G20 COMPACT WITH AFRICA

COMPACT MONITORING REPORT

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OVERALL ASSESSMENT OF PROGRESS BY THE WORLD BANK

The picture of the G20 Compact with Africa that emerges after two full years in existence is of member countries committed to maintaining macroeconomic stability, continuing to implement business environment reforms, positive trends in economic growth and slow but encouraging progress in investment generation. Collaboration between governments and Compact partners has been very effective in some countries, but better coordination is needed in others. Catalyzing investment is key for the success of the Compact with Africa (CWA). In this, G20 countries, in collaboration with international organizations (IOs), can help promote investment opportunities in Compact countries by connecting investors with projects, providing support for bankable projects, and providing targeted financial support.

Launched in March of 2017 under Germany's presidency of the G20, the CWA is the central pillar of the G20 Africa Partnership and its mission to support private investment, sustainable infrastructure, and employment in African countries. The Compact now has 12 members: **Benin**, **Burkina Faso**, **Côte d'Ivoire**, **the Arab Republic of Egypt**, **Ethiopia**, **Ghana**, **Guinea**, **Morocco**, **Rwanda**, **Senegal**, **Tunisia**, and **Togo**.

This report represents the second round of monitoring for the year ended February 28, 2019 and is conducted under the auspices of the G20 African Advisory Group (AAG) co-chaired by Germany and South Africa. The International Finance Corporation (IFC) and the African Development Bank (AfDB) are reporting separately on foreign direct investment (FDI) flows and flagship investment projects in CWA.

For 2019, the Full Monitoring Report provides qualitative assessments of economic trends and reform work in Compact countries. This overview section has been prepared by the World Bank. The individual country assessments provided later in the report are the joint work of the AfDB, the International Monetary Fund (IMF) and the World Bank Group (WBG).

Overall two patterns are very clear. First, Compact countries are significantly outperforming global and regional growth projections. Second, as demonstrated by *Doing Business* results, they remain extremely focused on continuing to undertake relevant business-related reforms. In the past few years, nearly all the Compact Countries have featured in the group of top ten reformers.

In connection with investments, the picture is more mixed. IFC's most recent analysis of cross-border investment trends in Compact countries shows that seven—Burkina Faso, Côte d'Ivoire, Ethiopia, Guinea, Morocco, Rwanda, and Togo—attracted increasing announced volumes of cross-border investment, with $16.5 billion in 2018 up sharply from $6.4 billion in 2017. Across all the Compact countries, however, the trend is downward, with $30.7 billion in 2018 down from $54.4 billion in 2017 (the number of projects recorded remained about the same: 304 in 2018 and 303 the year prior). The major factor in this decline was that in 2017, the Arab Republic of Egypt and Ghana had $38 billion in energy sector investments. This led to a predictable drop-off in those two countries in 2018, with Egypt attracting $12.4 billion and Ghana $840 million in announced investments.

That a commitment to reforms is not immediately translating into sustained and increasing FDI is a reminder that factors, other than macroeconomic stability and a commitment to business-friendly reforms, drive levels of investment. So, an important priority for the Compact countries is the need to increase, sustainably, other productive assets that are in the shortest supply. Across all Compact countries, in addition to investment, this notably includes human capital. Tunisia has the highest human capital index of all the Compact countries – yet a child born in Tunisia today will only be 51 percent as productive when she grows up as she could be if she enjoyed complete education and full health[1]. Unusually high rates of private domestic investment, and rapidly growing human capital (particularly universal primary and secondary education) were the principle engines of growth in the East Asian Tigers[2]. This already is an important lesson for Compact countries. Today, investments in human capital are becoming even more important, as the nature of work has evolved in response to technological change – markets are demanding workers of increasingly higher levels of human capital. As Compact countries continue to create fiscal space by increasing domestic resource mobilization and efficiency in public spending,

[1] See *The Human Capital Project*, The World Bank Group, 2018.

[2] See *The East Asian Miracle: Economic Growth and Public Policy*, The World Bank 1993.

it is critical that investments in human capital development feature more prominently in strategic allocation decisions going forward.

Growth

Global Economic Prospects: Darkening Skies (GEP), published in January 2019 forecasted slowing global growth - to 2.9 percent in 2019 - due to moderating international trade and investment and elevated trade tensions.[3] The global economy has since lost further momentum. By contrast, (see Table 1) growth has been robust in most CWA countries in 2019 and is expected in 2020 to continue at a strong pace in Sub-Saharan African (SSA) CWA countries, while picking up from lower levels in some North African (NA) CWA economies.

Output growth in NA CWA countries (about 4 percent) is expected to converge with the top quartile of emerging market economies (EMs) in 2019, in Egypt due to investment supported by reforms in the business climate and an uptick in private consumption, and in Morocco and Tunisia due to policy reforms and improvements in tourism. By 2020, growth in the NA CWA countries is expected to exceed EM growth by about ½percent of GDP, with the pace of income growth expected to converge over time towards the top quartile of EMs.

Table 1. CWA Country Forecasts

CWA Country Forecasts

(Real GDP growth at market prices in percent, unless indicated otherwise)

	2016	2017	2018e	2019f	2020f	2021f
Benin	4.0	5.8	6.0	6.0	6.5	6.6
Burkina Faso	5.9	6.3	6.0	6.0	6.0	6.0
Cote d'Ivoire	8.0	7.7	7.5	7.3	7.4	6.8
Egypt, Arab Rep.	4.3	4.7	5.5	5.7	5.9	6.0
Ethiopia	8.0	10.1	7.7	8.8	8.9	8.9
Ghana	3.7	8.5	6.5	7.3	6.0	6.0
Guinea	10.5	8.2	5.8	5.9	6.0	6.0
Morocco	1.1	4.1	3.2	2.9	3.5	3.5
Rwanda	6.0	6.1	7.2	7.8	8.0	8.0
Senegal	6.2	7.2	6.6	6.6	6.8	6.9
Togo	5.1	4.4	4.5	4.8	5.1	5.1
Tunisia	1.1	2.0	2.6	2.9	3.4	3.6

Source: World Bank.
Note: e = estimate; f = forecast. World Bank forecasts are frequently updated based on new information and changing (global) circumstances. Consequently, projections presented here may
differ from those contained in other Bank documents, even if basic assessments of economies' prospects do not significantly differ at any given moment in time.
1. GDP at market prices and expenditure components are measured in constant 2010 U.S. dollars. Excludes Libya, Syria, and Yemen due to data limitations.
2. The fiscal year runs from July 1 to June 30 in Egypt; the column labeled 2017 reflects the fiscal year ended June 30, 2017.

[3] See Global Economic Prospects: Darkening Skies, January 2019. The World Bank Group publishes its *Global Economic Prospects* report on global growth twice a year, in January and June.

Most SSA CWA countries have recorded growth rates among the top quartile of Low-income Developing Countries (LIDCs) in recent years, a pattern that is projected to continue through 2022, albeit with some easing of growth momentum. Growth in output per capita has been similarly strong, although again easing somewhat over time. Notably, five CWA countries—Benin, Burkina Faso, Côte d'Ivoire, Senegal, and Togo—are also members of the West African Economic and Monetary Union (WAEMU), a group of countries growing at the fastest rates in Sub-Saharan Africa today.

Reform Trajectories

In *Doing Business 2019*, the 12 Compact with Africa countries reported 47 reforms for ease of doing business, an average of nearly 4 per country compared to a global average of 1.7 reforms per country. Three CWA countries—Côte d'Ivoire, Rwanda, and Togo —were among the top-ten DB reformers for the year. All three countries made it easier to start a business and established new civil procedures for resolving contract disputes; Rwanda and Togo improved monitoring and regulation of the power grid; and Rwanda reduced the time required to import and export and strengthened its insolvency law. Eight of the 12 CWA countries approved measures strengthening rules concerning enforcing contracts; four approved measures making it easier to trade across borders; and three passed measures updating the rules of resolving insolvency. All these measures are important to the key CWA goal of generating greater foreign and domestic investment.

