



AFRICAN DEVELOPMENT BANK GROUP  
GROUPE DE LA BANQUE AFRICAINE  
DE DEVELOPPEMENT

# **G20 Development Finance Institution Action Plan**

**October 2019**

**Prepared by the African Development Bank**

## Executive Summary

### Purpose

At the Africa Advisory Group (AAG) meeting in Bali in October 2018, calls were made for closer collaboration of the Development Finance Institution (DFIs) in the Compact with Africa (“the Compact”, or “CWA”). This was understood to include closer collaboration with international organizations and other DFIs, as well as with CWA countries. The African Development Bank (AfDB) was subsequently mandated by the AAG to coordinate a synthesis of a DFI action plan to enable and strengthen coordination. **This document serves as an Action Plan and presents background on the priorities of CWA countries and G20 DFIs, methods by which closer collaboration can be achieved, and recommendations on how to efficiently enable such collaboration to address CWA needs.**

### Findings and Observations

To better understand country engagement, development priorities and areas of potential DFI collaboration, the AfDB prepared a short survey instrument to solicit input from G20 DFIs. Eleven DFIs responded, serving as the basis for Action Plan recommendations. Key observations from the research and survey responses indicate:

- **Country Engagement:** As there is considerable variation in the needs, capacity and priorities of the respective CWA countries, tailored approaches by G20 DFIs are needed. Therefore, G20 DFIs should be very deliberate in their engagement in Compact countries. For this to happen, G20 governments need to commit at the government level to be engaged in Compact countries. Subsequently, country-specific engagement can be developed based on local context and needs.
- **Development Priorities:** There is considerable alignment and convergence in development priorities among existing and potential CWA countries on the one hand, and G20 DFIs on the other. Therefore, agreement on how to pursue common goals and objectives is not only feasible, but desirable and mutually reinforcing.
- **Areas (and Methods) of Potential Collaboration:** There is convergence in development priorities, therefore significant potential for collaboration. Examples of where to focus, and how, include:
  - Sectors and activities on which DFIs and CWA countries can focus include (1) Climate Change, Green Growth & Renewable Energy; (2) Local Capital Market Development (e.g., SME support, local currency); (3) Private Sector Development (e.g., value chains, industry, business climate); (4) Infrastructure (e.g., transport, PPPs); and (5) Job Creation (e.g., vocational training, decent work, education).
  - Methods by which such collaboration can be facilitated include (1) close exchange in Compact country teams as well as in sector working groups; (2) joint project identification and preparation; (3) co-financing of projects across sectors; (4) joint advisory and policy reform; and (5) joint IFI missions to meet with government, civil society, and private sector stakeholders.

### Next Steps

Moving forward, some steps can be taken by CWA countries and G20 DFIs to improve existing levels of coordination and collaboration, and to introduce it where it is currently absent.

The recommendations laid out in this report are:

**Recommendation #1: G20 DFIs should increase their in-country coordination around the CWA country teams, where possible.**

***Recommendation #2:*** G20 DFIs should commit to coordinating their engagements on the basis of the structured diagnostics performed by the WBG, AfDB and IMF for the effective implementation of CWA country reform priorities.

***Recommendation #3:*** DFIs from the G20 and other partner organizations should factor in country differentiation in their approaches to assistance for CWA countries.

***Recommendation #4:*** Quarterly updates should be shared among CWA countries and relevant DFI partner organizations in country and sector working groups to monitor developments, track progress, and subsequently identify any additional problems that may slow progress.

**Given all of this, next steps should include an understanding that all parties embrace the four recommendations above.** These reflect shared responsibility, with CWA countries being more active and precise about their needs and better communicating these needs, and DFI partner organizations stepping up by anchoring their assistance in initiatives defined by country diagnostics.

## I. Introduction

At the Africa Advisory Group (AAG) meeting in Bali in October 2018, calls were made for closer collaboration of the Development Finance Institution (DFIs) in the Compact with Africa (“the Compact”, or “CWA”). This was understood to include closer collaboration with international organizations and other DFIs, as well as with CWA countries. This is based on the notion that (1) international organizations (IOs) play a key role in helping CWA countries in the implementation of the policy matrices and in the overall coordination multi- and bilateral support based on their respective roles in the task profiles, while (2) DFIs play an indispensable role in providing financing, expertise, technical assistance and other needed support for effective reforms to take hold. Combined with the vision, clarity of purpose, and initiative of the CWA countries who best know their country-specific needs, closer collaboration among all parties was considered essential for CWA success to be achieved.

The Chairs’ Conclusion from the meeting states: “We welcome the engagement of G20 members’ DFIs in private sector development in Africa. We encourage DFIs to maximize their investment impact in CWA countries by collaborating in a more systematic way to reap synergies and enhance peer-learning. G20 DFIs are encouraged to get involved in Compact teams’ work on the ground. We call on DFIs to sketch out priority projects in CWA countries over the next couple of years, including approaches for closer cooperation in project implementation and in line with respective comparative advantages.”<sup>1</sup>

Following the meeting, the AAG asked the African Development Bank (AfDB) to coordinate a synthesis of DFI action plans to enable and strengthen coordination. The objective of the exercise was twofold: to (1) identify what the G20 contributes to the Compact, and (2) evaluate how best to integrate G20 DFIs into the work of the CWA to achieve increased development impact and coordination. Among other aims, this included highlighting of DFI priority sectors in Compact countries, respective comparative advantages, and opportunities for closer cooperation. The objective was to ensure that the output from this effort would lead to a framework for effective DFI collaboration with each other and with CWA countries.

