



G20 COMPACT WITH AFRICA

Trends in FDI and Cross-Border Investments in

Compact with Africa Countries

Briefing Note - 2019 Annual Meetings

CWA COUNTRIES

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

Report prepared by:



In collaboration with:



Foreword

The G20 Compact with Africa (CwA) was launched in 2017 under the German G20 Presidency to promote private investment in Africa, including in infrastructure. 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. Twelve African countries have now joined the initiative: **Benin, Burkina Faso, Côte d'Ivoire, Egypt, Ethiopia, Ghana, Guinea, Morocco, Rwanda, Senegal, Togo and Tunisia.**

The Africa Advisory Group (AAG), which coordinates and advances the CwA initiative, reports bi-annually to Ministers and Governors on progress, future ambitions and measurable targets in each Compact country. As part of its contributions under the Compact, IFC provides updates on the main FDI trends impacting Compact countries. This complements the overall monitoring report by the World Bank Group, which focuses on the qualitative trends and reform work under the CwA. IFC also supports the reform work under the CwA through a package of advisory services in partnership with Germany, Norway and the Netherlands. The support by these development partners also extends to the analytical work of the Country Private Sector Diagnostics (CPSDs), which so far has covered 10 out of the 12 Compact countries.

The fourth edition of the FDI report comes at a time of changing dynamics in the global economy¹. This includes subdued global growth prospects, increased risk sentiment and a slowdown in trade flows following escalation of trade tensions. Global FDI flows were down 13 percent in 2018, the third consecutive of decline.

Despite these head-winds, Africa continues to attract growing interest as an investment destination. The continent recorded nearly 11 percent growth of FDI flows in 2018, reaching a total of nearly \$46 billion². Even after the end of the latest commodities super cycle, which had previously helped fuel FDI inflows to Africa, CwA countries have shown strong resilience in attracting investments. FDI volumes to Compact countries have remained remarkably stable over the past 3 years. In 2018, FDI to CwA countries reached \$21 billion or around 46% of total FDI flows to the continent. Total FDI stock to CWA countries reached \$295 billion in 2018, a 34% increase since 2014. This compares with a 21% increase for the rest of the Africa, signaling higher rates of FDI accumulation in Compact countries over the past 5-year period. G-20 countries continue to dominate as the main source of FDI to CwA countries, representing an average annual inflow of \$11.3 billion or around 61% of total FDI to the region over the past 5 years.

The relative positive performance, especially when compared to the overall negative trends in global FDI flows, is accompanied by a strong reform momentum. This is best illustrated by the solid track record of Compact countries in the *Doing Business* indicators. In the past few years, nearly all the Compact Countries have featured in the group of top ten reformers.

The World Bank's *Doing Business* (DB) data suggest that CwA countries on average had better overall distance-to-frontier scores, while also demonstrating faster improvement. In the most recent *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. Further analysis shows that when compared to the rest of the continent, CwA countries have also enacted a larger number of reforms that create a more liberal and improved enabling environment for FDI. The ongoing analysis of CwA countries suggests that the implementation of investment-friendly policies is associated with an improvement in FDI flows.

Overall, the CwA initiative serves as an important platform to showcase the commitment of a selected group of countries to adopt and implement sound investment policies. At the same time, it also underscores the long-term nature of this initiative as it requires time to build up a track record that strengthens investor confidence. Overtime, we are confident on the positive impact of this and other related initiatives for the region, which are helping to pave the way to more sustained long-term growth and increased shared prosperity in the region.

¹ IMF – World Economic Outlook, July 2019

² UNCTAD, Global Investment Report, June 2019

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»Guinea» Morocco »Rwanda »Senegal »Tunisia »Togo

The fourth edition of the Compact with Africa (CwA) investment monitoring report provides an update of country and sector-level trends in Foreign Direct Investments (FDI) flows and announcements in Cross-Border Investments (CBI) in CwA, covering the five-year period between 2014–2018. It follows the previous analysis released during the 2019 World Bank Group/IMF Spring Meetings and is part of a broader set of efforts by this G20 initiative to better understand the dynamics of investment flows into CwA countries. For the purposes of this report, the analysis of FDI flows is limited to general trends at the country and regional levels, and a comparison of flows to CwA countries relative to the rest of Africa. The CBI analysis, which draws from project-level data, allows for a more detailed look at recent investment trends at the sector and sub-sector levels, and by country of origin.