Table 2 shows where these countries are today compared to the period just prior to the launch of the Compact in 2017. All 12 CWA countries have improved their ease of doing business (EODB) score, measuring progress toward a perfect score of 100. All but two have improved their rank among the 190 countries measured by DB. Rwanda, which ranked 56th in 2017, now ranks 29th in the world, ahead of such countries as France, Poland, and Belgium. Côte d'Ivoire has improved its ranking by 20 places; Togo has moved up 17 places; and Guinea has moved up 11 places and 1.81 percentage points.

Table 2. Doing Business: Progress in Compact with Africa Countries

CWA Country	DB 2017 Ranking (of 190 countries)/ EODB Score	DB 2019 Ranking (of 190 countries)/ EODB Score	+/- change in Ranking / EODB Score	✓DB 2019 Reforms
Benin	155 / 48.52	153 / 51.42	+2 / +2.9	✓Getting credit ✓Enforcing contracts ✓Labor market regulation
Burkina Faso	146 / 51.33	151 / 51.57	-5 / +0.24	✓Enforcing contracts
Côte d'Ivoire	142 / 52.31	122 / 58.00	+20 / +5.69	✓Starting a business ✓Dealing with construction permits ✓Getting credit ✓Paying taxes ✓Enforcing contracts
Egypt, Arab Rep.	122 / 56.64	120 / 58.56	+2 / +1.92	✓Starting a business ✓Getting credit ✓Protecting minority investors ✓Paying taxes ✓Resolving insolvency
Ethiopia	159 / 47.25	159 / 49.06	= / +1.81	✓Starting a business ✓Dealing with construction permits ✓Enforcing contracts
Ghana	108 / 58.82	114 / 59.22	+6 / +0.4	✓Dealing with construction permits ✓Trading across borders
Guinea	163 / 46.23	152 / 51.51	+11 / +5.28	✓Starting a business ✓Dealing with construction permits ✓Registering property ✓Trading across borders ✓Enforcing contracts
Morocco	68 / 67.50	60 / 71.02	+8 / +3.52	✓Starting a business ✓Registering property ✓Trading across borders ✓Resolving insolvency
Rwanda	56 / 69.81	29 / 77.88	+27 / +8.07	✓Starting a business ✓Getting electricity ✓Registering property ✓Getting credit ✓Trading across borders ✓Enforcing contracts ✓Resolving insolvency
Senegal	147 / 50.68	141 / 54.15	+6 / +3.47	✓Registering property ✓Enforcing contracts
Togo	154 / 48.57	137 / 55.20	+17 / +6.63	✓Starting a business ✓Dealing with construction permits ✓Getting Electricity ✓Registering property ✓Paying taxes ✓Enforcing contracts
Tunisia	77 / 64.89	80 / 66.11	+3 / +1.22	✓Starting a business ✓Registering property ✓Protecting minority investors ✓Paying taxes

Macroeconomic Framework

Fiscal deficits among Compact countries are high but are estimated to have narrowed in 5 out of 12 CWA countries between 2017 and 2018. Although fiscal consolidation is expected in all 12 CWA countries during 2019–20, the quality of fiscal adjustment in the past has often been poor, relying on spending compression rather than revenue mobilization. At the same time, debt levels are rising in many CWA countries, with the median public debt-GDP ratio having increased by 14 percentage points during 2013–18 (to a projected 59 percent of GDP). In response, the 2018 Monitoring Report recommended that Compact countries "….remain focused on increasing domestic revenues, including pursuing reforms leading to adoption of broad-based consumption taxes, simplified tax design and improved tax administration."

Appropriate policy responses to address these conditions include focusing on mobilizing domestic resources, improving debt transparency, and strengthening debt management practices. Strengthening fiscal frameworks and improving efficiency of public expenditures and public investment management would also complement these efforts.

Several CWA countries have taken concrete steps in the past year to address debt sustainability concerns. In Benin, the government is targeting a debt to GDP ratio below 50 percent. Egypt's effort to further reduce public debt to sustainable levels involves enhancing domestic revenue to a level consistent with medium-term debt and spending plans. Togo has implemented several policy and institutional reforms, including steps to strengthen revenue mobilization, enhance public investment efficiency, and improve financial viability and service delivery in key infrastructure, including energy and ICT. That said, Ethiopia is now assessed to be at high risk of debt distress, while debt vulnerabilities in Tunisia have increased noticeably since 2013.

***Recommendations to Compact countries*:**

- Remain focused on increasing domestic revenues, including pursuing reforms leading to adoption of broad-based consumption taxes, simplified tax design and improved tax administration.
- Adopt a multipronged approach to improving debt management and transparency by: improving debt analysis and early warning systems; enhancing debt transparency (including in connection with SOE financing and PPPs); strengthening debt management capacity.
- Enhance public investment management capabilities. Debt financing is critical for development when used wisely for example for investing in productive infrastructure. Robust public investment management systems are essential in underpinning the decisions on what constitutes "good" debt.

Business Framework

In last year's report, Compact countries were advised to undertake a re-assessment to identify and prioritize the business reforms most critical in the specific country context. Compact countries were also urged to pay attention to reforms that would promote, among other things, diversification.

Responding to last's years recommendation, Country Private Sector Diagnostics (CPSDs) have been completed or are underway in 10 out of the 12 Compact countries. CPSDs have been completed or are being finalized in Burkina Faso, Ethiopia, Ghana, Morocco, Rwanda and Senegal. Additional CPSDs are being launched in Côte d'Ivoire, Egypt, Guinea and Tunisia. CPSDs highlight areas where private sector investment could have significant development impact through improvements in efficiency, services, job creation, and sector growth. Each CPSD indicates opportunities and constraints to increasing private sector investment and growth in key sectors that impact economic development.

Completed CPSDs are informing and triggering key reform initiatives. For example, a public-private partnership law, and a model land lease law in Ghana; and in Morocco, removal of restrictions to PPPs in the energy and water sectors, obligation for state-owned enterprises to have a positive net present value (NPV), operationalization of the competition law, development of vocational training. Informality is another identified challenge in Morocco, contributing to the narrowing of the tax base. The government's reform strategy seeks to address these vulnerabilities. A positive example is Senegal's *Plan d'Actions Prioritaires II* 2019-2023, which includes increasing access to finance for SMEs as a priority area.

Given the limited market size of many of the Compact countries, increasing diversification implies greater participation in global and regional trade. We know however that one of the major challenges faced by countries' wishing to trade globally, is the issue of compliance with standards and technical regulations including Sanitary and Phytosanitary Standards (SPS) measures. As Compact countries embark on diversification strategies that include greater participation in global trade, they will need to demonstrate quality and safety of goods and services they intend to trade, as well as the ability to comply with international standards in target markets in order to enter new markets.

Compact countries will accordingly benefit from reforms that lead to the establishment of quality infrastructure (QI) systems in preparation for accessing global markets. QI denotes the ecosystem of public and private institutions, as well as legal and regulatory frameworks and practices that establish and implement standardization, accreditation, metrology, conformity assessment (primarily testing and certification), and market surveillance.

Recommendations to Compact countries:

- Develop and adopt a structured and systematic approach for implementing CPSD action plans.
- Enhance sustainability of implemented reforms by fostering initiatives such as public consultations, as well as ex-ante and ex-poste impact assessment processes.
- Enhance quality and standards ecosystems including standards, accreditation and certification systems to support increased market access and improve linkages to global value chains.

Financing Framework

The GEP forecasts slower-than-projected growth in the Euro Area and China which would reduce export demand from Africa and investment to the region. In addition, escalating trade tensions between the United States and China would result in reduced capital inflows, higher financing costs, and increased reliance on foreign currency borrowing. Last year's recommendation, calling for attention to financial sector reforms, therefore continues to be valid.

