at a time when demand for quality care is likely to rise. Therefore, the private sector is poised to play a bigger role still to get Ghana to Universal Health Coverage by 2030.

## SCALING AFFORDABLE HOUSING IN COTE D'IVOIRE, SENEGAL AND RWANDA

Africa has the highest rate of urbanization growth but also the least developed housing finance systems in the world (World Bank 2014). In Sub-Saharan Africa (SSA), urbanization driven by rural-to-urban migration as well as endogenous population growth has not been accompanied by the level of per-capita economic growth or housing investment that is observed elsewhere in global trends. With the region's population growing at 2.7 percent (compared to a global rate of 2 percent) and projected to reach 1.2 billion by 2050, unmet demand for affordable housing is expected to worsen in the coming years if nothing is done. Over the next 30 years, more and more people will be added to the number of urban dwellers in Africa. This daunting challenge is in a context of already widespread covid impact and inequality in cities, where many people are living in slums without adequate basic services. Better housing finance systems are needed to meet the growing demand for affordable housing that African countries are facing.

### Challenges of the Housing Sector:

**On the supply side**, the main challenges facing the sector include: (i) unfavorable enabling environment, (ii) limited access to land and inadequate land administration systems, (iii) lack of infrastructure service provision and standards coupled with limited technical ability and financial capacity of developers and governments to manage large scale projects and (iv) high cost of building materials and technology. Bankable and large-scale projects are needed for the efficient delivery of affordable housing.

**On the demand side**, the challenges include: (i) challenging macro environments, (ii) low purchasing power of people in emerging markets, (iii) inaccessible mortgage financing caused by lack of long-term local currency financing, (iv) lack of housing finance capacity in FIs, (v) weak capital markets exacerbated by governments' issuances crowding out the private sector, (vi) lack of adequate systems to facilitate registration of mortgages and liens on property and (vii) an inadequate rental housing markets.

Housing investment in most African countries comes from government debt or domestic savings rather than from international capital markets as is the case in developed economies. As a result, the existing housing stock in SSA remains overcrowded and of limited quality, and there is typically a backlog of housing coupled with low incomes and high costs of formal housing, the informal delivery of housing as a less expensive alternative has been the norm in SSA, while formality is the exception. There is a huge need for reforms and strong policies to improve housing delivery value chains in a way that allows structured delivery of formal and quality housing construction. At the same time, SSA countries requires support in improving the enabling environment, land and infrastructure delivery, land title registration, foreclosure laws and capital market development to unlock long-term funding.

### Compact Country Highlights

- **The Côte d'Ivoire Housing Program Experience:** the WBG project of up to USD100 million to support the construction and commercialization of up to 2,100 affordable houses in CDI. IFC and WB are collaborating to address housing related constrains and support the GoCI's plan to develop 150,000 units of affordable housing. The project is in the process of being rolled with engagements with banks and developers, although it has faced persistent delays as the GoCI is significantly behind in its commitments in terms of provision of basic infrastructure, the interest rate environment, and the Covid crisis. Consequently, IFC bank clients also put their borrowing from IFC on hold.



- Senegal Affordable Housing (S2I):** A joint initiative between the Senegalese sovereign wealth fund and IFC, including other private sector investors, is exploring an initiative to establish a real estate company “Société Immobilière d’Investissements” (“S2I”). This structure supports the development and commercialization of 1,000 affordable housing units over a period of five years, with a long-term target of 10,000 housing units under a rent-to-own scheme. This scheme is being explored further to the recommendations of the Senegal Housing Sector Deep Dive study commissioned by IFC that concluded in January 2020. The study highlighted the need to develop a scalable rent-to-own model and explore financing vehicles to acquire housing inventories targeted to low- and middle-income households from housing developers. A more focused study is now required to enable the set-up of the rent-to-own model and analyze in depth the rent-to-own scheme’s legal, financial and operational framework in the context of affordable housing in Senegal.
- Rwanda Affordable Housing Development:** The World Bank and IFC are collaborating on the Rwanda Affordable Housing Finance Project to establish and support the Rwanda Mortgage Refinance Company, which would enable the banking sector to provide mortgage financing. The World Bank is providing a USD120 million, 25-year credit facility through the project, which will be part of a revolving fund that can provide affordable mortgage loans to Rwandans below commercial bank ranks, and with longer repayment periods. A potential IFC investment in collaboration with the Rwanda Social Security Board could enable the construction of over 2,000 units of moderately priced housing. IFC support for public-private partnerships, such as the PPP framework study undertaken by Deloitte, could benefit the sector by addressing infrastructure issues. The potential size of the housing market in Rwanda is not as large as it is in Kenya or South Africa, both of which have much larger populations and economies. But government commitment—through the provision of land, support for local infrastructure, tax incentives, and willingness to provide debt and equity through sovereign investment entities—makes projects in Rwanda’s housing sector attractive to local and international investors, according to analysts. In addition to the Rwanda Social Security Board, key government bodies such as the Rwanda Housing Authority, the Ministry of Finance, and the Ministry of Infrastructure—with active support from Rwandan President Paul Kagame—have pledged to work with industry players to facilitate investments in affordable housing. As a result, prospects look promising.

## SCALING SOLAR ENERGY IN SENEGAL AND EGYPT

**Scaling Solar in Senegal with WBG.** With just under a third of the Senegalese population still not having access to electricity despite significant improvements over the past thirty years, but also, given that Senegal’s energy sector remains highly dependent on expensive and pollutive imports of fuel, with estimated 80percent of the country’s energy mix based on oil, the Government of Senegal (GoS), through its Sovereign Fund for Strategic Investments (FONSIS), has worked with the WBG and other partners to develop two photovoltaic power plants under the WBG’s Scaling Solar Program. Through the program, the GoS aimed to 1) diversify its energy mix; and 2) encourage the production of clean and renewable energy, while reducing costs. The program enabled the government to attract world-renowned investors, foster competition and obtain unprecedented prices for solar energy, demonstrating that it is possible to develop solar projects with the right conditions, with reputable partners, and for a very affordable energy cost for governments on an open tender basis.

**Scaling solar in Egypt with AfDB.** The Egyptian energy sector is one of the largest in Africa, and electricity generation has more than tripled over the past 20 years with a Compound Annual Growth Rate of 6percent. In 2019, Egypt had an installed generation capacity of 58.3GW which is a 5.7percent increase compared to 2018. The energy mix comprises of 53.3GW (91.3percent) thermal, 2.8GW (4.9percent) hydro and 2.3GW (3.9percent) of wind and solar.

Egypt's electricity sector strategy is based on expanding the use of renewable energies, rationalizing the use of conventional energy sources, encouraging local and international investors to invest in the development of renewable energy projects, as well as motivating the industrial sector to engage in the field of manufacturing renewable energy technology. The strategy aims to increase the share of renewables to 61 percent by 2041, out of which 6percent from hydro power and 14 percent from wind and solar energy.

It is in this context that, in March 2021, the African Development Bank (AfDB) extended a senior loan of up to USD 27.22 million for the construction of the largest private solar plant in Egypt. The Kom Ombo Photovoltaic Power Project will support the design, construction, and operation of a greenfield solar PV plant to be implemented under a Build, Own and Operate scheme (BOO). The development of the Kom Ombo plant will add 200 MW of energy capacity, increasing the share of renewable energy in Egypt's energy mix and thereby reducing greenhouse gas emissions, as well as further promoting private sector participation in the Egyptian power sector.

The plant, located 800 km south of Cairo, is owned by ACWA Power – a leading Saudi Arabian developer, investor and operator of power generation and desalinated-water plants worldwide – who submitted the lowest tariff in what was the first solar photovoltaic (PV) tender in Egypt. The provision of solar energy through a public tendering process aims to achieve a competitive tariff and promote the growth of solar energy as an affordable alternative to conventional energy sources. Once operational, the new utility-scale plant is expected to serve 130,000 households.

The project's total cost is estimated at USD 156.4 million. In addition to the AfDB's financing, the European Bank for Reconstruction and Development (EBRD), the Green Climate Fund (GCF), Arab Bank and the OPEC Fund for International Development are contributing financing to this critical project.

Private sector participation in the Kom Ombo project has been the fruit of successful policy dialogue with the Ministry of Electricity and Renewable Energy and the Egyptian Electricity Transmission Company (EETC), as well as technical assistance programs, co-funded by the EBRD and the GCF, to support the EETC in administering competitive renewable energy tenders. Importantly, broader energy sector reforms undertaken by Egypt and supported by the AfDB in recent years have strengthened the enabling environment to scale up private sector involvement.