Key Highlights:

- FDI flows to CwA countries have remained largely stable, despite the global decline in FDI flows and a slowdown in global trade. Total average annual FDI inflows reached \$21 billion/year over the past three years. The positive trend for CwA countries suggests increased resilience against the backdrop of a more challenging global scenario and overall subdued growth prospects.
- FDI stock to CwA countries reached \$295 billion in 2018, representing a higher rate of FDI accumulation over the last 5-year period (2014-2018) when compared to the rest of Africa (33 percent vs. 21 percent during the same period).
- The overall number of Cross-border Investment announcements over the last 12 months (July 2018 through June 2019) in CwA countries remained stable. During this period a total of 303 cross-border investment projects were announced, largely stable when compared with 299 projects announced in previous 12-month period (July 2017–June 2018). However, the overall \$ volume of CBI announcements dropped y/y, mainly due to large mega-projects announced during the previous year.
- Over the last 12 months, Egypt led as the largest recipient of CBI announcements among CwA countries (\$14.2 billion), followed by Morocco (\$3.8 billion), Ethiopia (\$2.5 billion), Tunisia (\$1.7 billion) and Ghana (\$1.3 billion). In Egypt and Morocco, improved macroeconomic stability and new *Doing Business* reforms passed in 2018 are helping to attract increased investment interest. Ethiopia is embarking on a comprehensive reform agenda, which includes financial sector, telecom and energy.
- While the energy sector remains a key investment target, construction and manufacturing were also top sectors with announced investments, illustrating a structural shift in many CwA countries. In addition, chemicals and hotels/tourism also attracted a significant share of investments, reflecting strong long-term commitments and a focus on infrastructure upgrading and further industrialization of the region.
- G-20 countries accounted for the largest share of FDI inflows to CwA countries over the past 5 years, representing over \$57 billion in total investments during this period or around 61 percent of the total FDI. Over the last 12 months, China was the top country in volume of announced investments (\$5.4bn), followed by the UK (\$3.7bn), UAE (\$3.3bn), Saudi Arabia (\$2.4bn) and France (\$2.0bn).
- The World Bank's *Doing Business* (DB) data suggest that CwA countries on average had better overall distance-to-frontier (DTF) scores, while also demonstrating faster improvement. Three CwA countries—Côte d'Ivoire, Rwanda, and Togo—were among the top-ten DB reformers for the year. CwA countries' average DTF score stood at 50.3 in DB2010 and 58.6 in DB2019, whereas non-CwA countries' average DTF score was at 46.1 in DB2010 and moved to 50.7 in DB2019. The growth rate in DTF score for CwA countries stood at 16.5 percent, with only half of that for non-CwA countries, which suggests that CwA countries may have been implementing reforms and improving their business environment more effectively.
- CwA countries have also enacted a larger number of reforms that create a more liberal and improved enabling environment for attracting FDI. On an individual country basis, Egypt (with 9 liberalizing policies between 2014-18) and Ethiopia (4) have been the most active.

I) FDI flows to CwA countries vs. rest of Africa

- Compact with Africa countries have demonstrated resilience as a destination for FDI and have benefited from a recovery of FDI inflows to the Africa region in 2018.³ Total FDI inflows to CwA countries remained relatively stable at \$21 billion in 2018 (Figure 1). The total annual volume of inbound FDI to Africa increased for the first time since 2015, rising from \$41.7 billion in 2017 to \$45.9 billion in 2018. Large inflows to South Africa (\$5.3bn) contributed to the overall strong FDI attraction performance of the region, off-setting the relative share of FDI flowing to CwA countries.