This report aims to analyze the responses provided to identify opportunities for further collaboration and provide recommendations for how DFI Action plans can be developed. Based on this effort, this Action Plan ultimately seeks to provide a framework to develop country-level action plans and to strengthen and reinforce country-level DFI coordination for the CWA for the coming years. Actions and tools will vary based on country need (demand side) and G20 DFI capability and interest (supply side). A discussion of these actions and tools are included in the text below.

## II. Survey Findings

The original request to participate in the survey exercise was sent to 18 DFIs on December 17, 2018. In the end, the following eleven institutions responded: Agence Française de Développement (AFD), Compañía Española de Financiación del Desarrollo (COFIDES), CDC Group, Development Bank of South Africa (DBSA), Development Finance Institute Canada (FinDev Canada), European Bank of Reconstruction and Development (EBRD), European Investment Bank (EIB), German Development Bank (KfW), Japan International Cooperation Agency (JICA), Japan Bank for International Cooperation (JBIC), and Netherlands Development Finance Company (FMO).

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<sup>1</sup> Chairs’ Conclusion Africa Advisory Group Meeting Bali, Indonesia, 10 October 2018, [https://www.compactwithafrica.org/content/dam/Compact%20with%20Africa/reports/AAG%20Chair%27s%20Conclusion\\_Oct2018.pdf](https://www.compactwithafrica.org/content/dam/Compact%20with%20Africa/reports/AAG%20Chair%27s%20Conclusion_Oct2018.pdf)

Questions included:

- How do you believe your DFI could usefully be involved in the Compact with Africa? What concrete role could your DFI play in Compact country teams?
- What is the current engagement of your DFI in Compact countries? What type of support do you provide in these countries?
- What are your development priorities in the Compact countries for 2019-2020?
- What are the comparative advantages of your DFI in certain Compact countries? Do you have a comparative advantage in a certain country or in a certain sector?
- What are concrete examples of areas or projects where DFI collaboration is already occurring?
- Given the objective of the DFI action plan, what do you see as areas (specific projects, instruments, etc.) for future collaboration with other DFIs or the MDBs in the Compact countries?

Observations from survey responses are presented in sub-sections below summarizing country engagement, development priorities, and potential areas of DFI collaboration. This is followed by a brief summary of recommendations on how to facilitate DFI coordination.

#### **a. Country Engagement**

The CWA's primary objective is to increase attractiveness of private investment through substantial improvements of the macro, business and financing frameworks. It brings together reform-minded African countries, international organizations and bilateral partners from G20 and beyond to coordinate country-specific reform agendas, support respective policy measures and advertise investment opportunities to private investors. The initiative is demand-driven and open to all African countries.<sup>2</sup>

To achieve these objectives, G20 DFI involvement is required to match the commitments and initiatives of the active CWA countries, of which there are currently 12. As there is considerable variation in the needs, capacity and priorities of the respective CWA countries, tailored approaches are needed. Therefore, G20 DFIs should be very deliberate in their engagement in Compact countries. For this to happen, G20 governments need to commit at the government level to be engaged in Compact countries. Subsequently, country-specific engagement can be developed based on local context and needs.

Some of the responses received from DFIs indicated that the respondents were not familiar with the CWA initiative. One of the objectives of this note is to ensure that CWA is well understood, and that methods of coordination are systematically in place to enable effective allocation of resources to achieve CWA objectives. Responses on country engagement by the DFIs are summarized below.

**AFD** - AFD has a local footprint in every country of the Compact with Africa. Proparco has local representatives in Côte d'Ivoire, Egypt, Ghana, Senegal and Tunisia.

**COFIDES** - COFIDES has a proven track record as a development financier in Morocco, Egypt, Ethiopia and Côte d'Ivoire. COFIDES supports joint financial vehicles with other European DFIs with a view to reinforce its presence in African economies and is an active financial actor in the European External Investment Plan (EIP). In the context of the EIP, COFIDES plans to have a more active role in the African region. Burkina Faso, Côte d'Ivoire, Egypt, Ethiopia, Guinea and Rwanda are among the selected countries where Proposed Investment Programmes (PIPs) are expected to be implemented.

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<sup>2</sup> <https://www.compactwithafrica.org/content/compactwithafrica/home.html>

**CDC Group** - CDC has investments in companies, projects and banks in all of the Compact countries. CDC currently has a limited in-country presence in the Compact countries. There is currently a country representative in Ethiopia and they are considering appointing a country director in Egypt.