## SCALING AGRIBUSINESS *IN GUINEA*

**Sector Overview.** The Guinean soil is very fertile, and the climate is favorable to a wide diversity of crops and animal husbandry. These natural endowments provide Guinea with the opportunity to be a major player in the production of agricultural products (Guinea was known as West Africa's orchard before its independence). However, the country has failed to take advantage of its abundant resources and agricultural potential. The agricultural sector accounts for approximately 23.4 percent of the country's GDP and employs about 69.7 percent of Guineans, most of them, poor farmers living in rural areas. The poverty headcount rate remains far higher in rural areas (65 percent in 2012) than in urban centers (35 percent). Being one of the main drivers of economic growth/employment and the main source of income for the poor underscores the potential role of the sector to boost growth and improve the livelihoods of the local populations. It is a key priority in the Government's national and sector strategies (including the National Socio-Economic Development Plan PNDES 2016-2020), but faces daunting challenges related to low productivity and competitiveness. Efforts to attract private investments in the sector remain weak and uncoordinated while agricultural production is still low in the country.

**Constraints to private sector participation.** Commercial agriculture, or agribusiness, is embryonic, and the key constraints to private investment in agricultural value chains include : (i) unpredictable distortionary policy changes, and an absence of meaningful transparent and expedient legal recourses for investors, including on land (with insecure land titles and inefficient land administration); (ii) poor logistics and transport services, (iv) absence of credible food standards and quality control system, posing serious food safety threats in the domestic market, and limiting access to international markets; (iii) limited access to and inadequate financial services; and (iv) poor business development services and lack of investor support – including dispute resolution and absence of an investor grievances redressal mechanism.

**WBG Engagement.** Consequently, IFC and WB teams have jointly developed a comprehensive package of support measures to unlock commercial agriculture in Guinea. These measures were discussed and agreed upon with a high-level Guinean delegation at the 2018 WBG Spring Meetings. The objectives are threefold: (i) contribute to foreign and domestic investments in the agribusiness sector [USD 10 million investments facilitated three years post-completion]; (ii) help improve the business climate for agribusiness [3 investment reforms implemented by the end of project] through the establishment a public-private dialogue (PPD) platform focusing specifically on agribusiness and; (iii) reduce by 10 percent the time required to obtain land titles and 20 percent the time to obtain construction permits through the establishment of an efficient One Stop Shop for land registration and construction permits. Specifically, the project will help implement business environment reforms in pre-identified reforms areas and sub-sectors, strengthen the country’s investment promotion and facilitation services for agribusiness investors and build a pipeline of investment ready projects in the agribusiness sector. The project intervention is based on the following principles: (i) leveraging existing infrastructure networks (roads, rail, ports, energy...) along the Boke-Kamsar and Kindia-Conakry corridors, (ii) concentrating initial support on high-potential value-chains identified in the Guinea CPSD (e.g., fonio, horticulture, meat and poultry, cashews). The Project will support the government to lift key constraints to crowding in private investors to develop markets, and by doing so provide: (i) incentives for farmers to increase productivity and quality; and (ii) much needed job opportunities for a growing population, particularly in mining areas. Expanding opportunities for commercial agriculture as a critical engine of growth will require a robust and continuous public-private dialogue. It will also focus on improving logistics to connect productive areas to markets through the rehabilitation of rural roads and upgrade of critical markets infrastructures in target regions.

**Diversification:** The need for diversifying away from existing low value crops is partly triggered by increasing demand which affords opportunities for farmer to experiment with several cropping combinations. Agriculture diversification brings about additional benefits such as:

- **Climate Change Mitigation/Adaptation** – Agriculture diversification helps mitigate the impact of adverse weather conditions, by protecting farmers from crop losses. The Guinea Commercial Agriculture Development Project will seek to increase infrastructure resilience as well as adaptation of agricultural practices to climate change and support climate-smart technologies and investments with potential for climate co-benefits.
- **Job Creation and Income Generation** – While mining and related extractive activities are often blamed for their lack of inclusive development opportunities in affected regions, developing labor-intensive commercial agriculture would alleviate social tensions among people who feel that they do not receive a fair share of the windfall of mining revenues; at the same time, it would attract further investment in these areas. Diversification creates new job opportunities for rural people other than traditional farming. The project is expected to: (i) create 24,000 jobs along the commercial agriculture value-chains, of which 12,000 for women; and (ii) increase the number of farmers and rural households provided with commercial opportunities in agricultural value-chains by 145,000 of which 72,000 women.

**Government commitment.** Guinean authorities have made some progress in key reforms such as: (i) the establishment and strengthening of key agencies such as the National Private Investment Agency (APIP), which manages the one-stop shop for business creation and facilitates the entry of new investors, the Guinean Export Promotion Agency (AGUIPEX), the commercial court, the one-stop-shop for land registration and construction permits, and (ii) the adoption of a new Investment Code in 2018. Going forward, the Project will (i) strengthen capacities of key institutions to facilitate private investments in commercial agriculture and the emergence of efficient agricultural value chains; (ii) strengthen coordination along selected value chains and (iii) strengthen quality and sanitary and phytosanitary management systems. The Government is committed to dedicate considerable investments in infrastructure and maintenance as well as pursue targeted reforms. These efforts will enable investors to bring capital, expertise and market knowledge as well as inputs, technology, logistics and commercialization know-how to play a leading role in modernizing agriculture in Guinea.

## SCALING DIGITAL TRANSFORMATION *IN TOGO*

Digitalization is identified as a key enabling factor by the Government of Togo's digital transformation strategy "Togo Digital 2025", which recognizes the need to take advantage of digital technology to unlock the full potential for economic growth. The importance of digital advancement, and the progress made by Togo in this field, is likewise an important theme in the World Bank Group's (WBG) ongoing Togo Country Private Sector Diagnostic (CPSD).

The Government of Togo has been proactive in development a supportive environment for digitization. Legislation and regulatory policies have focused on encouraging competition and expanding access, with an emphasis on the importance of both public and private participation. Examples include competitive licensing of internet service providers, as well as the privatization of the national operator, Togocom.

These structural reforms have resulted in increased competition, lower costs, and a strong increase in access to digital services. A notable achievement has been the rapid expansion of broadband penetration (from 18 percent in 2016 to 36 percent in 2019), allowing the GoT to leverage innovative digital solutions at a time when, given the COVID-19 pandemic, they were needed most.

### Digital Response to Covid-19

Throughout the World, Covid-19 containment measures have catalyzed a systemic digital shift amongst governments and consumers. In Togo, the government was able to leverage the recent growth in digital access to mitigate the most severe impacts of early Covid-19 containment measure on informal workers. Through their Novissi program, the government provided fortnightly cash transfers to informal workers, disbursed to mobile money wallets. This amounted to 30 percent of the minimum monthly wage (about USD18 for men and USD20 for women) for the duration of lockdown measures. As of January 2021, Togo had registered 1.4 million people and paid benefits of USD22 million to 580,000 eligible beneficiaries.

## Encouraging competition

Increasing digital financial services (DFS) can help in promoting economic empowerment for the poor and marginalized, but only if costs are kept to a viable level. One critical condition to achieve this is to ensure that there is sufficient competition between service providers both to incentivize increased access and ensure pressure to drive down costs. Recognizing these benefits, in 2017 the Government of Togo granted two new licenses to Internet Services Providers to boost competition, whilst also privatizing the incumbent operator, Togocom. By doing so, they established a larger and more level playing field between operators and increased the competitive pressure to accelerate the roll out of 4G and fiber networks, thereby resulting in a faster expansion of the broadband market. These developments helped broadband penetration to more than double their 2016 levels reaching 36 percent in 2019.

## Expanding access

Aside from the privatization of Togocom, the GoT continues to take concrete steps to create a conducive environment for attracting investment into the sector. GoT issued the Decree n°2020-116/PR on December 23, 2020 to support the national deployment of fiber-optic networks with the aim of increasing public and private sector involvement. The decree looks to aid the expansion of the geographic coverage of digital infrastructure that is in dire need of investments. The right investments would look to (i) increase network capacity through the deployment of mobile networks, especially 4G technology; and (ii) the upgrade of last-mile fiber broadband networks to deliver high-speed internet access to businesses and households.