Figure 1: FDI inflows to CwA countries (US\$, billions)

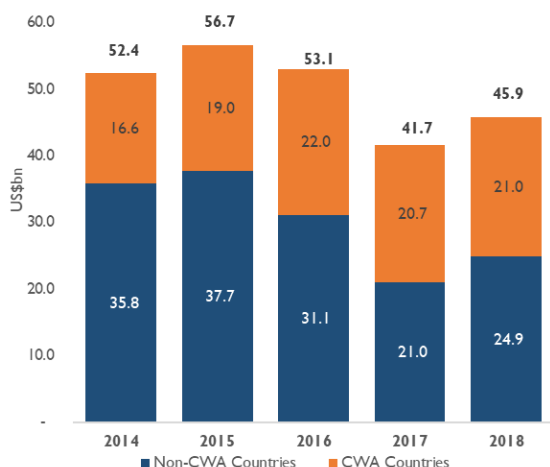
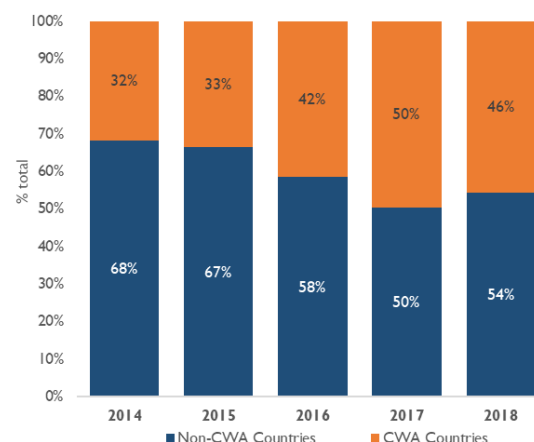


Figure 2: Share of total FDI (CwA vs. Rest of Africa)



Source: UNCTAD FDI Statistics

- There are important variations at the country level. This is particularly significant in resource-rich countries where sharp fluctuations in FDI flows may occur due to the nature of large-scale investments in the energy and natural resources sectors. (For more details on sector-level investment trends by destination country see section II “Recent Trends in Announced CBI”, as well as the detailed country pages in the annex).
- Since 2014, several CwA countries increased significantly the proportion of FDI inflows as a percentage of GDP. **Egypt** increased from 1.53 percent in 2014 to 2.72 percent in 2018. **Ethiopia** increased from 3.42 to 4.14 percent, **Côte d’Ivoire** increased from 1.24 to 2.14 percent of GDP, and **Senegal** was up from 2.04 to 2.60 percent.
- During 2018, **Egypt** (\$6.8 billion), **Morocco** (\$3.6 billion), **Ethiopia** (\$3.3 billion) and **Ghana** (\$3.0 billion) remained the largest recipients of total FDI flowing to CwA countries (Figure 3), accounting for 80 percent of total inflows. This reflects their relative larger market size compared to some of the smaller CWA economies.
- Egypt remains a key investment destination** and is a strategic logistics hub in the region. Improved macroeconomic stability and increased reform momentum should help in further increasing investors’ interest and confidence. Five Doing Business reforms have been implemented easing business registration, improving access to credit, protecting minority investor rights, improving tax payment system, and easing insolvency resolution. This includes a new streamlined process for industrial licensing which resulted in a nearly 20-fold increase in issuance of operating licenses and permits between April 2017 and August 2018.
- Morocco continues to improve its FDI attraction performance in 2018, increasing FDI inflows by 37 percent in 2018.** The country has a solid macroeconomic framework and has put much effort to attract investments, including through preferential partnerships with the European Union. Key reforms to date include bringing PPP contracting framework in line with EU practices, revamping Investment Charter (for FDI), and the restructuring of regional investment centers.

³ In this report, the term “African countries” refers to a total of 54 countries located on the African continent, including island nations in the region.