**DBSA** - The DBSA signed various agreements, from Non-Disclosure Agreements to Memoranda of Understandings, with various local DFIs and institutions with the majority of the initial CWA countries. DBSA only recently started investing outside the SADC region, and has invested in Ghana and Ethiopia. Explorations are currently underway in the other countries with a new team recently established to focus specifically on West and East Africa.

**EBRD** - EBRD is engaged in the CWA initiative in Egypt, Morocco and Tunisia, the three CWA countries that overlap with the Bank's countries of operations. EBRD engages with country teams to share market diagnostic work, identify policy reform priorities and work with the government to make necessary reforms, and invest alongside other DFIs and MDBs. In these three countries, the EBRD has a strong private sector focus and intervenes in most economic sectors, providing a full package of support instruments (e.g., financing instruments, including debt, equity, guarantees, and grants for blending when needed, capacity building, and policy dialogue with the authorities).

**EIB** - The EIB operates in all the Compact countries. Thanks to regional offices in Nairobi, Pretoria, Abidjan, Addis Ababa, Dakar, Yaoundé, Cairo, Rabat and Tunis, the EIB participates in the Compact country teams and is already involved in sector coordination through the international community coordination chapters. The EIB applies its sectorial expertise and in-house knowledge from engineers and economists as a catalyst for innovative high-impact investments that create job opportunities and, at the same time, is a conduit for greater EU-Africa cooperation.

**FinDev Canada** - Six of the 12 participating CWA countries are priorities for FinDev Canada (Burkina Faso, Côte d'Ivoire, Ethiopia, Ghana, Rwanda and Senegal). These are countries where FinDev Canada will be actively looking to originate deals.

**FMO** – FMO is active in most Compact countries in the financial sector and/or agriculture and/or energy. FMO offers long-term financing through loans (senior and subordinated) and equity (direct equity or indirect equity (through funds)), guarantees and trade finance. FMO can also support Compact countries with capacity development (grants). FMO also aims to mobilize funds from other investors such as commercial investors through funds and syndications as well as public funds through blended finance structures. FMO does not have a local presence, and thus is not actively involved in the Compact country teams.

**JBIC/JICA** – JICA provides technical cooperation, grants and ODA loans in all 12 of the Compact countries. JBIC is strengthening efforts to promote exports to Africa and the creation of business opportunities in Africa by Japanese companies through various financial facilities and schemes to structure projects and mitigate risk.

**KfW** - KfW is involved in the work of the Compact country teams and has participated in the elaboration of the CWA-policy matrices in some of the countries. Germany's bilateral contributions to the CWA are so-called "reform partnerships" with six of the CWA countries (Cote d'Ivoire, Ethiopia, Ghana, Morocco, Senegal and Tunisia). KfW is responsible for the implementation of the additional funds that these reform partners receive.

Table 1: DFI Engagement in CWA Countries

COMPACT COUNTRIES	AFD	COFIDES	CDC	DBSA	EBRD	EIB	FinDev Canada	FMO	JBIC/JICA	KfW
Benin	X		X			X		X	X	X
Burkina Faso	X	X	X			X	X	X	X	X
Côte d'Ivoire	X	X	X			X	X	X	X	X
Ethiopia	X	X	X	X		X	X	X	X	X
Egypt	X	X	X		X	X		X	X	X
Ghana	X		X	X		X	X	X	X	X
Guinea	X	X	X			X		X	X	X
Morocco	X	X	X		X	X		X	X	X
Rwanda	X	X	X			X	X	X	X	X
Senegal	X		X			X	X	X	X	X
Togo	X		X			X		X	X	X
Tunisia	X		X		X	X		X	X	X

#### b. Development Priorities of DFIs

Sectors and activities that were most commonly identified by the DFIs as development priorities in the Compact countries are:

- Climate Change, Green Growth & Renewable Energy;
- Local Capital Market Development (e.g., SME support, local currency);
- Private sector development (e.g., value chains, industry, business climate);
- Infrastructure (e.g., transport, PPPs); and
- Job Creation (e.g., vocational training, decent work, education).

Responses on development priorities of the DFIs are summarized below.

**AFD** - Sector priorities in various countries include job creation, education and vocational training, governance, energy, climate mitigation, agriculture and agribusiness, urban development, water and sanitation, financial inclusion, local capital markets and infrastructure.

**COFIDES** – COFIDES’ development priorities focus on creating a sustainable impact through the private sector. COFIDES has existing investments in Compact countries in renewable energy and financial inclusion.

**CDC** - Between 2018-2021, CDC aims to invest up to £3.5 billion across the continent. Within Africa, CDC directs its capital to the hardest geographies where fragility and poverty are high and capital is scarce. CDC also targets its capital at seven job-creating sectors.

**DBSA** – DBSA aims to play a pivotal role in delivering developmental infrastructure in these countries, to expand their footprint in the CWA countries, and to drive national development infrastructure plans in partnerships with the governments, private sector and other DFIs/ MDBs.

**EBRD** – EBRD’s development priorities in the Compact countries include, access to finance, including for women and SMEs, women’s entrepreneurship, development of capital markets, quality and sustainability of public utilities, value chains, green economy, and governance.