Fully aligned with Togo's vision of becoming the country with the most ubiquitous fiber network in the West Africa region, as well as a regional Digital Hub by 2025, the World Bank Group seeks to establish a more competitive and functional telecommunications sector and to create a comprehensive digital ecosystem, as part of the Digital Economy Initiative for Africa (DE4A).

4.

*Key Takeaways  
from the  
September 2021  
CWA Technical*

## 4. COMPACT 2.0: KEY TAKEAWAYS FROM THE SEPTEMBER 7, 2021 CwA TECHNICAL WORKSHOP

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Following the recommendation of the April 2021 G20 AAG meeting, ACET, in collaboration with the World Bank Group, hosted a Technical Workshop with Compact countries and CwA partners on September 7, 2021. The meeting was attended by government representatives from Cote d'Ivoire, Egypt, Ghana, Rwanda, and Tunisia as well as by staff from the International Monetary Fund, the World Bank Group, the African Development Bank, the Global Infrastructure Hub, and AUDA-NEPAD. Italy (as the G20 Chair), South Africa and Germany (as the CwA co-Chairs) opened and closed the proceedings.

Overall, the country survey indicates that the CwA program has been a positive experience for Compact countries since its inception in 2017. While some countries have made it an integral part of their development program and have managed to pull development partners around it, others have lagged behind and some gaps still remain. Going forward, there is an emerging consensus that the CwA should evolve (CwA 2.0) along the following areas to increase its relevance/usefulness:

### Summary

**More emphasis needs to be put on the digital and green economies as well as regional integration leveraging the Africa Free Trade Area.** These topics have been featured in the last two CwA Monitoring Reports as well as the first and successful CwA technical workshop which just took place on September 6, 2021. The Monitoring Report for this G20-CwA meeting features specific examples of private investments enabled/supported by industry specific policy reforms/actions in the digital and green economies (e.g., ICT in Togo and Scaling Solar in Senegal).

**It is recommended that CwA reform matrices include these sector specific policy reforms/actions as informed by national policy priorities, CPSDs (and their follow-up sector deep dives) and other diagnostics such as the Digital Economy for Africa (DE4A) and Country Climate and Development Reports (CCDR).** Additionally, while **emerging issues** are important, we should not leave behind prior issues/reform commitments, especially in the post-pandemic era. **Countries have called for more regular opportunities and foster peer-to-peer learning and ongoing dialogue** outside of AAG meetings. The African Center for Economic Transformation will commit to supporting the development of additional platforms to discuss issues such as post-Covid strategies, sustainable development and the promotion of industrial activities, and other topics requested by countries.

**The private sector should be invited to actively participate in the CwA process and not just be treated as an investor in country initiatives.** This could include in-country promotion events such as the AIF and virtual workshops where private sector is invited to engage countries.

## OVERVIEW

On September 7, 2020, ACET in collaboration with the World Bank hosted a Technical Workshop with some Compact countries and CwA partners. The meeting was attended by representatives from Cote d'Ivoire, Egypt, Ghana, Rwanda and Tunisia, the International Monetary Fund, International Finance Corporation, the African Development Bank, Global Infrastructure Hub, AUDA-NEPAD.

## OPENING REMARKS

The representative of the Italian G-20 Presidency and head of Debt and Financial Co-operation Ministry of Economy and Finance, Mr. Leone Gianturco, expressed his appreciation to organizers and countries for coming together to reflect on the CwA process through the workshop. He recognized that the Compact has proved effective by improving, on average, the resilience of compact countries to adverse shocks and is a proof of concept deriving from transformative and inclusive reforms. He also noted that the G-20 Finance track has taken important strides to address country liquidity needs by linking short term recovery assistance with long term transformative strategies.

He noted that green economy and digital economy are key aspects to building resilient economies and countries can take the lead in these areas for growth and jobs. Frameworks like the African Continental Free Trade Agreement also offer promising prospects to increase FDI, however it will be important to consider strategic industrial policies aligned with FDI implementation policies (e.g., the opportunity for Africa to manufacture safe and effective vaccines). Mr. Gianturco sees the Compact as a blueprint for how to forge broad partnerships and similar processes for coordination at both the regional and national level, and the program can benefit from strengthened financial incentives and technical support.

Representing South Africa as co-chair of the AAG, Mr. Mfundo Hlatshwayo, Chief Director, Global and Emerging Markets Directorate, National Treasury, Government of South Africa expressed appreciation to countries, CwA Partners, and compact countries for their continued commitment to the CwA program. He noted that since the inception of the program in 2017, the initiative has been striving to increase investment and countries have implemented reforms in different areas (e.g., leveraging digital solutions, utilizing IMF support etc). The COVID-19 pandemic presented severe challenges for many countries and in particular some African countries who were facing debt challenges prior to the pandemic, accompanied by limited fiscal space to cushion the effects. Despite this, Compact countries have proven to be relatively more resilient, with an average growth rate of 5percent in 2020 compared to the predicted growth rate of 3.4percent for the continent. Cross border investment announcements in 2019-2020 remained strong, growing 5percent year over year compared to a 28percent drop for the rest of African economies over the same period. This reflects the strength of the Compact initiative and commitment of countries to improve the investment climate in countries.

Reviewing the objectives, he noted that review of the CWA focus areas is essential in aligning the future of the initiative with priority areas of countries, for the initiative to continue its purpose. He expressed his hope that the workshop would produce desired outcomes on how to best navigate the initiative with the aim of improving an inclusive and resilient recovery particularly as the world seeks to reach its climate change ambitions. He encouraged participants to use this forum for peer learning and use it as a conduit for their reform objectives.



## COUNTRY REFLECTIONS

The objective of this session was to reflect on country experiences with the program in terms of achieving program objectives, mainstreaming the CWA reform matrix into the national development strategy, and mobilizing technical assistance to support reform initiatives.

### Presentation of Country Private Sector Diagnostic (CPSD) Reports

See the second section of this report “Overview of CPSDs in Compact Countries”

### Presentation of Country Feedback & Discussion

The COVID-19 pandemic served as an inflection point for monitoring country progress and presented an opportunity to assess country experiences to date. A questionnaire was sent to CWA member countries to understand the challenges and benefits to date and capture expectations for the remainder of the initiative. The following summarizes the response of **five of the twelve** Compact countries who submitted their responses to the survey.

According to the survey, countries expressed satisfaction with some country reforms, FDI flows and support from CWA Partners and international organizations. Where **country reforms** are concerned, the program contributed to the implementation of economic reforms around tax, SMEs support and access to financing for innovative businesses, etc. Where **private investment** was concerned, structural reforms implemented by countries have improved the countries’ investment climate of countries. Compact countries were able to better mitigate the impacts of COVID-19 relative to the rest of Africa; and except for 2020, received a larger share of FDI flows (IFC). The program has also assisted countries to mobilize **additional partners and international organisations** for countries. In Tunisia, for example, the CWA Trust Fund has helped to strengthen the government’s partnership with CWA implementing partners.

**Challenges experienced by Compact countries in their implementation of reforms** included political instability, and reduced opportunities for promoting investment. Instability in some countries resulted in prolonged parliament approval of new laws and amendments and a declining fiscal stance due to the pandemic. Investment promotion events were put on hold, there was limited assistance from G20 countries (countries mentioned that the only concrete additional financing support regarding CWA G20 Partners intervention except through the IFC ISCA multi-donor trust fund is the launching by Germany of the new “Partnership for Reforms”) and little to no action taken to further the CWA agenda during the pandemic. Despite these setbacks, the program was seen as a good opportunity to give more visibility to foreign investors.

Areas of improvement identified **for the CWA implementing partners** included addressing new challenges arising from the pandemic; and increasing technical support in preparation and implementation of reforms. Countries also expressed the need for an assessment of real impact of the reforms implemented on investment and growth in Africa and regular dialogue between Compact countries and implementing partners for peer-to-peer learning and key updates.

Additional areas Compact countries considered **important/linked to reform priorities, include:**

- (i) Post-Covid strategies and new investment dynamics related to relocation from China, redistribution of value-added chains.
- (ii) Attracting private sector into the initiative.
- (iii) Addressing the real needs of Compact countries in context of COVID-19 / G20 support to Compact countries for post-covid recovery.
- (iv) The impact of investment on inclusive and sustainable development
- (v) Promoting and enhancing industrial activities and exports

## Case Study: Tunisia

As part of the peer-to-peer learning process, Tunisia was invited to present their three pronged process for mainstreaming the CwA reform matrix into the national development strategy.