Compact countries are undertaking relevant reforms. Morocco, despite a relatively sophisticated financial sector, has identified as one of its reform priorities the lack of risk mitigation instruments for SMEs. Togo has set a near-term priority of strengthening the stability of the financial sector by ensuring a sound privatization of two weak public banks. Ethiopia is embarking on financial sector reform, including creation of a legal framework for movable property registration, establishment of centralized collateral registry, and inclusion of microfinance institutions (MFIs) in the credit reporting system. Guinea is finalizing its national strategy on financial inclusion as a key to fostering access to finance, notably for SMEs, women, and youth. While such steps are encouraging, the full country reports below make clear that there is much progress yet to be made in this area.

Recommendations:

- Development partners should continue to provide sustained support for structured and comprehensive financial sector deepening in Compact countries.
- Development partners should commit to undertaking an assessment to understand factors which may be limiting the use of their blended finance instruments in Compact countries.
- Through twinning and other arrangements, development partners should help Compact countries introduce specific instruments for financing infrastructure, including infrastructure bonds.

Additional Cross-cutting Recommendations

In addition to the recommendations under each specific CWA pillar, the World Bank recommends that the following additional cross-cutting actions be undertaken as CWA enters its third year:

- **Potential Investor Engagement**. G20 and bilateral partners should intensify efforts to encourage interested companies in their countries to sustainably increase private investment in Compact countries.
- **Mainstreaming Compact Teams.** With a view to achieving sustainability of CWA objectives, Compact teams should continue to seek a closer alignment with existing private sector working groups that can help to foster greater engagement with the private sector.
- **ACETs Recommendations**. These are set out on pages 10 to 12. The World Bank supports these recommendations and urges their adoption by the AAG.

This note is intended to complement the ongoing dialogue on improving the efficiency and effectiveness of the Compact with Africa (CWA). Herein we draw upon two CWA peer-to-peer learning workshops held on February 13, 2019 and visits to four CWA capitals in March 2019, as well as ACET's ongoing interaction with CWA stakeholders. The workshops, organized by ACET and the German Ministry of Finance, had approximately ninety participants, including representatives from five CWA countries, nine G20 countries, the three IOs and the private sector. A summary report from the workshops was provided to the AAG in March.

The country visits were conducted by members of the CWA Advisory Panel and accompanied by ACET staff in most cases. The CWA Advisory Panel was established by ACET in February 2019 as part of agreed support to the initiative. Panel members met with senior government officials, development partners, the private sector, and G20 representatives. The workshops and the country visits focused on key questions such as functioning of Compact Teams, awareness of the initiative, Government ownership, monitoring and reporting, and impact. This note represents the views of ACET and follows peer review notes in April and October 2018.

CWA Context: The CWA was envisaged as a mechanism to increase private investment in Africa through a troika of commitments from select African governments, G20 governments and three international organizations. Specifically, it was a framework to "prepare comprehensive, country-specific investment compacts to encourage private-sector investment." The CWA has been partially successful but faces significant challenges. The workshops indicated above and the CWA Advisory Panel sought to take stock of implementation, identify challenges, and make recommendations for the way forward. The workshops and country visits largely identified similar issues, although the exercise will benefit from additional country visits and the conclusions below may not apply equally to all countries.

The CWA is providing many benefits but could lose momentum unless there are robust actions taken at the country level and at the initiative level. Benefits include enhanced investor interest in some cases as was evidenced by the Africa Investment Forum. Sixty-three projects with a total value of $38.7 million secured interest from investors; 18 of those projects, valued at $21.7 billion, were from Compact countries. Other benefits identified by CWA countries include better donor coordination, a "seal of approval" for reform countries, clarity to country reform programs, a forum/venue to review implementation of overall reform programs, consolidating policy objectives across government departments, and additional technical assistance. That said, ownership and understanding of the CWA varies widely, and generally there are asymmetric expectations between CWA governments and the G20. If the CWA is to be fully successful it is important to address key challenges such as expectations and ownership, the role and function of Compact Teams, communications, capacity support, and the role of the private sector. Below we outline six central issues identified in the workshops and country visits, followed by areas for immediate action.

Embracing an "Indirect" Development Model and Ownership of the CWA: The CWA is a unique model, which differs significantly from the usual direct relationship between reforms and financing. Usually developing country governments commit to undertake policy changes with an expectation of pre-defined international and bilateral support in return. While the CWA is a "compact", it is unlike traditional aid programs or hybrid systems such as the U.S. Government supported Millennium Challenge Corporation (MCC). The CWA is more similar to private sector models, whereby the private sector requires certain levels of good governance, a business-friendly environment, macroeconomic stability, etc., but the reciprocal "promise" of investment is not guaranteed. Within the CWA, the G20 governments have largely not promised direct support. This is the implicit model – but is either not fully understood or not fully owned by CWA country governments in many instances. This results in a value proposition that is not clear.

Based on the workshops and country visits, there are high expectations of significant foreign direct investment from G20 countries resulting from CWA. Additionally, similar to private sector models, CWA does not provide a framework for

accountability or reciprocal obligations, i.e. CWA countries' policy matrices are monitored, but it is perceived that G20 promotion of investment is limited or non-existent in some cases and no accountability mechanism is in place for G20 countries. This is reinforced by the low level of CWA championship or engagement by G20 country representatives at the country level in the countries visited or which participated in the workshops.

Communications: In the countries assessed there is universally a severe lack of communication regarding the CWA. In nearly all cases there is limited communication across government, within the G20 and donor community, to the private sector, and to broader audiences such as civil society and the media. Often senior government officials are not fully aware of the CWA, some of the major industry groups have no understanding, and G20 embassies have little information. A related communications issue is measurement and attribution. Given long lead-times for investment, the lack of a measurable baseline and a lack of robust metrics, it is highly important to "market" successes that are related to the CWA, even if there is not a direct causal linkage. Examples discussed by CWA governments included, for example, Volkswagen's investment in Ghana and Japanese investment in the textile sector in Benin.

CWA Compact Teams: While guidelines for Compact Teams have been agreed, in most cases the Compact Teams are not operating effectively – if at all. Of those visited, in one country there has not been a Compact Team meeting since October 2017, in two countries the first full Compact Team meeting took place in February 2019, and in numerous countries the private sector has not been invited. Likewise, leadership of the Compact Team varies across countries, both with regard to seniority and focal points.

Public-Private Dialogue: In many countries the private sector is not invited to Compact Team meetings and is largely unaware of the CWA. CWA governments noted numerous challenges in this regard, for example which of the private sector to invite (individual companies v. chambers of commerce; local companies v. international companies, etc.) and a general lack of capacity to sustain engagement.

Regional Integration and the CWA: An emergent theme at the workshops and during the country visits was regional integration. Particularly for the smaller CWA countries where market size is a limiting factor, regional integration is central to long term investment. Numerous countries noted concern with a "race to the bottom" among countries in the same region and how to leverage the integration efforts of regional economic communities, the AU, and the UNECA.

Capacity Building and Support: While the IOs and bilaterals are providing advisory services, more technical support is needed to prepare projects - to include structuring PPPs, preparing investment prospectuses, "after-care" for investors, and organizing road shows. Capacity building is also needed to mitigate risks, improve peer learning (in Africa and globally), and strengthen the financial sector, including regulatory capacity and governance. A related theme is the need for Compact Teams and IOs to have resources available for coordination, analysis, convening and investment promotion. There are models for such additional support, to include the stand-alone country trust fund in Tunisia, Germany's Reform Partnership Framework, or new "country windows" in an existing trust fund at the World Bank.

