

Leveraging the World Bank Group’s Country Private Sector Diagnostics for Compact with Africa Quick Wins

“To sharpen the understanding of the IOs' specific roles and contributions in implementing the CwA, the AAG requested suitable task profiles involving activities at headquarters as well as in Compact countries – with the World Bank Group as the leading institution.” - *G20 Compact with Africa – Task Profiles of participating International Organisations*

Consistent with this request, the World Bank Group’s goal is to identify and achieve some quick wins for the Compact under a revised approach.

Revised Framework

We propose to do so by adopting, in collaboration with government and the other International Organizations (IOs), the following approach in a limited number of Compact countries:

1. ***Positive Reform Trajectory.*** Compact countries that are well advanced in undertaking reforms, that are consistent with Compact objectives, will receive intensified support by the IOs;
2. ***Prioritized Reforms.*** In these countries the CWA reforms matrix will be updated with a sharpened focus, adopting a more evidence-based approach, to identify and prioritize relevant outstanding reforms; and
3. ***Sectoral Selectivity.*** The IOs will intensify technical assistance, advisory services and investor outreach activities for a limited number of sectors within these countries.

Positive Reform Trajectory. The CWA was launched over two years ago. In the interim, countries have been implementing reforms identified in the Compact reform matrices. Compact countries are at different stages in implementing these reforms, some much further ahead than others. Countries with clear leadership of, and obvious commitment to, the reform program will be prioritized.

Indicators of commitment to reform will include, but not be limited to, ongoing satisfactory implementation of: (i) a relevant World Bank Group Development Policy Operation (DPO); or (ii) a relevant AfDB Program-Based Operation (PBO).

Prioritized Reforms. The Country Private Sector Diagnostic (CPSD), a World Bank Group product jointly produced by the World Bank and IFC, aims to identify sector-specific opportunities as well as cross-cutting constraints where interventions allowing for increased private investment could have the biggest development in the near and medium term. The CPSDs include a high-level action plan for implementation of the recommendations.

CPSDs have been completed in Burkina Faso, Ethiopia, Ghana, Morocco, and Rwanda and are underway in Côte d’Ivoire, Egypt, Guinea, Senegal, and Tunisia.

Once CPSDs are completed, these will be used to inform decisions by the Compact team in prioritizing future reforms¹.

¹ The **Compact team** is constituted differently in each Compact country. Its usage here refers to a team that comprises at a minimum Government plus the IOs.

Sectoral Selectivity. Completed CPSDs, as well as a likelihood of attracting early investments, will inform the selection of sectors of focus by the Compact team.

Next Steps

1. **By October 31, 2019 – Convene Compact Team Meeting.** In countries that have a clear trajectory of reform and, where a CPSD has been completed or is nearing completion, the World Bank Group together with the Government will convene a Compact Team meeting. The purpose of the meeting (several may be needed) will be to:
 - discuss the CPSD findings;
 - review progress under the existing CWA matrix;
 - identify still outstanding reforms;
 - prioritize a limited number of economy-wide and sector-specific reforms; and
 - update the CWA reforms matrix.
2. **By December 31, 2019 - Prepare Implementation Plan.** The Compact Team prepares an implementation plan based on the conclusions reached at (1). The implementation plan will reflect the program of technical assistance, advisory services, investor promotion and match-making activities to be intensively supported by the IOs, other Development Partners and Development Finance Institutions.
3. **Spring 2020 - Report on Progress to the AAG.** The World Bank Group will together with government convene a Compact Team meeting to discuss and prepare a report on:
 - progress against reforms;
 - country specific investor outreach and investment promotion activities supported by the IOs; and
 - any other Compact Team activities.

Ethiopia Example

To follow is an example of an Implementation Plan based on Ethiopia where a CPSD has been completed and published.

An ongoing World Bank DPO is supporting economy wide Compact relevant reforms as well as reforms in the three highlighted sectors.

The three sectors selected for intensified focus under the CWA are logistics, telecoms and energy and the rationale for their selection is shown overleaf.

Please note this is **presented for illustration purposes only** and has not been discussed or agreed by the government or in the Compact Team.

Extracts from CPSD *Creating Markets in Ethiopia*

Taking measures to promote private sector investment in key enabling sectors

1. **Define a road map to implement the National Logistics Strategy and devise a regulatory framework for the sector suitable for greater private sector competition.**
2. **Build the capacity of the relevant agencies and authorities to manage the process of increasing competition in the telecoms sector, and enable consideration of strategic options for Ethio Telecom, updating existing legislation and drafting relevant regulations.**
3. Define a strategy for increasing the use of digital technologies throughout the economy, identifying implications for the education and training sectors.
4. **In the energy sector, implement a multi-year reflective tariff framework for improving cost recovery; adopt a comprehensive improvement plan to enhance operational efficiency to reduce technical, commercial and collection losses from EEP and EEU; and implement a debt-restructuring plan for the sector.**

- **Logistics/transport:** High cost and low-quality logistics undermine the growth potential of export-led manufacturing and diversification through the upgrading of the agriculture sector. While Ethiopia has invested heavily in transport infrastructure, the cost of shipping is much higher than in comparator countries. Logistics services, such as distribution, packaging, warehousing and inventory management, which are necessary to serve modern manufacturing and agricultural supply chains, are missing or inadequate, undermining export competitiveness.
- **Telecoms:** Ethiopia has one of the lowest ICT development rankings in the world, and the participation of the private sector in both primary and downstream ICT services is very low. Mobile penetration remains among the lowest in the world, with only 42 percent of the population using mobile voice services in 2018, compared with 51 percent in Kenya and 49 percent in Sub-Saharan Africa as a whole.....This in turn has constrained the development of ICT applications in other sectors, such as the use of mobile money, and dampened the role of new ICT technologies in generating jobs.
- **Energy:** ...despite significant investments in transfer capacity, the country also has a significant access deficit, as the household electrification rate remains low and supply is unreliable. While public resources have been spent in network expansion, the necessary 'last-mile' investments have not yet been made, and there is a wide disparity in access between urban and rural areas.... The sector is now starting to see strong interest in off-grid projects from private companies.

Outline Ethiopia CWA Action Plan²

	Sector	Activity	Details	Lead IO	Collaborating IOs/DPs
(i)	Energy	Reforms	Ongoing: WB IDA DPO (Growth & Competitiveness) is supporting policy reforms to improve efficiency and financial sustainability in the power sector	WB	France, Germany, UK
		Analytics and technical assistance	TBC	AfDB/WBG/IMF	
		Investor outreach	TBC	AfDB	IFC
		Investments	Ongoing: IFCs Scaling solar, Scaling wind, power generation and distribution – PPP's	IFC	
(ii)	Logistics/Transport	Reforms	Ongoing: WB IDA DPO (Growth & Competitiveness) is supporting policy reforms to introduce competition in logistics sector	WB	France, Germany, UK
		Analytics and technical assistance	TBC	AfDB/WBG/IMF	
		Investor outreach	TBC	AfDB	IFC
		Investments	New: IFC considering investment opportunities in dry ports, toll roads and shipping	IFC	
(iii)	Telecoms	Reforms	Ongoing: WB IDA DPO (Growth & Competitiveness) is supporting policy reforms to introduce competition and foreign participation in the telecom sector (Issuance of 2 telecom licenses).	WB	France, Germany, UK
		Analytics and technical assistance	TBC	AfDB/WBG/IMF	
		Investor outreach	TBC	AfDB	IFC
		Investments	TBC	IFC	

² This outline reflects WBG information only. It would be populated by the Compact Team in agreement with Government, IOs and other key DPs.