1. **Updating the reform matrix:** This process, which started in September 2020 and ended in April 2021, involved the development of more elaborate and consolidated reform matrix that included 2018 reforms, other budget support matrices (WB, AFDB, ADB, etc.) and new reforms within CwA's three pillars. To do this, the government conducted meetings with Government teams, financial and technical partners and other stakeholders. The process produced a draft of an updated CwA Reform Matrix, which ensured alignment and buy-in of technical departments.
2. **Improving Coordination:** As a horizontal Ministry that interacts with multiple development partners, the Ministry of Development and International Cooperation (MDCI) required a solution that improved coordination by giving all stakeholders direct and real-time access to the status of reforms and bottlenecks. This led to the development of a collaborative IT solution for monitoring of the CwA matrix (and other budget support matrices). The first version is expected to be finalized by the end of 2021.
3. **Mobilizing Technical Assistance through Trust Fund:** With the help of the World Bank, a \$6 million Multi-Donor Trust Fund for Tunisia (funded by Germany, Netherlands, and Norway) was created in 2019 in response to the Government's request for Technical Assistance. The fund is managed by the World Bank in close coordination with Government to ensure strategic alignment with country priorities. Internally, approvals for assistance are managed by a steering committee that receives requests from various line ministries and have already began implementing 9 projects. It is recommended that countries take advantage of such technical assistance and expertise to achieve targets within each reform area.

## PRIORITY AREAS FOR COMPACT 2.0

There is a correlation between deep-diving into thematic reforms and returns on investment if the priority reform actions are in line with private sector needs. Therefore, as we think of CwA 2.0, the session considered two key areas – digital and green economy.

### Digital Economy

Digital transformation addresses multiple dimensions simultaneously including **digital infrastructure**, **digital public platforms**, **digital financial services** that allow people to transact online, a **digital business environment** that is conducive for SMEs, and building **digital skills** so that people can use and develop systems and applications.

In the process of working towards these objectives, countries must also be fully aware of the risks involved in the process. These include the risks of excluding key populations (by gender, rural-urban divides, by income class etc.), cybersecurity, data protection (legal frameworks and governance), market dynamics and issues of rights and liberties (surveillance, disinformation, etc.) to ensure that technologies are used for good. Priority challenges that Compact countries need to address include:

1. **Increasing usage and adoption of digital** by improving digital skills, especially for those in the informal sector. This can be facilitated in key sectors like agriculture which have a larger impact on climate, food security and other areas of transformation.
2. **Connectivity** – Currently Sub-Saharan Africa has a long way to reach the 2030 targets for universal connectivity (75percent of unique mobile broadband connection per 100 ppl) and affordability of data (1GB of mobile broadband available for 2percent or less of average monthly income). It is therefore important that in developing strategies our approaches look at several foundations together that drive a cumulative impact. For instance, where infrastructure is

concerned, private investors are concerned with whether the regulatory frameworks and enabling environments are available for data centers. It is also important to look at opportunities for interoperability at the regional level, which helps investors seek to serve multiple countries. The World Bank is currently developing an instrument for East and West Africa that will support regional projects for connectivity.

The World Bank **Digital Economy for Africa Initiative** aims to ensure that every individual, business, and government in Africa will be digitally enabled by 2030 in support of the African Union “Digital Transformation Strategy for Africa”. DE4A country diagnostics map the strengths and weaknesses of a country’s digital economy and identifies challenges and opportunities for future growth, as well as the respective roles of the public and private sectors in addressing challenges. Diagnostics have been completed for at least 9 compact countries - Benin, Cote d’Ivoire, Egypt, Ghana, Guinea, Rwanda, Senegal, Tunisia, and Togo.

Where implementation is concerned, the initiative develops projects at multiple levels – focusing on one or several foundational areas. Development support can be provided at the national for digital transformation and the regional levels for digital integration and at the continental level. For example, in Ethiopia, the project is focused on increasing broadband penetration in rural and remote areas and digital literacy and digital financial skills for rural populations. It also seeks to implement connectivity deployments to leverage a reverse auction mechanism (MFD).

## **Green Economy**

Over the past decade, sustainability concerns for infrastructure investors have skyrocketed in Africa and around the world. This is evident in investor Environmental, Social and Governance score requirements and the decrease in primary transactions for non-renewable power generation. According to the Global Infrastructure Hub InfoCompass Tool, green transactions have remained stable and African countries have averaged a total infrastructure investment of 7percent of GDP per annum, attracting USD4.6 billion in private investment. While Africa’s score for an enabling environment has increased since 2017, countries are constrained by low funding capacity and limited depth of their financial markets. While infrastructure governance, regulation and permits have been improving, more can be done to give infrastructure investors projects that they are confident will yield reasonable returns.

In June 2021, the WBG announced its new Climate Change Action Plan that aims to deliver record levels of climate finance to developing countries, reduce emissions, strengthen adaptation, and align financial flows with the goals of the Paris Agreement. The Action Plan for 2021-25 broadens WBG efforts from investing in “green” projects to helping countries fully integrate their climate and development goals. The Action Plan will identify and prioritize action on the most impactful mitigation and adaptation opportunities, and we will drive our climate finance accordingly. This means helping the largest emitters flatten the emissions curve and helping countries achieve successful adaptation and resilience to climate change. The Plan also comes as countries seek sustainable pathways out of the disruption caused by the COVID-19 pandemic.

In terms of Compact countries, Senegal is an example of a country which has piloted green infrastructure through green finance via power as a service models, IFI financing or government backing. As countries evaluate options for green financing, it is important to consider that:

1. Traditional infrastructure requirements (enabling environment) apply to green investing. While issues with the enabling environment are country dependent (procurement, governance, and regulatory frameworks), it is a key condition for investors. Blended financing options like guarantees from that reduce risk also make conditions attractive for investors.

2. Solid political commitment and / or IFIs sponsors are required to sustain investments and attract capital. Climate finance committed by major MDBs in emerging markets rose to a total of USD38 billion in 2020 (including around USD 20Bn for infrastructure)
3. Leverage performance of green investments through contractual provisions
4. Scale up over time
5. Green isn't necessarily more expensive; in fact it can be more economical/cheaper. Renewable energy projects have been able to access diversified pool of financiers and are scaling-up faster in emerging countries.

## FINANCING & INVESTMENT

### Financing & Entrepreneurship

Financing is critical and at the heart of the compact for participating companies. Development partners have emphasized FDI as a source of finance for long term finance, transfer of technologies while allowing local value chains to tap into larger value chains. Unfortunately, in Africa, historically FDI has been focused on extractive industries and has not added value locally, limiting the potential to create jobs in the domestic economy has limited the growth of the local private sector. As a result, recent thinking has been focused more on how to stimulate the private sector through entrepreneurship in addition to capital, land, and data.

The AfDBs recent research on Entrepreneurship and Free Trade explores opportunities to help African countries achieve 7% GDP growth rate in the coming decades. Venture capital flows to Africa have increased 7 times in the past 5 years, and there are new innovative approaches to finance. Some Compact countries have been leading the way in this area such as Egypt's Ventures Program and Green Campus support startups. Egypt further supports entrepreneurs by helping to formalize those in the informal sector and provide a portfolio of financing for SMEs. Tunisia, Senegal and Rwanda are supporting entrepreneurs by given them special status (e.g. Rwanda's Startup Act). Ethiopia and Morocco are pioneering the use of blockchain in transactions. For CWA countries to become more resilient that there needs to be a coordinated focus and ecosystem approach to promote entrepreneurship.

### Financing Infrastructure

AUDA NEPAD currently has a portfolio of 69 large scale cross border infrastructure projects that span four sectors - ICT, water, energy, transport. Among these projects, issues are not always about financing but more about preparation such that they attract private capital and help governments to implement. Much support is required to help countries – however there is little financing for this process.

AUDA NEPAD has developed Service Delivery Mechanism and PIDA Quality Label to promote excellence in project preparation and help projects navigate different levels of assurance required by private investors. Recognizing that infrastructure is a key enabler of trade, AUDA NEPAD is reviewing opportunities for how corridor development can be an enabler for AfCFTA.