Concluding Messages: The CWA is at an important inflection point. More than two years after the G-20 Finance Ministers and Central Bank Governors meeting in Baden-Baden, and as the G20 presidency will soon transfer to the third country after Germany's Presidency, the CWA is providing important benefits, but also faces challenges to emerge as a coherent, long term initiative. The workshops and country visits provided a number of key areas for action.

First, and most importantly, stakeholders need to coalesce around the indirect development model the CWA embodies. Such a value proposition arguably reflects a future private sector led growth paradigm in Africa – but must be appropriately nurtured and supported and reciprocal accountability needs to be clarified.

Second, a sustained communications and outreach effort is needed at the country level and global level to ensure the CWA is known and understood. Without improved communication the CWA will remain a secondary, and often misunderstood, effort to enhance investment in Africa.

Third, based upon the above recommendations, roles and responsibilities of each Compact Team should be further defined and embraced by all stakeholders to improve efficiency and effectiveness.

Fourth, there is an urgent need for Compact teams to systematically engage the private sector in each CWA country. This cannot wait for the above actions but should happen in parallel. All indications are that the private sector wants to engage and be a constructive partner.

Fifth, there was broad agreement in the workshops and country visits that the regional integration dimension of investment projects should be taken into account by the CWA initiative. This could include, for example, capacity building and technical assistance for regional projects, regional or multi-country investment forums, and more coordination with regional economic communities, the African Union and UNECA.

Sixth, CWA governments indicated the need for additional capacity building support, which should be provided by IOs and bilateral partners, possibly through country windows in the existing trust fund at the World Bank or through programs similar to Germany's Reform Partnership Framework.

A key innovation of the G20 Compact with Africa involves the close coordination of the participating international organizations (IOs)—the African Development Bank (AfDB), International Monetary Fund (IMF), and World Bank Group (WBG). The IOs have teams on the ground in all 12 Compact countries and therefore lead, or are active participants in, the Compact country teams, using their collective convening power to create and foster the in-country ecosystems in which the aims of the CWA can develop. Specifically, the IOs:

- Advise the Compact countries on policies strengthening macroeconomic, business environment, and financial policy frameworks and advise government on the design of policy reforms and the contents of reform matrices.
- Support the Compact countries in developing their country investor prospectuses and Investment Compacts, which include areas of focus, government action, indicators, and targets for reform.
- From headquarters, provide support for stakeholder coordination, and CWA website maintenance which fosters transparency and provides relevant information to policymakers and investors.
- The AfDB and the WBG provide financing to support the implementation of CWA-consistent reforms, while 10 of the 12 CWA countries currently have an IMF-supported program in place or have near-program status (totaling $19.7 billion equivalent in available financing).
- Monitor progress against Compact objectives and compact commitments, including promoting this year's stakeholder survey undertaken by The African Center for Economic Transformation (ACET) that will provide further insights on relevant course corrections for the initiative.

The effort to coordinate and harmonize the work of the IOs has continued apace over the past year. In response to decisions taken at the AAG meeting in Bali in October 2018, efforts are underway to increase the participation of private sector representatives in Compact team meetings, to increase the frequency with which the teams meet, to interact with G20 diplomats in Compact countries, and to invite the participation of G20 development finance institutions (DFIs) in Compact-related initiatives. Both AfDB and WBG have signed Joint Declarations of Intent with Germany's Federal Ministry for Economic Cooperation and Development (BMZ) on Reform Partnerships in up to six Compact Countries. BMZ plans to co-finance CWA initiatives with grants of up to EUR 100 million per country, and engagements have begun in Côte d'Ivoire, Ethiopia, Ghana, and Morocco; discussions are under way for initiatives in Senegal and Tunisia. The deepened cooperation seeks to improve the environment for private sector investment, boost economic growth, and create sustainable jobs, especially for young people.

Additional IO-specific activities as well as evolving areas of focus for each IO are set out in the following paragraphs.

African Development Bank

The AfDB is developing an action plan for collaboration with development finance institutions (DFIs) of G20 countries that are active in Compact countries. The goal is to maximize the investment impact of DFI initiatives through alignment and coordination with CWA reform and investment strategies. DFIs were asked to identify priority sectors in Compact countries, respective comparative advantages, and opportunities for closer cooperation. The AfDB will use the information to evaluate how best to integrate G20 DFIs into the work of the CWA to achieve increased development impact and coordination. A report with the findings of this exercise will be presented at the October 2019 AAG meeting with recommendations on the way forward.

In collaboration with the G20 AAG co-chairs, AfDB organized a CWA event focused on promoting private sector investment in Compact countries—the core aim of the initiative. The CWA event took place in November 2018 as part of the Africa Investment Forum (AIF) in Johannesburg, South Africa, a totally transactional marketplace dedicated to advancing projects to bankable stages, raising capital, and accelerating the financial closure of deals. The 2018 Forum drew almost 2,000

participants from 87 countries, including eight African Heads of State, five from Compact countries (Ethiopia, Ghana, Guinea, Rwanda, and Senegal). The CWA session featured a high-level policy dialogue with G20 members and an update from Compact country ministers on the policy and regulatory reforms made to date that demonstrate a readiness for business. Five African ministers—from Côte d'Ivoire, Ethiopia, Morocco, and Tunisia in the Compact and South Africa, which co-chairs the AAG, and four ministers from G20 countries and observers—Canada, Germany, Norway and the United States—participated in a plenary session. Speakers credited the Compact with opening channels for synergies around attracting investment and creating conducive environments for business. Additionally, the AfDB worked with IFC to select flagship investment projects in the Compact countries that were showcased during the event. During the "Boardroom Sessions" at AIF a total of 63 projects with a total value of $38.7 million secured interest from investors attending the sessions; 18 of those projects, valued at $21.7 billion, were from Compact countries. In other words, Compact country projects made up 29 percent of the projects that garnered interest in the Boardrooms but 56 percent of the value.

The AfDB continues to provide Compact countries with advisory services, lending, and investments. This includes 2018 lending of $4.9 billion in Compact countries.

Under the Japanese G20 Presidency, the AfDB is co-chair of the T20 Africa Task Force. In this role, AfDB has written, in collaboration with the African Center for Economic Transformation (ACET), a policy brief on the Compact with Africa which recommends for further coordination by stakeholders, including country teams and the domestic private sector, promotion of private sector investment, listing investment opportunities on the AIF project platform, and developing African infrastructure development expertise.

International Monetary Fund

***Surveillance and lending*.** The IMF supports Compact countries to strengthen macroeconomic and financial sector policy frameworks through policy advice and, where needed, financing. Ten of the twelve CWA countries currently have program or near-program status (totaling $19.7 billion equivalent in available financing), and one additional program was recently completed.

- In November 2018, Tunisia completed the Fourth Review of its IMF-supported program aimed at reducing macroeconomic imbalances, while providing social protection and encouraging private sector-led job creation.
- In December 2018, Benin, Burkina Faso, Côte d'Ivoire, Guinea, and Togo completed reviews under IMF-supported programs, and a Precautionary and Liquidity Line (PLL) was approved for Morocco. In Benin, program policies promote strong and inclusive growth in part through a stronger business environment. In Burkina Faso, the program seeks to create fiscal space for priority spending by strengthening revenue mobilization, containing current spending, and improving the efficiency of public investment. In Côte d'Ivoire, the program focuses on sustaining strong growth momentum while crowding in private investment to support a significant scaling-up of public investment. Guinea's program aims at strengthening resilience to external shocks, scaling-up public investment in infrastructure, and promoting private sector development. In Togo, the program seeks to ensure long-term debt and external sustainability, refocus policies on inclusive growth, and resolve financial sector weaknesses. Morocco's PLL provides insurance against external shocks and supports reforms to improve policy frameworks, public sector governance, and the business environment—particularly for SMEs. Ethiopia's 2018 Article IV Consultation highlighted the authorities' reforms aimed at catalyzing private investment.
- Senegal's Policy Support Instrument (PSI) supports the authorities' efforts to sustain high growth and meet development objectives without undermining stability; the Seventh Review was completed in January 2019.
- Egypt completed the Fourth Review of its IMF-supported program in February 2019 which includes a structural reform agenda that aims to support inclusive growth by addressing long-standing constraints to private sector development.