**EIB** – EIB sector priorities include strategic infrastructure, agriculture, access to clean water and sanitation, clean and affordable energy, inclusive and sustainable industrial development, the digital economy, connectivity and telecommunications infrastructures, urban development and sustainable cities, and mitigation or adaptation to climate change.

**FinDev Canada** - The priority sectors for FinDev Canada are green growth (e.g., renewable energy, waste management, water supply and sanitation, etc.), agribusiness, and support to financial institutions as a conduit to supporting local SMEs. FinDev Canada’s development priorities are women’s economic empowerment, climate action and market development (e.g., job creation, capital markets strengthening, GDP growth).

**FMO** – FMO aims to have a distinguishing impact on the following three Sustainable Development Goals: SDG 10 (reduced inequalities), focusing on inclusive finance; SDG 13 (climate action), focusing on renewable and off-grid energy and green financing; and, SDG 8 (decent work and economic growth), optimizing the number of jobs supported.

**JBIC/JICA** – JBIC is committed to promoting economic structural reforms through economic diversification and industrialization. JICA development priorities include infrastructure, industry, agriculture, education, economic integration, governance, private sector development, water and sanitation, and basic social services.

**KfW** - Key areas of engagement for KfW are banking and finance, improvement of the business climate, private sector promotion, especially via the promotion of small and medium enterprises (SMEs), energy and governance. KfW provides support for bilateral project finance, including infrastructure finance and credit lines, regional finance via investment funds, and reform-oriented development policy loans (DPL). Countries with Reform Partnerships will receive additional funds in the coming years, including those from the recently launched €1 billion fund to support SME development which targets all CWA countries.

### **Box 1: Ongoing MDB and DFI Engagement**

Responding to their Heads of institutions and to shareholders, MDBs and DFIs have been collaborating on a number of work streams including, blended finance, additionality, value for money, and private sector catalyzation. The MDBs and DFIs have played an instrumental role in the development of these initiatives and analysis of these topics, including benchmarking, data collection, framework development, sharing of best practices, and creation of guidelines for implementation.

For example, the pricing working group drafted a “Roadmap Document” consolidating the key variables of the pricing process, including market-based pricing definitions, pricing methodologies, governance and reporting processes of the various institutions. Following its discussions, the group has created a knowledge sharing platform, which allows technical pricing experts to exchange information on a regular basis. In addition, the group has developed a consultative protocol, whereby deal teams across institutions are encouraged to work through pricing issues together. Should there be no resolution, a previously identified focal point within each institution can initiate bilateral discussions around differing pricing perspectives that arise in specific deals, as they occur.

Similarly, the DFI Blended Concessional Finance for Private Sector Operations working group has developed the DFI Enhanced Principles for Blended Finance, which include guidelines for implementation. The group meets annually to review progress in implementing the Principles, to provide updates on working group activities including data gathering and working with other blended finance groups, and to share knowledge and experiences implementing blended concessional finance projects.



Table 2: DFI Sector Priorities

SECTOR PRIORITIES	AFD	COFIDES	CDC	DBSA	EBRD	EIB	FinDev Canada	FMO	JICA/ JBIC	KfW
Climate Change, Green Growth & Renewable Energy	X			X	X	X	X	X	X	X
Financial Inclusion	X				X			X		
Job Creation (e.g., vocational training, decent work, education)	X		X				X	X	X	X
Local Capital Market Development (e.g., SME support, local currency)	X				X	X	X			X
Private Sector Development (e.g., business climate, value chains, SOE privatization)		X	X		X	X			X	X
Agribusiness	X				X	X	X		X	
Infrastructure (e.g., transport)	X			X	X	X			X	X
Industry (e.g., mining, telecom)					X	X			X	
Public Utilities (e.g., water and sanitation)					X				X	
Urbanization	X					X				
Governance	X				X				X	X
Gender Inclusion					X		X	X		

### c. Areas for DFI Collaboration

The responses received from DFIs indicate a number of ways the DFIs are already collaborating. Case study examples are included in the Annex. Commonly mentioned examples of existing collaboration include:

- Close exchange in Compact country teams as well as in sector working groups;
- Joint project identification and preparation;
- Co-financing of projects across sectors;
- Joint advisory and policy reform; and
- Joint IFI mission to meet with government, civil society, private sector stakeholders.