## STRATEGIC CONSIDERATIONS

The Franco-German non-paper was circulated to the participants of the Technical Workshop with the purpose of reconfirming the CWA partnership and builds on the successes of the existing CWA reforms. The paper reviews what has worked well and what has not worked in the past few years and references new priorities such as the digital and green economies. It also affirms

Germany and France’s commitment to giving a new start to the CWA building on its success. The paper touches on several areas including:

- Supporting a **stable, transparent, and predictable business environment** by consolidating and accelerating reforms aimed at unlocking the potential contribution of the private sector to inclusive and sustainable growth in Africa and removing the most structural roadblocks to its development.
- Providing **enhanced technical and financial support** to create incentives and offer support for the implementation of these reforms to enable African partners to deliver their contribution.
- **Strengthening the financial offer to entrepreneurship**, by supporting the local entrepreneurial ecosystem, local financial actors and by developing instruments dedicated to start-ups and MSMEs’ development, both in terms of equity and credit funding, including risk mitigation mechanisms.
- **Strengthening our bi- and multilateral efforts to promote Africa as an investment destination**, e.g. by investor conferences, dialogue with private sector in G20 and Compact countries or business delegations

From an operational level this also includes formalizing membership criteria, including with new members, and focusing on active engagement of International Organizations in countries to help facilitate proposals for new membership at the AAG level.

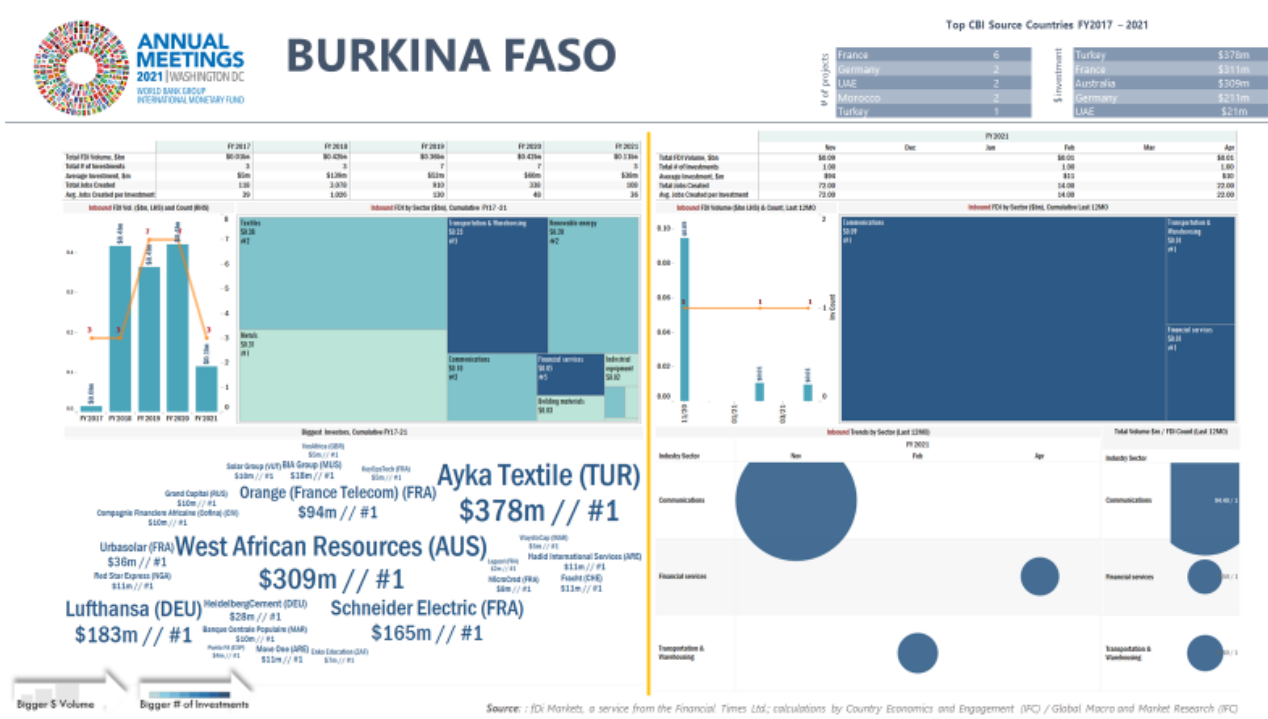
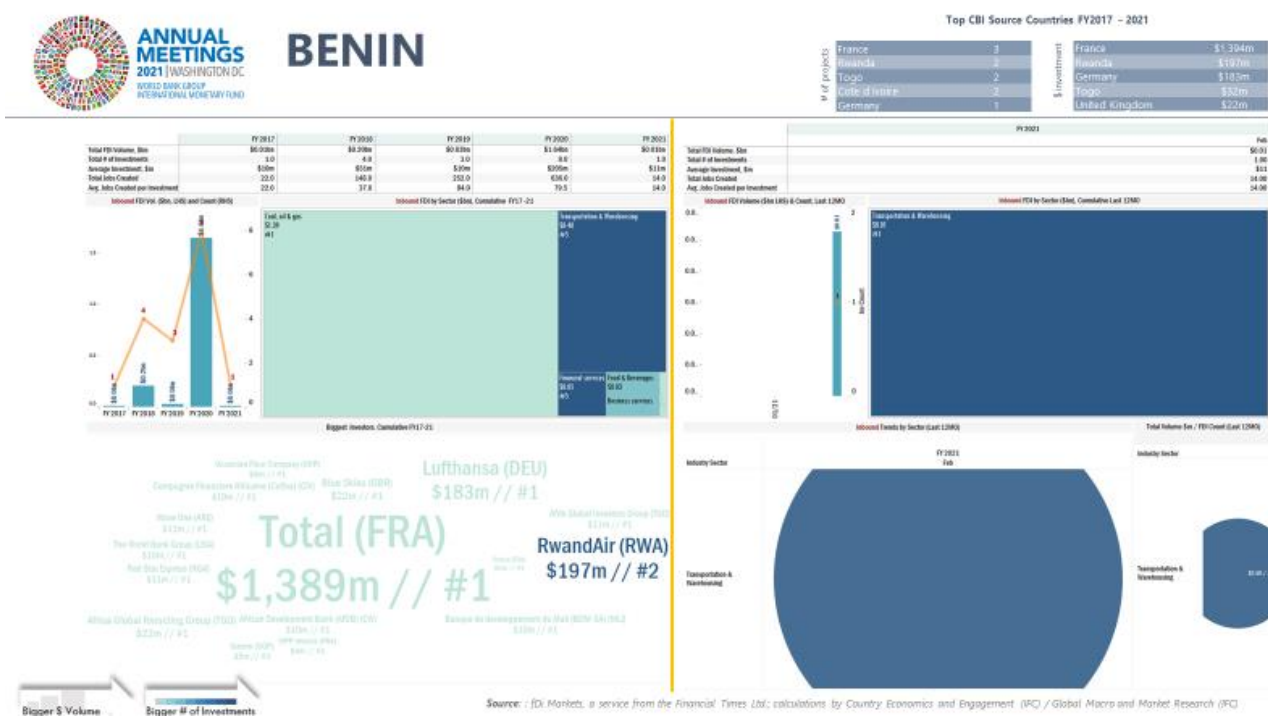
## NEXT STEPS & CONCLUSIONS

1. Results of this meeting will be summarized in the upcoming CWA Monitoring Report which will be circulated ahead of the October 1, 2021 AAG CwA meeting (Editor’s Note: which is this section of this report)
2. ACET in collaboration with partners will commit to supporting further peer to peer engagement between countries. Please fill out the following survey to share feedback and suggestions for future events.  
<https://forms.gle/cikAVrPUP9NBCQyk8>
3. ACET and the World Bank will update CwA focal points at the technical level

5.