- In March 2019, Fund staff reached a preliminary agreement with the Rwandan authorities on policies that could constitute the basis for a new program following completion of a five-year PSI. Ghana concluded its IMF-supported program which paved the way for significantly improved macroeconomic performance.

Capacity development and partnerships. The IMF has expanded its support for capacity development in CWA countries, including through the six AFRITACs (Africa Regional Technical Assistance Centers) and the Middle East Technical Assistance Center. Germany, Japan, the EU, UK, and Switzerland are key partners in externally-funded IMF capacity development. Support for Compact countries accounted for 8 percent of the IMF's capacity development budget in FY 2018—which included 67 technical assistance missions, 334 country visits by short-term and long-term experts, and training of over 1,700 country officials. Technical assistance supported reforms under the macroeconomic pillar, including in the areas of domestic revenue mobilization, expenditure policy, public investment management, public financial management, and financial sector regulation.

Raising the profile of the Compact. The Fund has also sought to raise the profile of the initiative, both through strong public advocacy by IMF senior management and events such as the 2018 Spring Meetings flagship seminar on "Attracting Private Investment in Sub-Saharan Africa". The IMF and the Ethiopian authorities are also jointly organizing a High-Level Forum on Private Sector-Led Diversification and Growth that will take place in Addis Ababa in July 2019.

The World Bank Group

The World Bank Group's Country Private Sector Diagnostics (CPSDs) are now routinely underpinning the development of business enabling reform programs in Compact countries. CPSDs are now in place or have been launched in 10 out of the 12 Compact countries. In January, IFC conducted a presentation on CPSDs to the CWA Secretariat. The presentation focused on specific country cases of Senegal, Ghana, and Ethiopia and served to highlight key policy and structural issues standing in the way of private investments. The ensuing dialogue confirmed the robustness and usefulness of the CPSD as a key diagnostic in support of CWA objectives.

WBG also during the year embarked on a pilot program to establish a multi-donor Tunisia Compact with Africa Fund with financial contributions from Germany, Norway, and the Netherlands. Conceived as a pilot, the goal is to help Tunisia meet its reform commitments under the Compact. With a critical mass of CPSDs now completed in Compact countries, the WBG during the next year will explore the possibilities of establishing more of these country-specific CWA multi-donor trust funds, that can support he implementation of the CPSD action plans.

WBG also stepped up its financing in support of CWA country objectives. Overall, IFC mobilized $1.6 billion to Compact countries in FY18, up 28 percent from FY17 ($1.25 billion). IDA will provide about $45 billion in the next three years in Sub-Saharan Africa, including eight CWA countries. MIGA, issued over $1 billion in guarantee coverage in FY18, and expects to exceed this in FY19 with between $1.2 and $1.5 billion in coverage for foreign investors in Sub-Saharan Africa, much of which will be in CWA countries. Other highlights of WBG financing support are:

- At the September 2018 Kigali Development Finance Forum, IFC signed an MoU with a global construction firm and the Government of Rwanda to develop 10,000 affordable housing units, representing an investment of $200 million. In parallel, the World Bank in FY19 has undertaken a $150 million commitment to a Rwanda Housing Finance Project to expand access to housing finance to households and support capital market development.

- WBG is using its development policy tool to more directly support the implementation of reforms in the Country matrices. As examples: (i) a $1 billion Development Policy Financing Commitment in Egypt to enable financial inclusion, private sector development, and fiscal management for inclusive growth; (ii) a $1.2 billion commitment for a growth and competitiveness project in Ethiopia, promoting good governance, and boosting competitiveness; and (iii) a $20 million commitment in Ghana supporting energy sector reforms, along with a $40 million commitment to promote development of the country's tourism industry.

ASSESSMENT OF COUNTRY REFORMS BY THE INTERNATIONAL ORGANIZATIONS

BENIN

Macroeconomic Developments

- Robust growth driven by record cotton production and processing, economic recovery in neighboring Nigeria, (Benin's major trade partner), lagged effect of public investment scaling-up and strong activity at Port of Cotonou; inflation negligible at 1 percent in 2018.
- 2018 ended with strong fiscal performance with fiscal deficit down to 4 percent of GDP from 5.9 percent in 2017, due to contraction of investment budget and higher tax and non-tax revenues.
- Current account deficit is projected to decline to 8.8 percent of GDP in 2018 from 9.9 percent in 2017, reflecting strong export growth and dampening effect of fiscal consolidation on imports.
- Growth is expected to remain strong in the medium term, led by the agriculture and service sectors.
- Budget deficit expected to decline to 3 percent of GDP in 2019 and onward due to the consolidation plan.
- The current account deficit is projected to stabilize at around 5 .0 percent of GDP by 2024, assuming the successful implementation of fiscal consolidation plan and structural reforms to boost competitiveness

Challenges and Constraints

- Firms have difficulties obtaining loans, particularly for long-term investments. SME investments often deterred by burdensome loan application procedures, high perceived risk, and high collateral requirements.
- Weak institutional capacity and bureaucratic burdens constrain private investment. Impediments to FDI include: difficulties registering property, poor contract enforcement, judicial system inefficiencies, and weak anti-corruption framework.
- A few influential business groups dominate the formal sector while competition in the informal sector is intense. Barriers to entry constrain investment in the formal sector and structural transformation of the economy.
- Public financial management weaknesses, particularly in procurement and public investment management, are challenges to investors, along with elite capture in land access.

Key Reforms To-date

- Private Entity created for management of flagship road projects and toll roads.
- Adoption of master plan for electricity sector.
- Investment code revised; new public procurement code and unified secure legal framework on PPP established.
- One-stop shop established to monitor relations of government with private sector.

Ongoing Priority Reforms

- Broadening tax base and enhancing efficiency of government spending.
- Operationalization of conciliation and mediation body for taxes and customs disputes.
- Establishment of Inter-ministerial Committee to Promote Investments and improve strategic coordination of relations with the private sector.
- Resolve continuing barriers to private sector participation in electricity generation.

BURKINA FASO

Macroeconomic Developments

- Economic performance remained resilient during 2018 despite rising security concerns and continued labor unrest.
- Growth was supported by the service, mining and agriculture sectors, with agriculture rebounding from disappointing performance in 2017 due to weather shocks.
- Strong growth in government services and mining helped compensate for declining output in manufacturing, including the cotton subsector for the second consecutive year.

Challenges and Constraints

- Low private investment arises from limited investment opportunities inherent in Burkina Faso's underdeveloped private sector.
- Outside of gold and cotton, economic activity is mostly concentrated, small scale, and unproductive.
- Private investors are severely constrained by a poor investment climate and limited private sector-facing government capacities which leads to inefficient, cumbersome, opaque, and centralized procedures.
- Labor unrest and a challenging regional security context.

Key Reforms To-date	Ongoing Priority Reforms
• Reforms on medium-term debt strategy, tax administration, procurement processing, wage bill monitoring are being implemented. • Government has reduced delays and costs involved in starting a business and connecting to electricity and water. • Reforms on access to land titles for agribusiness purposes are being implemented.	• Address liabilities from fuel price subsidies, which have increased in recent years. • Fiscal consolidation - contain rapid growth of the wage bill. • Improve the deployment of civil servants across the country.