Specific examples provided include:

- G7 DFIs are undertaking the 2X Challenge, in which they aim to mobilize \$3b of investment in business activities that will benefit women. Part of this involves developing a shared model of measuring investment impact on women.
- The European Development Finance Institutions network<sup>3</sup> works together on a number of issues to invest in commercially and economically sustainable activities that reduce poverty, create jobs, support gender equality, and more broadly contribute to the Sustainable Development Goals alongside aid agencies and development banks. Examples include solar kits, tree planting, and large-scale solar plants.
- Joint financing vehicles such as the European Financing Partners (EFP), Interact Climate Change Facility (ICCF), Agrify and Electrify enable participating institutions to invest more easily alongside one another and help mobilize funds to bring about larger projects. The facilities feature relatively efficient and fast-track processes with low administrative overheads.
- The European Commission External Investment Plan (EIP) is an instrument for DFIs to structure and implement operations with the private sector in the Compact with Africa countries.
- Co-financing of projects with other DFIs, especially in the North African countries via the Neighborhood Investment Facility of the European Commission.
- In July 2018, a high-level IFIs joint mission with eight key DFIs (WB, IMF, AfDB, IFC, EIB, AFD, KfW and EBRD) met in Tunis with key political, civil society and private sector stakeholders to raise the awareness of key Tunisian stakeholders of the necessity and urgency for Tunisia as a whole to proceed with agreed socioeconomic reforms. With the Prime Minister as the key interlocutor, the initiative has helped to create an alignment between the government and the IFIs on the key reforms to be tackled.
- DBSA signed the Africa Investment Forum Confidential Agreement with AfDB and other DFIs on the continent to mobilize more private sector investments on the continent.
- Proparco, FMO and DEG have implemented the Friendship Facility mechanism which allows the three DFIs to rely on the work and legal documentation of the other institutions.

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<sup>3</sup> European DFI member institutions are: BIO - Belgian Investment Company for Developing Countries; CDC - CDC Group plc; COFIDES - Compañía Española de Financiación del Desarrollo; DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH; FINNFUND - Finnish Fund for Industrial Cooperation Ltd, FMO - Netherlands Development Finance Company; IFU - The Industrialisation Fund for Developing Countries; Norfund - Norwegian Investment Fund for Developing Countries; OeEB - The Development Bank of Austria; PROPARCO - Société de Promotion et de Participation pour la Coopération Économique; SBI-BMI - Belgian Corporation for International Investment; SIFEM- Swiss Investment Fund for Emerging Markets; SIMEST - Società Italiana per le Imprese all'Estero; SOFID - Sociedade para o Financiamento do Desenvolvimento; SWEDFUND - Swedfund International AB. See <https://www.edfi.eu/>

- The EIB, EBRD and WBG are launching a round of enterprise surveys in the Middle East and North Africa, including the Compact countries. The objective of the Enterprise Survey is to seek feedback from private sector enterprises on the state of the business environment in each of the participating countries, and use the feedback to assess opportunities and constraints to private sector growth. In each country the survey will be conducted through interviews with private firms in the manufacturing and services sectors. This is a way to jointly identify key bottlenecks and ways to support private sector development.
- Germany has signed MoUs with the AfDB and World Bank to support the activities of the respective institutions in Africa as a basis of furthering CWA objectives.

The survey also collected ideas from the DFIs about ideas for additional collaboration. Those most frequently mentioned include:

- Alignment of Compact country team with IFI sector coordination groups, where not already the case;
- Further policy dialogue coordination through thematic groups;
- Additional project and policy-based co-financing;
- Joint policy dialogue where DFIs' expertise and objectives are complementary;
- Development of new joint instruments for investment;
- Development of common sector strategies;
- Collaboration on country diagnostics, market analysis, and feasibility studies to identify bankable projects in line with country priorities. This type of information will be helpful in constructing a shared view of the key barriers to investment in each country. In addition, this work, led by one or two institutions, can be used by other institutions that would not be able to produce such work themselves;
- Participation by DFIs in various MDB/DFI working groups, including blended finance, private sector mobilization and pricing, which have all been extended to bilateral DFIs. Many DFIs are already reporting on activities with the group and complying with the principles.

Specific examples provided of possible areas for further DFI collaboration include:

- Several DFIs have contributed to the development and are now signatories of the IFC-led 'Impact Investing Principles';
- CDC is partnering with IFC and Oxford Blavatnik School to bring together the DFI community to look at some of the barriers and potential solutions to investing in Fragile States;
- Adoption and compliance by all DFIs with the principles in the blended finance, private sector mobilization, and pricing MDB/DFI working groups; and
- Provide institutional investors with comparable risk data on investing in Africa, potentially through the use of the GEMS database.

### III. DFI Action Plans

**Any attempt to develop a DFI action plan must be guided by local country circumstances and priorities, with the Government in the driver's seat with long-term strategic objectives clearly delineated and gaps identified.** These priorities are already mapped out in policy matrices that have been developed under the CWA, with clear priorities and direction in macroeconomic policy, the business environment for private sector investment, and financial sector development to accommodate financing needs. Within each of these pillars, there are numerous sub-categories and activities where institutional capacity and resources are needed to serve as a basis for attracting the needed investment, establishing the operational capacity

for effective policy and market development, and generating the economic and institutional benefits intended by the investment in the first place. However, the policy matrices do not identify gaps, just partner support. Therefore, the policy matrices themselves do not provide sufficient direction to DFI partner organizations about where additional support and assistance is required to achieve policy matrix targets.