*Country  
Dashboards*

# 5. COUNTRY DASHBOARDS





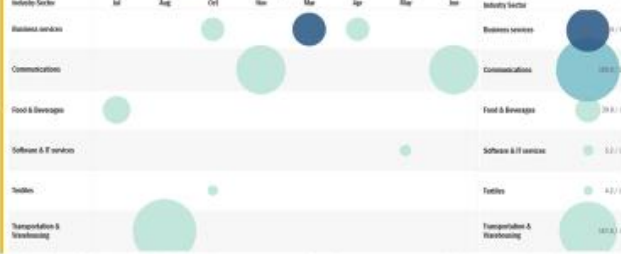
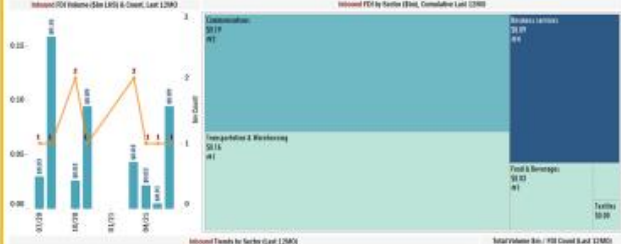
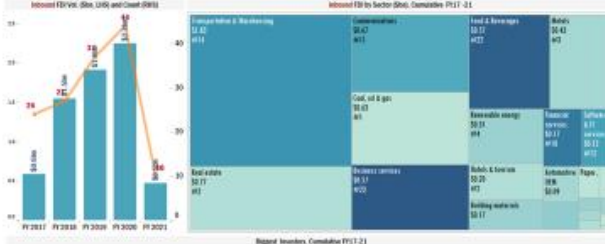
# COTE D'IVOIRE

Top CBI Source Countries FY2017 - 2021

M. of projects	\$ Investment
France	40
Monrovia	11
Switzerland	11
Germany	6
Belgium	6
France	\$1,867m
Monrovia	\$761m
United Kingdom	\$504m
Cayman Islands	\$425m
Nigeria	\$201m

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total FDI Volume, \$bn	\$2,585	\$1,545	\$3,926	\$2,236	\$2,476
Total # of Investments	24	27	37	44	50
Average Investment, \$m	\$108	\$57m	\$106m	\$51m	\$49m
Total Jobs Created	2,896	4,234	5,276	5,767	616
Avg. Jobs Created per Investment	121	156	140	131	123

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Total FDI Volume, \$bn	\$0.83	\$0.14	\$0.00	\$0.00	\$0.00	\$0.00	\$0.04	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total # of Investments	1.0	1.0	0.0	0.0	0.0	0.0	2.0	1.0	1.0	0.0	0.0	0.0
Average Investment, \$m	\$830	\$140	\$0.00	\$0.00	\$0.00	\$0.00	\$20	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Jobs Created	306.0	368.0	0.0	0.0	0.0	0.0	68.0	33.0	38.0	0.0	0.0	0.0
Avg. Jobs Created per Investment	306.0	368.0	0.0	0.0	0.0	0.0	34.0	33.0	38.0	0.0	0.0	0.0



Source: I.D. Markets, a service from the Financial Times Ltd.; calculations by Country Economics and Engagement (CE) / Global Macro and Market Research (GMR)



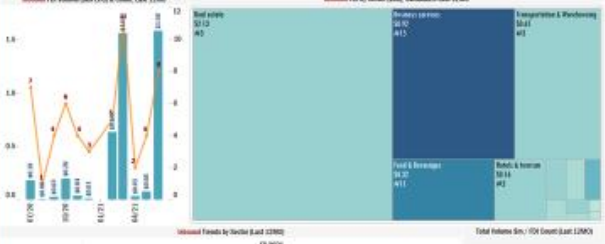
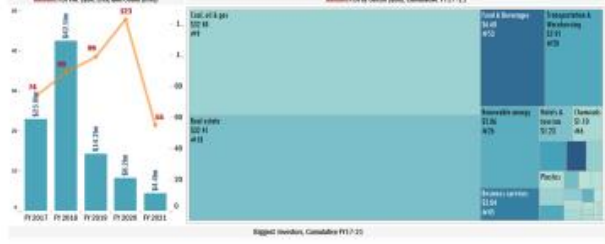
# EGYPT

Top CBI Source Countries FY2017 - 2021

M. of projects	\$ Investment
UAE	78
China	40
Saudi Arabia	36
United States	34
Germany	21
Russia	\$30,359m
China	\$23,018m
UAE	\$9,099m
Saudi Arabia	\$8,125m
Germany	\$2,764m

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total FDI Volume, \$bn	\$23,884	\$47,206	\$42,766	\$8,186	\$4,266
Total # of Investments	74	99	99	22	50
Average Investment, \$m	\$323	\$477m	\$432m	\$372m	\$85m
Total Jobs Created	34,361	17,390	20,984	15,390	11,177
Avg. Jobs Created per Investment	464	175	212	700	223

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Total FDI Volume, \$bn	\$0.18	\$0.00	\$0.00	\$0.20	\$0.00	\$0.31	\$0.04	\$0.04	\$0.00	\$0.00	\$0.00	\$0.00
Total # of Investments	2	0	0	0	0	3	0	0	0	0	0	0
Average Investment, \$m	\$90	\$0	\$0	\$100	\$0	\$104	\$10	\$10	\$0	\$0	\$0	\$0
Total Jobs Created	181	0	0	181	0	362	40	40	0	0	0	0
Avg. Jobs Created per Investment	90.5	0	0	181	0	120.7	40	40	0	0	0	0



Source: I.D. Markets, a service from the Financial Times Ltd.; calculations by Country Economics and Engagement (CE) / Global Macro and Market Research (GMR)





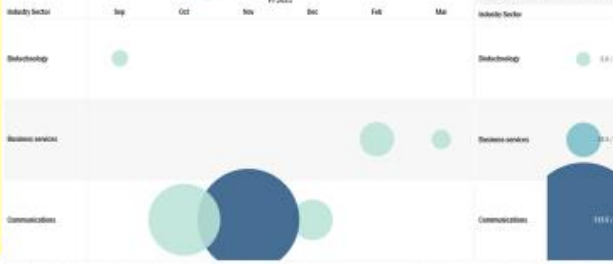
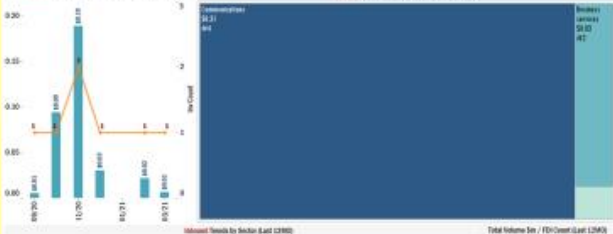
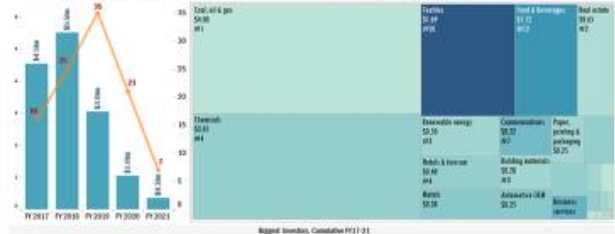
# ETHIOPIA

Top CBI Source Countries FY2017 - 2021

M of projects	\$ Investment
China	12
France	8
United Kingdom	8
United States	8
UAE	7
United States	\$4,444m
Morocco	\$3,250m
UAE	\$1,314m
China	\$750m
Saudi Arabia	\$450m

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total FDI Volume, \$m	\$4,046	\$5,576	\$1,046	\$1,484	\$8,184
Total # of investments	25	26	26	21	24
Average Investment, \$m	\$162	\$214	\$40	\$71	\$341
Total Intra-Created	15,142	29,250	13,190	8,818	383
Avg. Intra-Created per Investment	158	110	165	143	50

	Jul	Oct	Nov	Dec	Jan	Feb	Mar
Total FDI Volume, \$m	\$0.01	\$0.08	\$5.15	\$0.01	\$0.01	\$0.01	\$0.01
Total # of investments	1.0	1.0	3.0	1.0	1.0	1.0	1.0
Average Investment, \$m	\$0	\$0	\$1.72	\$0	\$0	\$0	\$0
Total Intra-Created	7.0	7.0	144.0	18.0	18.0	18.0	18.0
Avg. Intra-Created per Investment	7.0	7.0	48.0	18.0	18.0	18.0	18.0



Source: I.D. Markets, a service from the Financial Times Ltd.; calculations by Country Economics and Engagement (ICE) / Global Macro and Market Research (GMR)