CÔTE D'IVOIRE

Macroeconomic Developments

- Growth remains strong and inflation low; the Ivorian economy remains one of the most dynamic in the world.
- Economic growth in 2018 was more than double the regional average driven by strong domestic demand and declining food prices which held inflation to 0.3 percent.
- Deterioration in the terms of trade led to a decline in the current account to 4.7 percent of GDP in 2018, down 1.2 percentage points from 2017.
- Budget deficit fell to 4.0 percent of GDP in 2018; weaker-than-expected revenues were offset by slight reduction in public investment.
- Fiscal deficit expected to reach the regional WAEMU norm of 3.0 percent of GDP in 2019. Public debt remains sustainable.

Challenges and Constraints

- Revenue performance remains weak at 16.2 percent of GDP in 2018. Structural factors include narrow tax base, inefficient tax administration, widespread tax exemptions, complex and inefficient income tax laws.
- Insecurity of land tenure hinders development of agriculture; development of new industries is hindered by lack of industrial land.
- Labor costs are relatively high, and capacity is low; labor regulations are rigid; repeated and prolonged crises have led to a serious human capital deficit. There is a mismatch between vocational and higher education training and the country's emerging needs.
- Lack of technical skills represents a major impediment to development of several value chains.
- Lack of financial sector development constrains private sector growth. Lack of competition in banking sector has resulted in higher interest rates than in many peer countries.

Key Reforms To-date

- Targets were achieved in 11 reform indicators out of 15, including 5 in the macroeconomic framework; 4 in the business framework, and 2 in the financial framework.
- Macro reforms addressed fiscal deficit, reserves coverage, stock of public debt, inflation, need to increase pro-poor spending.
- Business reforms related to Commercial Court, E-procurement system, improving Doing Business indicators, increasing budget for project preparation.
- Financial reforms related to Credit Bureau, credit leasing, partial guarantee instrument, increasing local financing as percent of GDP.

Ongoing Priority Reforms

- Increasing tax revenues and creating fiscal space for public investment and pro-poor spending.
- Improve access to industrial land
- Improve access to finance for SMEs and micro-enterprises.

EGYPT, ARAB REP.

Macroeconomic Developments

- Economy has grown, international reserves have increased, external and fiscal deficits have narrowed, and unemployment, inflation, and debt have declined.
- Government has achieved mid-year target for primary balance to record surplus of 0.4 percent of GDP in FY19.
- Non-sovereign tax revenues increased to 9.4 percent of GDP in FY18 and should surpass target of 10 percent in FY19.
- Consolidation has been driven by increased tax intakes.
- Banking system is assessed as resilient; its profitability remains high; domestic liquidity is ample.

Challenges and Constraints

- Longstanding problems of weak governance, poor competition, lack of access to industrial land and finance, and heavy footprint of the state in the economy constrain private sector-led growth.
- Egypt is lagging in the trading across borders and paying taxes indicators of Doing Business, with ranks of 171 and 159, respectively, out of 190 countries.
- Credit to the private sector remains low and overall financial inclusion limited. Only 10 percent of the population has a bank account.

Key Reforms To-date

- Government launched logistics center at Cairo Airport as pilot for implementation of National Single Window, to be rolled out in 2020.
- New industrial licensing law has streamlined processes, resulting in a nearly 20-fold increase in issuance of operating licenses and permits between April 2017 and August 2018.
- New procurement law approved by Parliament.
- New insolvency law adopted in February 2018; the time to recover debt was reduced by six months to 2.5 years.
- Five Doing Business reforms implemented easing business registration, improving access to credit, protecting minority investor rights, improving tax payment system, and easing insolvency resolution.
- Parliament approved E-Payments Act making it mandatory to transition to electronic payments and collections of taxes, customs, subscriptions to IPOs, investment funds, and share purchases.
- Government developed internal mechanism for evaluation and issuance of guarantees to ensure the proactive management of sovereign guarantees.

Ongoing Priority Reforms

- Further reducing public debt to sustainable levels and continuing to implement prudent monetary policy to maintain stable inflation.
- Adopt amended competition law to strengthen the Egyptian Competition Authority.
- Develop Medium-Term Revenue Strategy (MTRS) to enhance domestic revenue mobilization. Finalize and issue simplified SME tax regime.
- Implement recently passed procurement reform by drafting executive regulations, procurement manuals, bidding standards, e-procurement guidelines.

ETHIOPIA

Macroeconomic Developments

- Real GDP growth remained strong despite decelerating somewhat to 7.7 percent in 2018 due to weak commodity export prices, public spending restraint and unrest.
- The external current account deficit declined to 6.2 percent of GDP in FY17/18 from 8.1 percent the year before due to reduced imports as well as increased services and manufacturing exports.
- Lower inflows from FDI and public sector borrowing reduced reserves to 1.6 months of imports.
- Inflation remained elevated at 10.9 percent in February of 2019, but contractionary monetary policy and lower food prices have reduced inflationary pressures.

Challenges and Constraints

- Forex shortages adversely affect private sector activities, holding up critical public projects and signaling a lack of buffers against external shocks.
- Complex and restrictive regulatory environment for starting and operating a business is a major constraint to private sector development.
- Outdated commercial legislation and inefficient logistics are among other key bottlenecks. The commercial code has not been updated since its ratification in 1960, creating an inadequate legal framework for business operations, shareholder rights and activities relating to starting, operating and closing a business.
- Financial repression, notably negative real interest rates and discretionary allocation of credit to selected sectors, remains a key challenge.

Key Reforms To-date

- Macroeconomic reforms in the area of state-owned enterprises (SOEs), governance narrowing the budget deficit, and domestic resource mobilization (primarily focusing on strengthening tax administration capacity through operational improvements, better use of data and IT, and enhanced human resource management).
- Ensuring ease of doing business by revising the commercial code, investment law, and modernizing business service delivery.

Ongoing Priority Reforms

- Domestic revenue mobilization reforms seek to ease tax compliance, rationalize tax exemptions, expand the tax base, and reduce distortionary effects of trade taxes.
- Accelerate financial development to support private sector activities and durably address the forex shortage.
- Develop a regulatory framework and implementation guidelines for PPPs and establish clear procedure for SOE privatization.
- Follow through on decision to open in the telecom, energy, and aviation sectors to private participation.
- Ratification of the African Continental Free Trade Area; conclude negotiations for accession to the World Trade Organization.
- Improve Ethiopia’s Doing Business performance

GHANA

Macroeconomic Developments

- Macroeconomic conditions are broadly positive. Growth remained robust in 2018 mainly due to oil production.
- Inflation remains in the single-digits at 9.2 percent in February 2019.
- A primary budget surplus, excluding financial sector costs, was achieved for the second consecutive year.
- Last year, the Bank of Ghana resolved seven banks, approved three bank mergers, and oversaw completion of the increased statutory capital for banks.
- Ghana has emerged as an attractive destination for portfolio investment in 2018, with the corresponding vulnerabilities to shifting investor sentiment.
- Ghana has had two very successful Eurobond campaigns, in May 2018 and March 2019, with the latter being oversubscribed by a factor of six.
- The Ghana's Extended Credit Facility (ECF) program with the IMF came to an end on March 20, 2019.
- Structural reforms to improve the financing framework for businesses have shown modest progress, including reforms by the central bank to strengthen the banking system. The impact of these reforms on the cost of and access to credit may only be seen over the medium-to-longer term.

Challenges and Constraints

- Absence of conducive legal and regulatory framework within which to start, operate, or close a business.
- Ghana's lowest scores in the Doing Business indicators are in registering property, trading across borders, and resolving insolvency.
- Inflation pushed the average lending rate to nearly 32 percent, constraining domestic investment.
- Public debt has increased from 57.3 percent of GDP to 59.6 percent of GDP, reflecting higher than programmed financial sector costs of 3.3 percent of GDP.
- Inadequate availability and reliability of basic infrastructure such as energy and transport and difficult access to land deter investment.
- Progress on structural reforms to improve the business environment, including a new company's Act and an insolvency Act have been slower than anticipated.
- Access to finance remains a challenge and a constraint for most businesses, particularly MSMEs.