**Recommendation #1: G20 DFIs should increase their in-country coordination around the CWA country teams.** While each of the Compact countries has systems in place for coordinating development assistance, some are significantly more advanced than others. In some cases, even when CWA countries want to coordinate, they are not always able to do so. Therefore, coordination is both a matter of government initiative and institutional capacity. This is best illustrated with the example of Rwanda, which has an elaborate system in place to ensure coordination among Government entities and the many development partners. More recently, countries like Morocco and Tunisia have strengthened DFI coordination in general or in particular sectors within the framework of the CWA (see Case Studies below in Annex).

Where clusters of G20 countries have common bilateral aims, they can forge “supply side” partnerships to render assistance in a manner that is tightly coordinated and potentially leveraged on a regional basis in Africa to generate further operational and financial synergies in the delivery of their assistance. As noted in the Phase 2 work plan for DFI coordination, this can include close exchange in CWA country teams as well as in sector working groups via (1) joint project identification and preparation, (2) co-financing of projects across sectors, (3) joint advisory and policy reform, (4) joint IFI/DFI missions to meet with government, civil society, private sector stakeholders, (5) collaboration on country diagnostics, market analysis, and feasibility studies to identify bankable projects in line with country priorities, (6) alignment of CWA country team with IFI sector coordination groups if not already the case, (7) further policy dialogue coordination through thematic groups, (8) co-financing of policy-based loans on the basis of jointly developed policy matrices, (9) additional project co-financing, adoption of principles by all DFIs of various working groups (blended finance, pricing, additionality, etc.), and (10) development of new joint instruments for investment.

**Recommendation #2: G20 DFIs should commit to coordinating their engagements on the basis of the structured diagnostics performed by the WBG, AfDB and IMF for the effective implementation of CWA country reform priorities.** The diagnostics of the three IOs can help to identify weaknesses, inefficiencies, challenges and gaps to help define current needs that can be met by DFI partner organizations. The diagnostics can assess immediate and short-term needs as well as to plan for longer-term requirements. This would include a focus on institutional capacity needs of the CWA governments (and their related agencies and entities) to assist with requirements that help to operationalize CWA assistance. The diagnostics should be the starting point for discussions with CWA countries on the types of additional assistance required, cost/value of that assistance, and how such assistance can be delivered. This should include clarity and specificity by CWA countries regarding the sectors in which they want DFIs to be active. Therefore, once the needs are systematically identified, DFI partner organizations supporting CWA can align their assistance programs in a manner that is consistent with the priorities specified by the CWA countries via the IOs diagnostic work.

Needs’ assessments, diagnostics, and specific identification of requirements to close specific gaps will concurrently help to increase DFI coordination while also closing institutional gaps in CWA countries where they exist. With those gaps identified by the local country, DFI partner organizations can then identify specific areas of interest and perceived comparative advantage to support reforms and programs of the respective CWA African countries. Such an approach provides an opportunity for DFI partner organizations

to leverage resources by partnering with other organizations (multilateral, regional and bilateral) for more effective assistance that is more efficiently delivered. This has the benefit to DFIs and their host governments of helping to provide choice and priority context for their assistance. For instance, some partner organization countries may want to focus more on public finance under the macroeconomic modules, while others may want to focus on SME finance or trade and investment. This may be linked to other objectives, such as encouraging firms to capitalize on investment opportunities posted on the CWA country site while using DFIs to promote the kinds of institutional and structural reforms to make investment prospects in CWA countries more attractive.

This can be done through multiple instruments that help to provide on-site advisory assistance, short-term technical assistance, feasibility and pre-feasibility studies, targeted research and surveys, development of customized software required for systems development, etc.

**Recommendation #3: DFIs from the G20 and other partner organizations should factor in country differentiation in their approaches to assistance for CWA countries.** Given the diversity of the countries, the DFI action plan will vary from country to country. Therefore, G20 DFIs should be very deliberate in their engagement in Compact countries. For this to happen, G20 governments need to commit at the government level to be engaged in Compact countries. Subsequently, country-specific engagement can be developed based on local context and needs. Because of the variation of capacity and needs, DFIs can leverage the findings from the diagnostic work described in Recommendation #2 to identify activities they believe are not only optimal to support, but that are targeted in a manner that is appropriate for the specific CWA country. This will help to ensure DFI resources, priorities and objectives align and converge with the stated policy priorities and preferences of the CWA countries. The identification of gaps will allow the DFI partner organizations to better match what they can offer with the needs of the CWA countries.

**Recommendation #4: Quarterly updates should be shared among CWAs and relevant DFI partner organizations in country and sector working groups to monitor developments, track progress, and subsequently identify any additional problems that may slow progress.** DFI coordination can be improved with better and more systematic communication. DFI coordination around the world is often inefficient, truncated and inconsistent. Coordinating around the CWA is one change that can enable better identification of requirements that will facilitate DFI engagement. DFI support can be documented and included in the subsequent needs' assessment if not dealt with more immediately so that the process becomes a more continuous and ongoing exercise, and that DFI coordination with CWA countries is ongoing and systematic rather than periodic, episodic, or non-existent. Such reporting would be brief and performance-based (with key metrics or indicators as included in the policy matrix, or more precise if needed), and would not be as comprehensive or complicated as the biannual monitoring reports. Rather, they would be tools to track specific commitments and initiatives agreed to between DFIs and CWA countries.