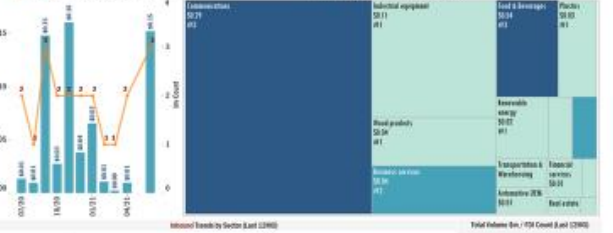
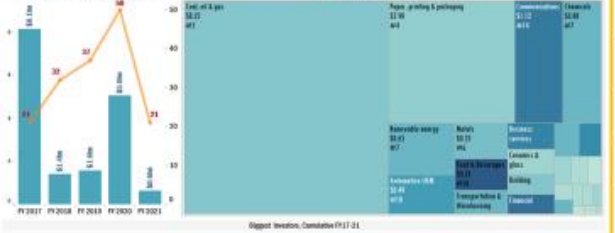
# GHANA

Top CBI Source Countries FY2017 - 2021

M of projects	\$ Investment
United States	23
Germany	18
Germany	14
China	14
United Kingdom	14
United States	\$3,078m
Germany	\$2,800m
China	\$733m
United Kingdom	\$544m
United Kingdom	\$507m

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total FDI Volume, \$m	\$8,184	\$1,484	\$1,484	\$8,184	\$9,434
Total # of investments	21	27	27	21	24
Average Investment, \$m	\$390	\$55	\$55	\$390	\$393
Total Intra-Created	3,195	4,335	15,030	15,030	4,440
Avg. Intra-Created per Investment	152	160	257	217	185

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Total FDI Volume, \$m	\$0.01	\$0.05	\$0.15	\$0.03	\$0.18	\$0.04	\$0.07	\$0.01	\$0.06	\$0.05	\$0.05	\$0.15
Total # of investments	1	3	2	2	2	2	1	1	1	2	1	1
Average Investment, \$m	\$0	\$16	\$7.5	\$15	\$9	\$2	\$7	\$1	\$6	\$2.5	\$5	\$15
Total Intra-Created	0	27	71	81	207	206	2,506	14	8	18	280	80
Avg. Intra-Created per Investment	0	24	35	40	207	206	2,506	14	8	18	280	80



Source: I.D. Markets, a service from the Financial Times Ltd.; calculations by Country Economics and Engagement (ICE) / Global Macro and Market Research (GMR)



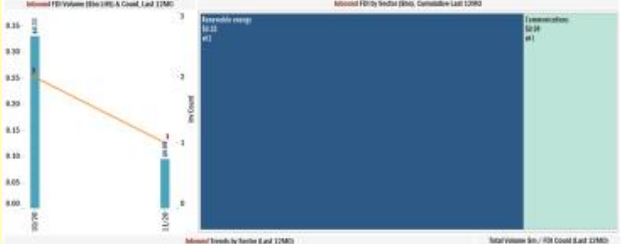
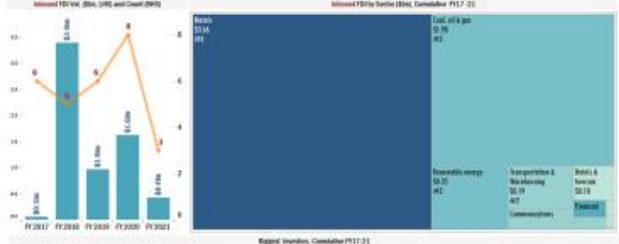
# GUINEA

Top CBI Source Countries FY2017 - 2021

M of projects	\$ Investment
China	\$4,226m
Cote d'Ivoire	\$1,900m
France	\$133m
Germany	\$105m
Spain	\$100m
UAE	\$100m

	FY2017	FY2018	FY2019	FY2020	FY2021
Total FDI Volume, \$bn	\$6.08m	\$3.43m	\$0.97m	\$1.02m	\$5.42m
Total # of Investments	6	8	9	8	3
Average Investment, \$m	\$101m	\$429m	\$108m	\$128m	\$181m
Total Jobs Created	141	7,205	1,541	133	200
Avg. Jobs Created per Investment	23	1,008	267	16	80

	FY2021	\$m
Total FDI Volume, \$bn	\$0.33	\$3.09
Total # of Investments	28	3.0
Average Investment, \$m	\$110	\$94
Total Jobs Created	134.0	73.9
Avg. Jobs Created per Investment	5.0	73.9

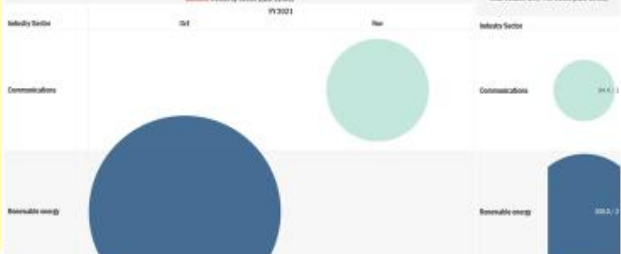


**Tebian Electric Apparatus (TBEA) (CHN)**  
\$2,900m // #4

**CleanPower Generation (CEG) Lithuania (LIT)**  
\$330m // #2

**Aluminum Corporation of China (Chalco) (CHN)**  
\$500m // #3

**Brahms Group (CHE)**  
\$1,389m // #1



Bigger \$ Volume    Bigger # of Investments

Source: I.D. Markets, a service from the Financial Times Ltd.; calculations by Country Economics and Engagement (ICE) / Global Macro and Market Research (GMR)



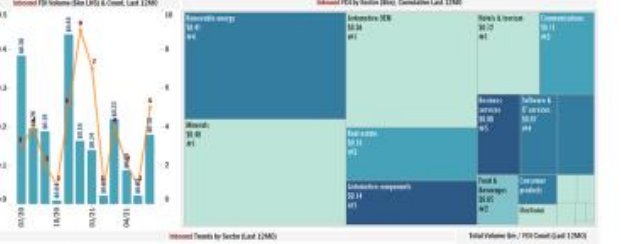
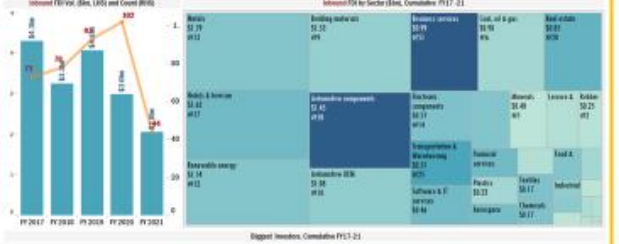
# MOROCCO

Top CBI Source Countries FY2017 - 2021

M of projects	\$ Investment
France	\$2,179m
Spain	\$1,340m
United States	\$1,051m
Switzerland	\$1,304m
United Kingdom	\$1,326m

	FY2017	FY2018	FY2019	FY2020	FY2021
Total FDI Volume, \$bn	\$2,08m	\$3,25m	\$4,97m	\$2,99m	\$2,05m
Total # of Investments	23	48	82	44	46
Average Investment, \$m	\$90m	\$67m	\$60m	\$68m	\$45m
Total Jobs Created	35,730	18,000	35,861	18,424	9,508
Avg. Jobs Created per Investment	1,553	375	438	419	207

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Total FDI Volume, \$bn	\$0.28	\$0.20	\$0.19	\$0.41	\$0.44	\$0.14	\$0.14	\$0.02	\$0.02	\$0.02	\$0.02	\$0.18
Total # of Investments	3	4	2	1	9	7	1	4	3	1	1	8
Average Investment, \$m	\$118	\$49	\$94	\$200	\$50	\$20	\$14	\$20	\$22	\$16	\$16	\$22
Total Jobs Created	2,108	1,083	188	22	1,447	465	1,054	48	188	207	46	1,234
Avg. Jobs Created per Investment	703	266	93	22	159	65	233	48	217	204	46	149