- **Ethiopia's economy continues to perform strongly, however, FDI inflows have recently dropped.** After strong investment momentum in recent years and peaking in 2014 at \$4 billion, FDI inflows dropped to \$3.3 billion in 2018. The country is making efforts to improve the business environment by revising the commercial code, investment law, and modernizing business service delivery. Ethiopia is also embarking on a comprehensive reform agenda, which includes financial sector, telecom and energy.
- **Ghana's FDI performance dropped slightly, from \$3.3 billion in 2017 to \$3.0 billion in 2018.** The macroeconomic environment has improved but remains subject to downside risks, including elevated debt burden. Progress on structural reforms to improve the business environment, including a new company's Act and an insolvency Act have been slower than anticipated.
- In the case of the smaller CwA economies, **Togo posted another solid year in attracting FDI, totaling \$102 million in 2018**, after strong performance in the previous year (net FDI inflows of \$145 million). Other CwA countries registering year-on-year growth in FDI inflows during 2018 include **Cote d'Ivoire** (\$913 million; +35 percent), **Tunisia** (\$1.0 billion; +18 percent), **Senegal** (\$629 million; +18 percent) and **Rwanda** (\$398 million; +9 percent). **Guinea** suffered a drop of \$483 million (-16 percent year-on-year), largely due a reduction in mining sector activity following lower Bauxite demand and the slowdown of the Chinese economy.

Figure 3: FDI Inflows to CwA countries (US\$, billions)

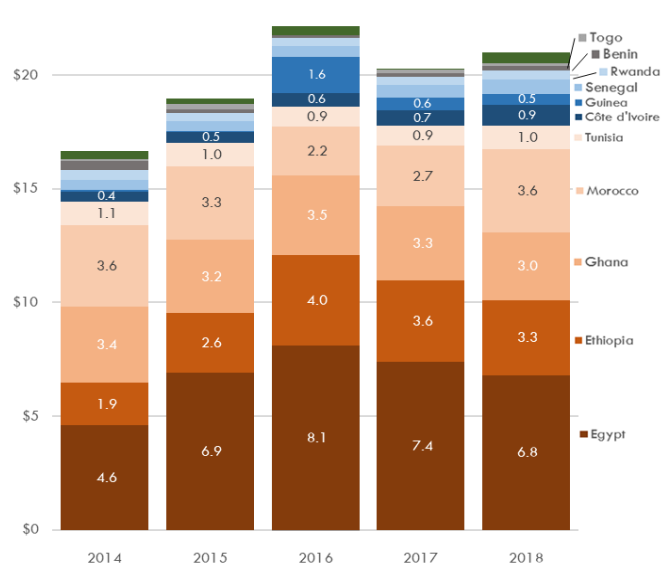
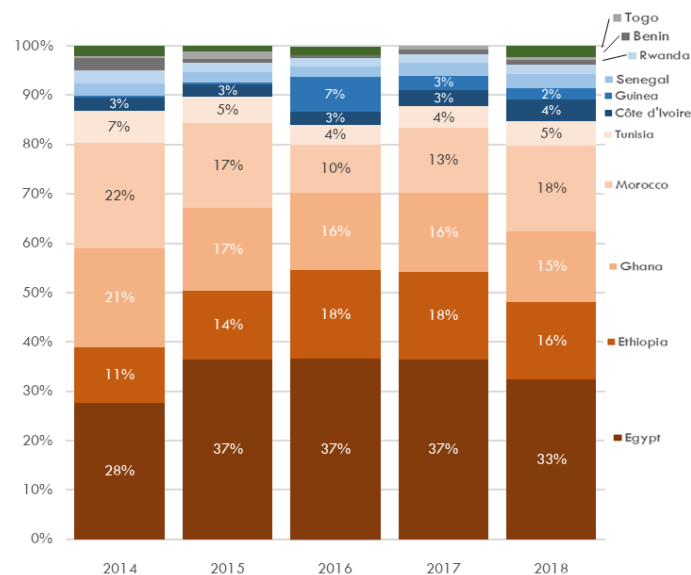