**Given all of this, next steps should include an understanding that all parties embrace the four recommendations above.** These reflect shared responsibility, with CWA countries being more active and precise about their needs and better communicating these needs, and DFI partner organizations stepping up by anchoring their assistance in initiatives defined by what is needed in CWA policy matrices. DFI partner organizations would also commit to helping CWA countries identify specific needs based on the IOs diagnostic works, while CWA countries would commit to being clear about their needs and priorities to assist with these regular diagnostics.

## Annex I: Case Studies of Existing DFI Coordination

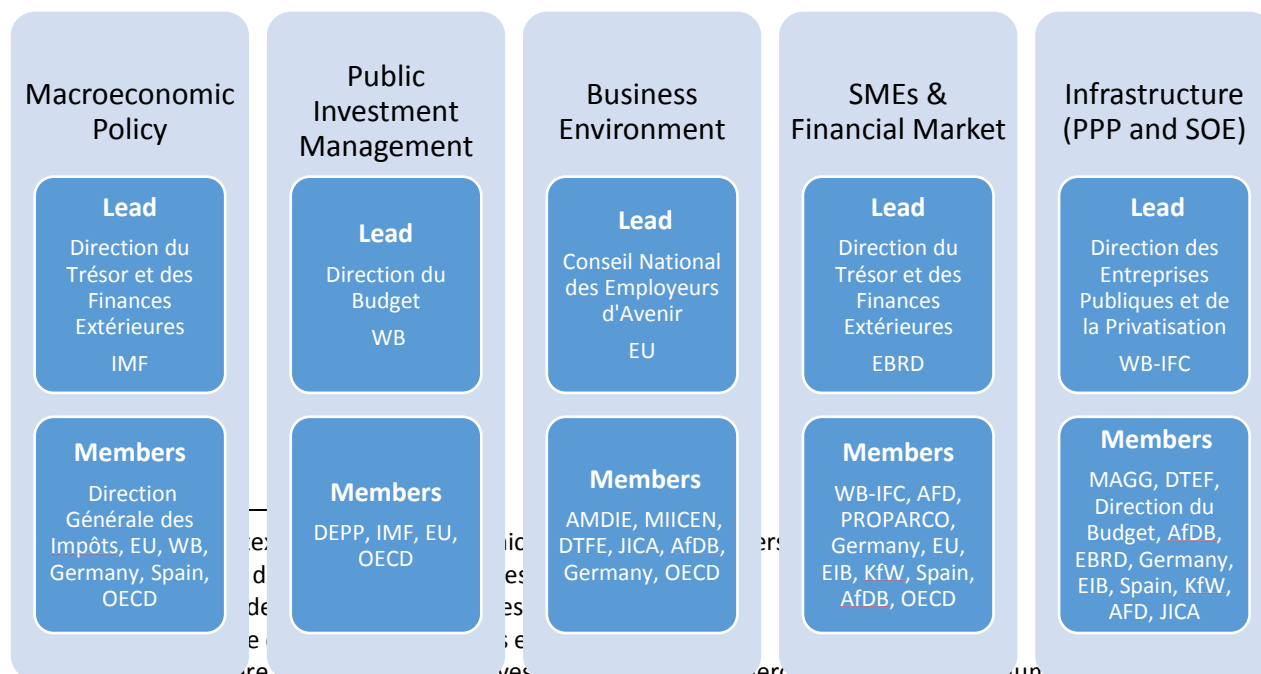
### A. Strengthened DFI Coordination in Morocco through CWA

The Ministry of Economy and Finance of the Kingdom of Morocco has overall responsibility of coordinating the operations of DFIs<sup>4</sup>. Within the framework of the Compact with Africa, the Government of Morocco requested the support of the DFIs for CWA policy matrix implementation, and has subsequently reinforced and strengthened the coordination mechanism to support the implementation of structural reforms.

Five thematic sub-groups under the overarching CWA pillars – Macroeconomic, Business and Financing – were identified and created based on country context to review bottlenecks, assess gaps, and identify support and synergies with DFIs. The different stakeholders – through consensus – designated the Lead Partners for each of these sub-groups. Each of the five sub-groups is led by the responsible Government entity and a DFI with a comparative advantage in the thematic area (Figure 1)<sup>5</sup>. The sub-groups then drafted terms of reference that delineated the objectives and roles of stakeholders.

A technical assistance needs mapping was produced in response to the identified gaps to better target the interventions of DFIs. For example, as part of the business environment sub-group, a technical assistance project in support of the Development of the National Business Climate Improvement Strategy with the National Committee for the Business Environment (CNEA) has been identified and is being financed by the African Development Bank. In the Infrastructure (PPP and SOE) sub-group, the World Bank Group envisages support through Advisory Services and Analytics in the area of PPP/SOE reform. As for the financial sector, joint missions are taking place between DFIs to enhance collaboration and ensure coordination of activities.