**LafargeHolcim (CHE)**  
\$1,223m // #6

**AGVA Power International (SAU)**  
\$299m // #3

**Mayra Gold & Silver (CAN)**  
\$619m // #2

**Genesee PSA (PSA Peugeot-Citroen) (FRA)**  
\$382m // #2

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\$382m // #2

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\$382m // #2



Bigger \$ Volume    Bigger # of Investments

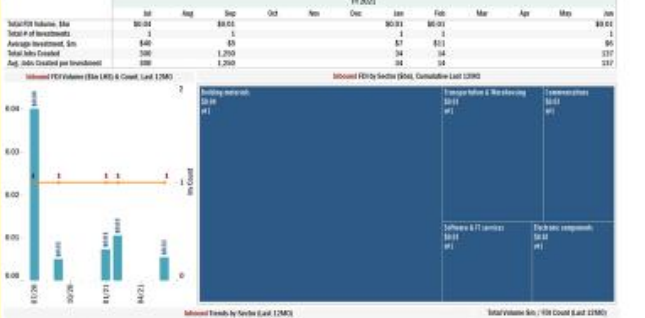
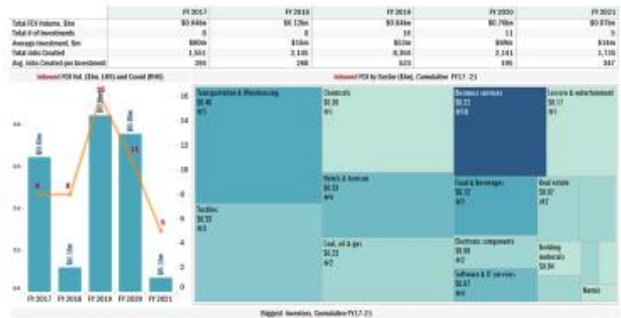
Source: I.D. Markets, a service from the Financial Times Ltd.; calculations by Country Economics and Engagement (ICE) / Global Macro and Market Research (GMR)



# RWANDA

Top CBI Source Countries FY2017 - 2021

M of Portfolio	# Investment	\$ Investment
United States	7	\$535m
UK	3	\$384m
Switzerland	4	\$334m
India	3	\$183m
Morocco	3	\$205m



- Marriott International (USA) \$101m // #1
- Office Cherifien des Phosphates (OCP) (MAR) \$183m // #1
- Lufthansa (DEU) \$303m // #1
- Symbion Power (USA) \$200m // #1
- Pink Mango C&D (CHN) \$333m // #1
- NOTS Solar Larus (NLD) \$70m // #1

Bigger \$ Volume    Bigger # of Investments

Source: I.D. Markets, a service from the Financial Times Ltd.; calculations by Country Economics and Engagement (ICE) / Global Macro and Market Research (GMR)



# SENEGAL

Top CBI Source Countries FY2017 - 2021

M of Portfolio	# Investment	\$ Investment
France	15	\$605m
UK	4	\$375m
Germany	4	\$457m
China	4	\$305m
Switzerland	4	\$108m



- Dubai World (ARE) \$183m // #1
- Sika (CHE) \$451m // #2
- Tosyali Holding (TUR) \$773m // #2
- Orange (France Telecom) (FRA) \$188m // #2
- RIU Hotels & Resorts (ESP) \$169m // #2

Bigger \$ Volume    Bigger # of Investments

Source: I.D. Markets, a service from the Financial Times Ltd.; calculations by Country Economics and Engagement (ICE) / Global Macro and Market Research (GMR)



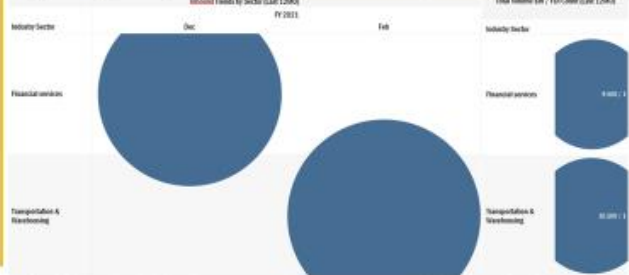
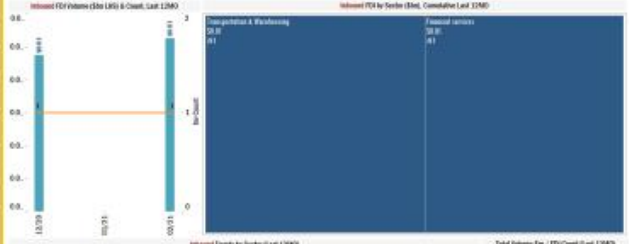
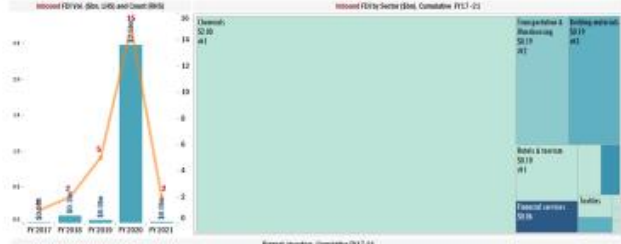
# TOGO

Top CBI Source Countries FY2017 - 2021

M of projects	FY 2021					M of projects	FY 2020				
	France	Germany	UK	USA	Other		France	Germany	UK	USA	Other
4	4	4	4	3	2	4	4	4	3	2	
\$ Investment	\$2,075m	\$2,059m	\$1,455m	\$1,098m	\$20m	\$2,075m	\$2,059m	\$1,455m	\$1,098m	\$20m	

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total FY Volume, \$m	\$0.00m	\$2.00m	\$0.00m	\$1.00m	\$0.00m
Total # of Investments	1	2	5	15	7
Average Investment, \$m	\$0.00m	\$1.00m	\$0.00m	\$0.07m	\$0.00m
Total Jobs Created	22	213	617	3,088	38
Avg. Jobs Created per Investment	22	107	123	206	5.4

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total FY Volume, \$m	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total # of Investments	1	1	1	1	1	1	1	1	1
Average Investment, \$m	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Jobs Created	22	213	617	3,088	38	22	213	617	3,088
Avg. Jobs Created per Investment	22	213	617	3,088	38	22	213	617	3,088



Bigger \$ Volume      Bigger # of Investments

Source: I.D. Markets, a service from the Financial Times Ltd; calculations by Country Economics and Engagement (ICE) / Global Macro and Market Research (GMR)



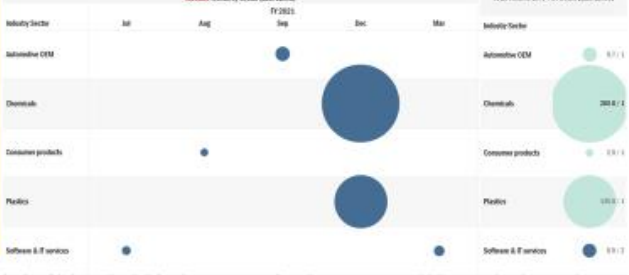
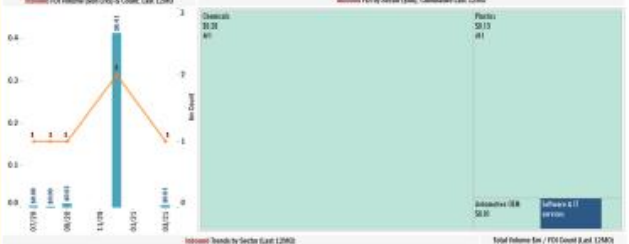
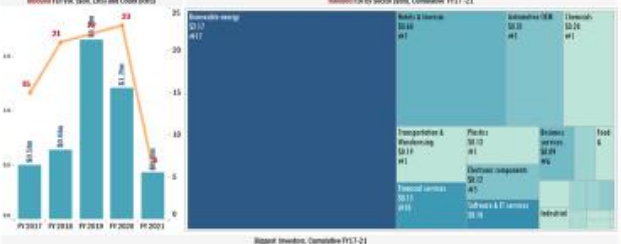
# TUNISIA

Top CBI Source Countries FY2017 - 2021

M of projects	FY 2021					M of projects	FY 2020				
	France	Germany	UK	USA	Other		France	Germany	UK	USA	Other
14	10	7	3	3	1	14	10	7	3	3	
\$ Investment	\$757m	\$495m	\$485m	\$401m	\$398m	\$757m	\$495m	\$485m	\$401m	\$398m	

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total FY Volume, \$m	\$0.00m	\$3.65m	\$1.00m	\$1.21m	\$8.45m
Total # of Investments	15	21	22	13	8
Average Investment, \$m	\$0.00m	\$1.74m	\$455m	\$93m	\$1,056m
Total Jobs Created	3,983	6,317	3,300	6,888	3,786
Avg. Jobs Created per Investment	265	301	150	529	473

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total FY Volume, \$m	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total # of Investments	1	1	1	1	1	1	1	1	1
Average Investment, \$m	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Jobs Created	39	119	28	148	148	148	148	148	148
Avg. Jobs Created per Investment	39	119	28	148	148	148	148	148	148



Bigger \$ Volume      Bigger # of Investments

Source: I.D. Markets, a service from the Financial Times Ltd; calculations by Country Economics and Engagement (ICE) / Global Macro and Market Research (GMR)

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