Figure 4: Percent share of FDI by CwA countries

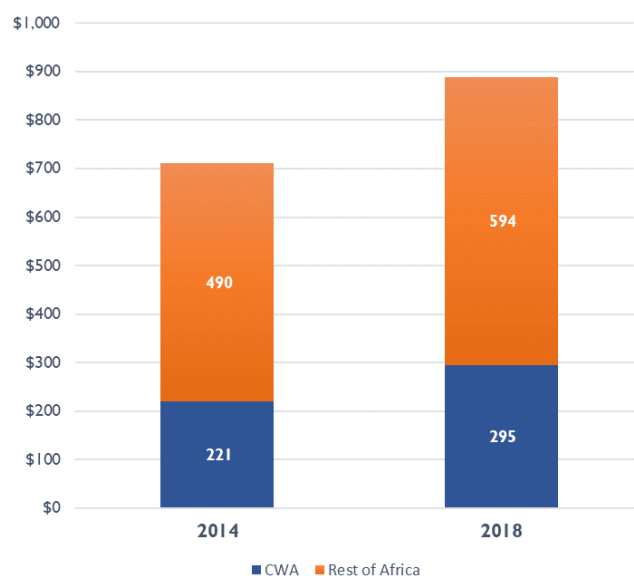


Source: UNCTAD FDI Statistics

FDI Stock⁴ in CwA countries vs. rest of Africa

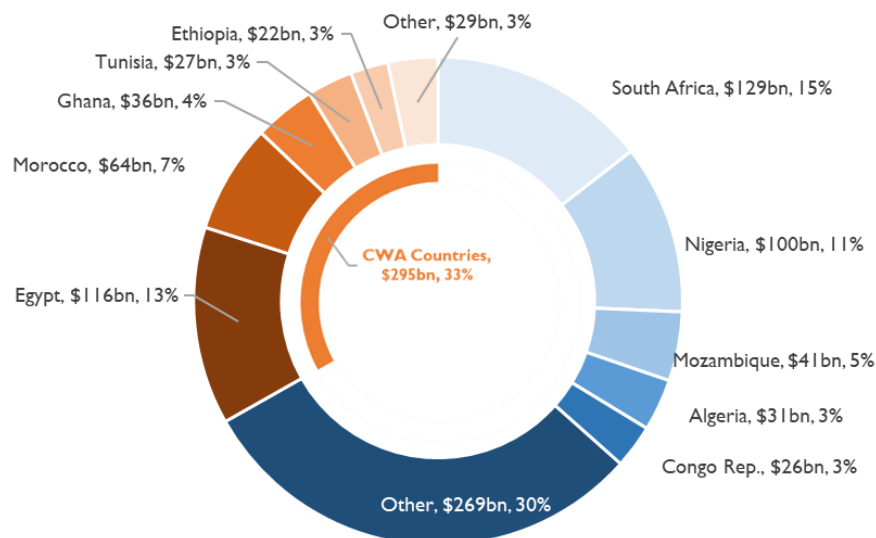
- **FDI stock in CwA countries reached \$295 billion in 2018. CwA countries experienced an overall higher rate of growth in FDI stock over the past 5 years**, when compared with non-CwA countries (33 percent vs. 21 percent respectively between 2014 and 2018, Figure 5).
- **CwA countries represent 33 percent of the total FDI stock in African countries**, with Egypt, Morocco, Ghana, Tunisia and Ethiopia ranking as top five in CwA group. Among the non-CwA countries, South Africa, Nigeria, Mozambique, Algeria and DRC stand out as the countries accumulating the largest FDI stock in 2018 (Figure 6).
- The highest relative increase in FDI stock over the past 5 years occurred in **Ethiopia** (+168 percent), **Guinea** (+129 percent), **Rwanda** (+97 percent), **Burkina Faso** (+60 percent), and **Senegal** (+57 percent). **Tunisia** was the only CwA country experiencing a drop in FDI stock during the period (–15 percent).

Figure 5: FDI stock in CwA countries vs. rest of Africa



Source: UNCTAD FDI Statistics

Figure 6: FDI Stock in African Countries (2018)