Figure 1: CWA - Morocco: Thematic Sub-groups for DFI Coordination



## B. Enhanced Programming Alignment with CWA Country Commitments

In the context of the Compact with Africa, development partners have taken steps to further align country strategies and programming documents with the CWA countries' policy matrices commitments and their expressed needs for technical assistance and/or financing support.

For example, this is evident in the African Development Bank's new Country Strategy Papers for Ghana and Guinea, as well as the World Bank Group's new Country Partnership Framework for the Kingdom of Morocco.

The new Country Strategy Paper (CSP) 2019 – 2023 was developed recognizing Ghana's commitment to the G20 Compact with Africa, and that "the Bank will support policy commitments under the G20 Compact with Africa to enhance private sector participation in the Ghanaian economy."

Similarly, the Country Strategy Paper (CSP) 2018 – 2022 for Guinea reiterates support to the G20 Compact with Africa reforms, stating that "the Bank continues to support structural reforms whose implementation has enabled the country's eligibility to the initiative "Compact with Africa".

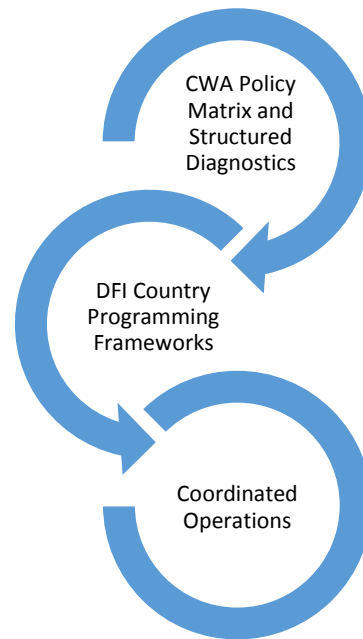
The World Bank Group's Country Partnership Framework for the Kingdom of Morocco for the period FY19–FY24 also delineates specific support in the form of *inter alia* Advisory Services and Analytics in particular focus areas.

### Sources:

African Development Bank Group. Country Strategy Paper for Ghana 2019-2023. June 2019. Accessible [here](#).

African Development Bank Group. Country Strategy Paper for Guinea 2018-2022. January 2019. Accessible [here](#).

World Bank Group. Country Partnership Framework for The Kingdom of Morocco FY19-FY24. January 2019. Accessible [here](#).



### C. Supporting Tunisia's Energy Sector Transformation through Coordinated DFI Interventions

To improve the country's energy security and reduce dependence on external supply, the Government of Tunisia (GoT) has launched an ambitious program to achieve a renewable energy share of 30% in its energy mix by 2030, which currently stands at less than 3%. Through a three-phased approach, Tunisia aims to increase its renewable energy production capacity by 3.8 GW by 2030. Critically, the program also shows the GoT's commitment towards a more open market, with the private sector expected to play a significant role in generation.

Several DFIs operate in the energy sector in Tunisia. Through a consultative group, the BATTERIE (*Baillleurs et Acteurs en Tunisie: Table Ronde Informelle sur l'Energie*) Group, the DFIs<sup>6</sup> have established a regular platform for coordinating the activities in the Tunisian energy sector with the aim of harnessing synergies. This has allowed the DFIs to better target their interventions based on the needs and relative comparative advantages to support Tunisia in realizing its energy ambitions. It is noteworthy that DFI interventions have explicitly focused on strengthening private sector participation in the sector.

Through improved coordination, investment financing and technical assistance support are better targeted to be mutually reinforcing. The World Bank is financing investments in transmission capacity through the *Energy Sector Improvement Project*. The AfDB and IsDB are co-financing the *Project to Develop and Equip the Power Transmission Grid* that aims to strengthen the electricity grid for the integration of privately-generated renewable energy, which is complementary to the World Bank's project. The AFD under the *Smart Grid Project* is financing the installation of smart meters. In parallel, the European Investment Bank is expected to support the Tunisian energy utility's technical performance, while the European Bank for Reconstruction and Development is providing technical assistance to reinforce the utility's capacity in compliance, reporting, and accounting.

Interventions in the sector are conducted in the framework of coordinated support to Tunisia's overarching policy reform agenda, *inter alia*, through the Compact with Africa. The International Monetary Fund is supporting Tunisia's reform agenda under its Extended Fund Facility with a focus on fiscal consolidation and private sector development. The World Bank, through its Investment, Competitiveness and Inclusion Development Policy Financing, is providing financing linked to critical reforms aimed at removing barriers to investment and improving the financial viability and efficiency of the energy sector. The African Development Bank's Financial Sector Modernization Support Program II targets the financial sector, aiming to support ambitious energy objectives by helping to improve the economy's financing.

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<sup>6</sup> DFIs include the French Development Agency (AFD), the African Development Bank (AfDB), the World Bank, the OPEC Fund for International Development, the Arab Fund for Economic and Social Development, the Saudi Development Fund, the Kuwait Fund, the European Investment Bank, the European Bank for Reconstruction and Development, the Islamic Development Bank (IsDB), the Kreditanstalt für Wiederaufbau (KfW), and the Japan International Cooperation Agency (JICA).