Key Reforms To-date

- Three out of sixteen macro-indicators have been fully achieved;
- Completed Five of seven targets in the business framework;
- Two of eight in the financing framework
- Government adopted a fiscal responsibility law and established a fiscal council in December 2018. A newly established Fiscal Responsibility Advisory Council will serve as an advisory body to the President
- At the end of 2018 Ghana increased the minimum capital requirement for banks to GH¢400 million from GH¢120 million

Ongoing Priority Reforms

- In the 2019 budget statement, the Government reiterated that support for the private sector is a top priority.

GUINEA

Macroeconomic Developments

- The strong growth momentum of the Guinean economy continues to be driven by buoyant mining activity, a strong construction sector, and good agriculture performance.
- Inflation reached 9.8 percent in 2018 reflecting sustained food inflation.
- The fiscal position has strengthened, with the basic fiscal balance reaching a surplus of 0.8 percent of GDP at end-2018.
- International foreign reserves increased to 3.3 months of import coverage in 2018 (2.3 months of import coverage in 2017).
- Contingent on continued macroeconomic and political stability, the sizeable ongoing foreign investments in mining and hydropower have the potential to transform the economy.

Challenges and Constraints

- Mobilizing additional tax revenues is pivotal to scale-up growth-supporting public investments in infrastructure and domestically-financed social safety nets.
- Clearing domestic arrears will be necessary to support recovery of the private sector and help private companies in paying down their bank debt.
- Bringing the texts of the SOEs in line with the requirements of the new SOEs legislation will be instrumental to the full implementation of the law and to the improvement of the financial performance of SOEs.
- Operationalizing the Commerce Court (CC) and the one-stop shop for cross-border trade and finalizing an online tax declaration and payment system remain important steps for attracting private investment.
- Rule of law, government effectiveness, and control of corruption remain important issues.

Key Reforms To-date

- Procedures to create a business were streamlined, an online business creation platform was launched.
- Implementation decree for the organization and operation of the National Agency for the Fight Against Corruption (NAFC) was adopted in October 2018.
- A new action plan to improve the business climate was adopted in late 2017.
- A specialized Commerce Court (CC) was set up in Conakry and a one-stop-shop (OSS) for cross-border trade was established in 2018.
- A strategy to clear up longstanding domestic arrears to the private sector was adopted in December 2017. Implementation of the strategy is advancing, and longstanding domestic arrears were repaid in 2017 and 2018.

Ongoing Priority Reforms

- Mobilizing additional tax revenues. Finalize the set-up of an online tax declaration and payment system and business identification number.
- Clearance of domestic arrears, and the strengthening of the governance of state-owned enterprises.
- The implementation decree for the asset declaration regime is being prepared.
- Operationalize the specialized commerce court and one-stop shop for cross-border trade.

MOROCCO

Macroeconomic Developments

- Activity remained robust in 2018, reflecting a good cereal harvest and a slight pick-up of nonagricultural growth.
- The fiscal deficit stabilized around 3.7 percent of GDP in 2018, reflecting strong VAT revenues and wage bill containment, which partially offset lower-than-expected corporate tax revenues and grants, and higher-than-projected subsidies due to elevated international butane prices. The central government public debt ratio remained stable for the second consecutive year at around 65 percent of GDP.
- Monetary policy has remained accommodative in a context of moderate inflation and subdued non-agricultural and credit growth.
- Despite strong exports, the current account deficit widened to 5.4 percent of GDP in 2018 (against 3.6 percent in 2017), primarily on account of higher oil prices and lower official grants.
- The exchange rate has remained stable since the authorities started the transition to greater flexibility in Jan 2018. It has remained in an interval close to the central rate and the central bank has not intervened since March 2018.

Challenges and Constraints

- Morocco faces difficulty in achieving a higher job-rich growth and harnessing its labor force (very low female participation) and an inability to reallocate labor across sectors (poor employability).
- Further efforts are needed to increase the efficiency of public expenditure and tax system so as to create more fiscal space for infrastructure and human capital.
- Weak private participation in the provision of infrastructure, despite a liberalized legal PPP framework.
- Limited diversification of financing beyond banking, as well as a limited access to finance and inadequate risk mitigation instruments for SMEs. Equity financing of start-ups, high-growth companies or restructuring SMEs is hampered by insufficient deal flows.
- Capital markets struggle to attract foreign institutional investors, despite many EU-style instruments and practices being adapted to the local context.

Key Reforms To-date

- Corporate insolvency, secured transaction framework, digital land registry, industrial land law, online creation of company, paperless customs clearance system, etc.
- Several regulatory authorities (electricity, postal, telecom) were established or endowed with greater powers.
- Constitutional bodies of competition and anti-corruption have been operationalized.
- The framework for PPP contracting was brought in line with EU practices, and the Investment Charter (for FDI) is being revamped.
- One-stop-shop Regional Investment Centers have been restructured, allowing for greater engagement with the private sector and streamlined procedures.
- Reforms initiated in 2018 to strengthen SOE oversight and refocus SOEs on their core mandates, including a multi-year privatization program.
- Morocco’s first national financial inclusion strategy was approved in Feb 2019. It includes a wider range of guarantee products, now also toward microfinance, and a national mobile payment solution. The central bank issued its first licenses to several nonbank providers of payment services.

Ongoing Priority Reforms

- Fiscal consolidation and decentralization
- Exchange rate flexibility
- Tax policy and administration
- Public investment management and evaluation
- SOE reform to enable MFD/PPP
- Digitization of business services, including public procurement; decentralization and digitization of investment support
- Competition policy
- Financial inclusion of small enterprises
- Equity finance for start-ups
- Capital market development and reform of pension funds
- Foreign institutional investors

RWANDA

Macroeconomic Developments

- The growth recovery in Rwanda that began in the second half of 2017 accelerated in 2018 supported by broad-based activity in all sectors.
- Fiscal performance was better than targeted, with late donor flows delaying investment spending in the second half of 2018.
- Despite strong economic activity, headline and core inflation remained low, below the central bank's target corridor.
- The central bank left the policy rate unchanged in its Q1 meeting but will likely need to ease its stance in the face of continued low inflation and high real interest rates.
- Financial soundness indicators reflect a healthy banking sector, and private sector credit growth picked up modestly.
- The very strong growth in goods exports in 2017—largely driven by start-up of non-traditional minerals (e.g. gemstones)—tempered to single-digits in 2018.
- External balances continued to improve, with the real effective exchange rate well aligned with fundamentals.
- Strong growth is expected to continue on the back of significant private and public investments in diversified and higher value-added activities, with implementation of Rwanda's National Strategy for Transformation.

Challenges and Constraints

- The level of private investment remains low, an estimated 13 percent of GDP, highlighting the structural character of the challenges that the private sector faces.
- Most private firms remain small. A small fraction of domestic firms can be characterized as high growth, and job creation momentum by domestic firms remain weak.
- PPPs and public enterprises still play a large role.
- Many international investors remain unconvinced by Rwanda's value proposition as an FDI location. While 65 percent of international investors rate Kenya as 'attractive' or 'very attractive', it is only 40 percent for Rwanda.
- The recent CPSD notes several cross-cutting constraints, including challenges of high transport costs, lack of skilled labor, and high input costs, including finance, electricity, ICT, and land.

Key Reforms To-date

- Rwanda has improved the system of electronic invoicing for collecting taxes.
- For Aftercare, Rwanda Development Board upgraded the function from a division to a department in September 2018 (Reinvestment and Investor Aftercare), which is hosting the Systemic Investment Response Mechanism (SIRM) for the ground work.
- Strong progress in Doing Business reforms included improving the monitoring and regulation of power outages, making it easier to get electricity, streamlining property registration, strengthening access to credit through a new insolvency law, reducing the time to import and export, and making it easier to enforce contracts.