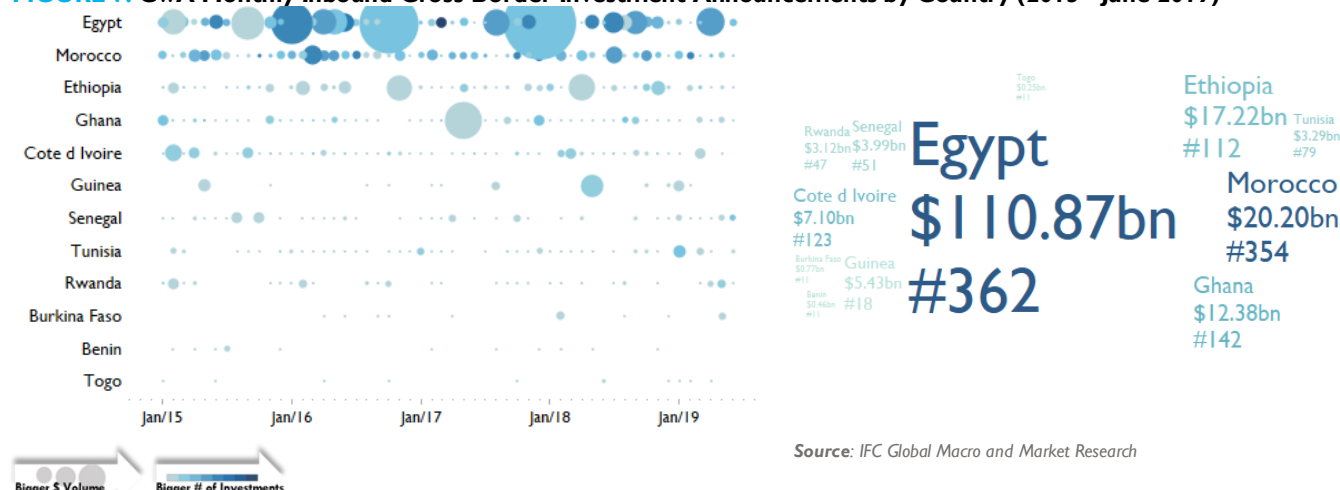
⁴ FDI stock is the value of the share of capital and reserves (including retained profits) attributable to the parent enterprise, plus the net indebtedness of affiliates to the parent enterprises. It is approximated by the accumulated value of past FDI flows.

II) Recent Trends in Announced CBI

Inbound CBI Trends

- This section of the report covers announcements of CBI (greenfield and major expansions) made by investors globally for CwA countries from January 2015 through June 2019.** The analysis also provides a more detailed breakdown of CBI trends in CwA countries. Given the approximate lead time it takes for an investor to move from announcement to the actual investment, the announced CBI projects during this period can be used as a proxy for what will eventually become part of the “official” FDI over the course of the next few years once projects are implemented.
- Between January 2015 and June 2019, a total of 1,321 investment projects worth an estimated \$185.1 billion⁵ were announced in CwA countries** (Figure 7), of which over half (by count) were in **Egypt** and **Morocco** (362 and 354 projects, respectively - for 54 percent of total combined for both countries), followed by **Ghana** (142 projects, 11 percent), **Côte d'Ivoire** (123 projects, 9 percent) and **Ethiopia** (112 projects, 8 percent). The remaining seven CwA countries accounted for 17 percent of the total number of CBI projects recorded.

FIGURE 7: CwA Monthly Inbound Cross-Border Investment Announcements by Country (2015 - June 2019)