Ongoing Priority Reforms

- Improve the system for identifying investor issues, managing investor grievances and minimizing dispute escalation.
- Revise the approach to the industrial parks and PPPs.

SENEGAL

Macroeconomic Developments

- Growth remained high and inflation low, but further efforts are needed to strengthen fiscal sustainability in the medium term.
- Growth continued for the fifth consecutive year above 6 percent; inflation is at around 1 percent.
- Pre-election pressures have added strains on both fiscal revenues and expenditures in 2018.
- The approved 2019 budget is in line with WAEMU convergence criterion of 3 percent of GDP fiscal deficit.
- Senegal remains at low risk of debt distress, but public debt has been rising in recent years, reflecting a combination of factors including accelerated public investment spending and inclusion of the debt of public entities outside central government.
- At the end of 2018, public debt stood at about 65 percent of GDP after including the debt of public entities outside the central government, a historical high.

Challenges and Constraints

- Significant structural bottlenecks continue to hamper private sector development with progress on multiple fronts needed to avoid the low growth environment of the pre-PSE era.
- Key challenges to overcome include: access to and cost of energy, which impedes development of an industrial base; burdensome tax procedures and uneven and inconsistent application of tax regulations; labor regulations, which are poorly enforced and perceived as rigid; access and cost of credit, in particular for MSMEs, restricting access to long-term finance; inefficiency of public investment; and weak human capital.
- Access to digital services (internet, international connectivity, 4G, etc.) is poor and expensive due to insufficient competition. Public digital services (G2B, e-taxes, etc.) is also underdeveloped.
- The system of land governance remains complex and poorly regulated, and access to land is a major constraint on companies interested in doing large-scale agriculture.
- Labor productivity is low—three times lower than China and five times lower than South Africa—given that two-thirds of all workers did not receive formal education, and labor regulations are complex.

Key Reforms To-date

- Reform targets were achieved for nine indicators, including three in the macroeconomic framework (fiscal deficit, transfer pricing regime and use of the integrated projects bank for public investment), 5 in the Business Framework (Commercial Court, electronic operations, G2B services, registering property and increasing competition in key markets), and 1 in the Financial Framework (Credit Bureaus).
- The first phase of the reform program *Plan d'Actions Prioritaires* allowed both public and private investment to increase and boosted key sectors, including agriculture, energy, construction, and infrastructure.

Ongoing Priority Reforms

- Macroeconomic stability and debt control (revenue mobilization and rationalizing expenditure; regulatory framework of the oil and gas sector);
- Public services dematerialization (e-government; port services; e-payments);
- Investment protection (commercial justice; high quality PPP pipeline and regulatory framework);
- Access to finance for SME (regulatory framework; access to public procurement; trade insurance);
- Stronger dialogue with the private sector (revitalization of the Presidential Investment Council; streamlined private investors support and accompaniment mechanisms)

TOGO

Macroeconomic Developments

- Following a sharp deceleration in 2017 due to political tensions, economic growth started to recover to reach 4.9percent in 2018.
- Growth is still below historical averages and levels seen in peers.
- Average inflation remained below 1 percent in line with the regional trend.
- The fiscal position is on an improving trend since the inception of the IMF Extended Credit Facility (ECF) program and the adoption of the CWA policy reform matrix.
- Despite a significant reduction, the debt-to-GDP ratio remains the highest in the WAEMU region at 76 percent at end-2018 (or 74 percent excluding SOEs).
- The pre-financing of public investment halted, and no non-concessional external debt was contracted.
- Risks remain tilted to the downside, stemming primarily from socio-political uncertainties; local elections are planned for 2019 and Presidential elections for 2020.

Challenges and Constraints

- Weak public administration undermines Togo's competitiveness.
- Widespread corruption remains unaddressed despite the recent criminalization of several corruption offenses and operationalization of the anticorruption commission.
- Public debt remains high, though on a downward path, limiting the fiscal space for social spending.
- The private investment boost that was expected to compensate the public investment reduction has not yet materialized.
- Though much improved, Togo's Doing Business ranking remains behind regional averages, reflecting persistent weaknesses in resolving insolvency, protecting minority investors, and paying taxes.
- Continued political instability remains a key challenge for the reform agenda, with upcoming local and national elections in 2019 and 2020.

Key Reforms To-date

- Reforms were undertaken to strengthen revenue mobilization, improve public investment efficiency and the financial viability and service delivery in key infrastructure, including energy and ICT.
- The tax code has been revised to reduce the number of taxes and provide incentives to investors. A system of online tax filling and payment for large enterprises has been implemented.
- In the energy sector, the performance contract between the government and the utility company has been revised to improve the financial viability of the sector.
- Several reforms were implemented to ease the Doing Business, including adoption of a new land code, digitization of the land registry, and creation and automation of commercial chambers.
- To resolve conflicts that may arise between parties in the interpretation and execution of contracts and streamline insolvency proceedings, a law authorizing the creation of commercial courts has been adopted and two commercial courts have been created in the capital city of Lomé and in the second main city Kara.

Ongoing Priority Reforms

- Fiscal and structural policies agreed under the CWA policy reform.
- Public debt reduction.
- Increasing private sector participation in the banking and telecommunication sectors.

TUNISIA	
Macroeconomic Developments • The economic situation remains fragile amid high political uncertainty and structural vulnerabilities. • In 2018, growth reached only 2.5 percent, lower than projected, as the pick-up in exports could not be sustained and investment remained subdued. • Unemployment increased slightly to 15.5 percent. • Inflation stabilized at around 7.5 percent, but underlying price pressures remained strong due to continued exchange rate depreciation, wage increases, and energy price hikes. • Strong revenue performance allowed to reduce the overall fiscal deficit to 4.6 percent of GDP. • Nevertheless, the central government debt increased to 78.5 percent of GDP driven mostly by depreciation. • The current account deficit reached the record level of 11.2 percent of GDP, mostly because of higher than expected international oil prices.	
Challenges and Constraints • The growth slowdown in the wake of domestic and external shocks combined with higher public debt led to a deterioration of Tunisia's fiscal position. • Public deficits have hovered around 5 percent of GDP from 2011 through 2018. • The public wage bill has risen sharply from 10.7 percent of GDP in 2010 to 14.1 percent in 2018. • The large current account deficit, along with depressed FDI and the large central bank interventions in the foreign exchange market have resulted in a fall in gross international reserves, which stand at about 2.8 months of import. • State-owned enterprises (SOE) dominate many sectors, and state intervention in the economy is heavier than that in many developing and most emerging economies. • Across sectors, regulations governing markets remain restrictive and encourage anticompetitive behavior, hampering potential productivity gains and private sector development. • Access to finance remains underdeveloped at both the household and firm level in Tunisia. According to Findex data, fewer than five percent of adults save at a formal financial institution • Key bottlenecks in Doing Business include ease of cross-border trade, paying taxes and resolving insolvency.	
Key Reforms To-date • Government took steps in 2018 to reduce energy subsidies. • Investment entry authorization procedures have been mapped and ongoing simplification efforts of a first wave of licenses • Foreign investors are no longer required to obtain the authorization of the Superior Commission of Investment (investment law). • A National Financial Inclusion Council was created in June 2018 to improve the quality of life of the population and expand employment opportunities. • Government recently adopted and submitted to the parliament a horizontal law which addresses some of the key elements of the investment climate agenda. • Parliament recently approved "Dhamen Finance" law which will have an impact on strengthening guarantee mechanisms and hence access to finance for exporting SMEs	**Ongoing Priority Reforms** • The technical specifications that replace investment entry authorizations were supposed to be finalized and published within six months, but most of these remain pending. • Several laws to improve access to finance for SMEs and startups are pending ratification by Parliament, including the Equity and Seed Capital Law, the secured transactions Law, and the Credit Bureau Law.