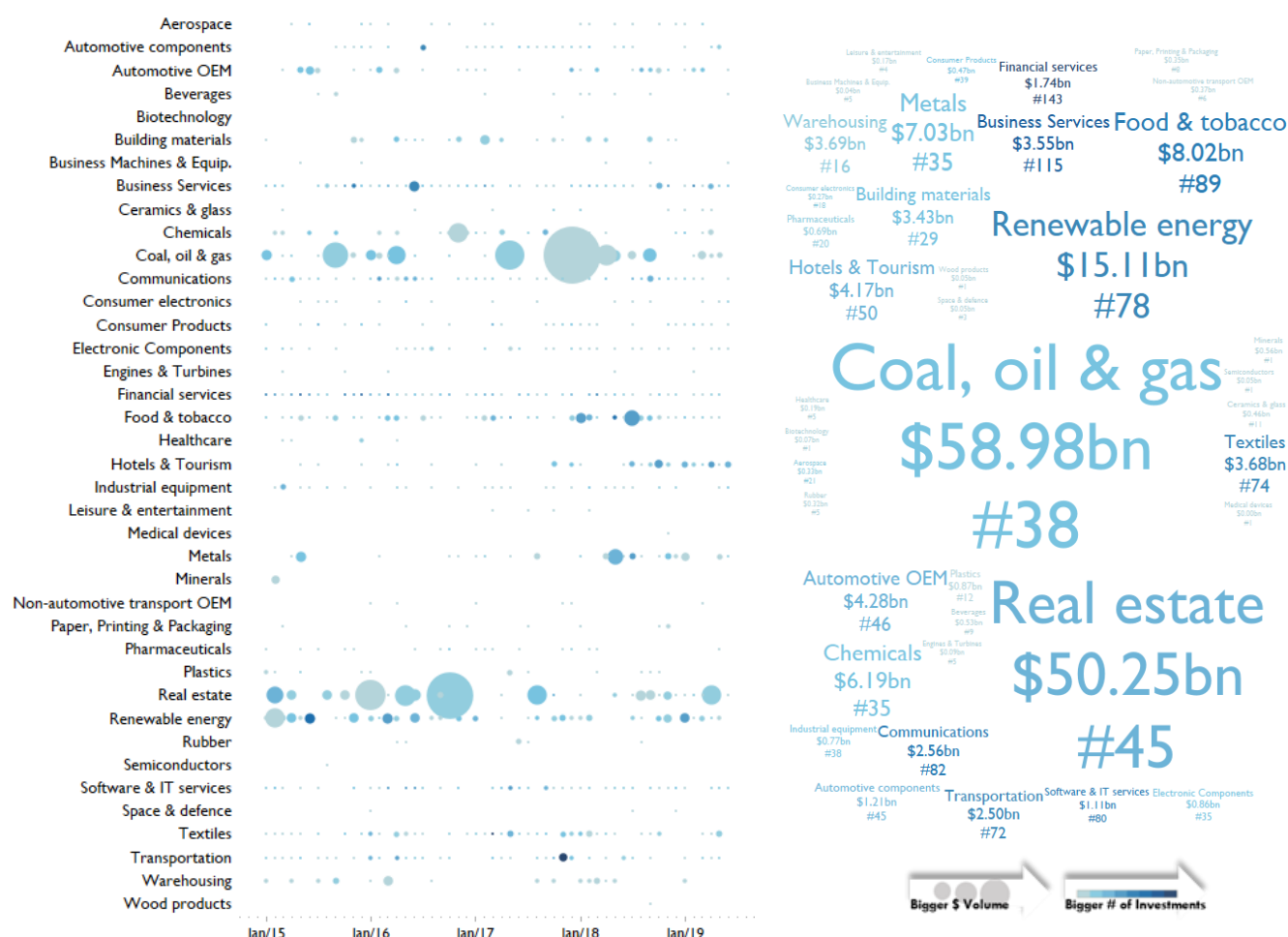
- Egypt was the country with the largest volume of investment announcements, with \$110.9 billion or 60 percent of the total for CwA countries,** followed by **Morocco** (\$20.2 billion; 11 percent), **Ethiopia** (\$17.2 billion; 9 percent), **Ghana** (\$12.4 billion; 7 percent), and **Côte d'Ivoire** (\$7.1 billion; 4 percent).
- Among the top ten investment projects in CwA countries, seven were in Egypt.** This includes the \$30 billion investment by Russia's Rosatom Corp. in Egypt's nuclear power generation announced in 2017, \$20 billion by China's Fortune Land Development, \$8.5 billion by the United Arab Emirates' Al Habtoor Group investments in Egypt's real estate sector in 2016, and \$13.9 billion by Italy's Eni investments in Egypt and Ghana's energy projects in 2015 and 2017.
- More recently, over the course of the last 12 months, the top three CBI destinations – by both US\$ volume and project count – remain the same – Egypt** (\$14.2 billion, 51 percent of total US\$ volume, 78 projects), **Morocco** (\$3.8 billion, 14 percent, 78 projects) and **Ethiopia** (\$2.4 billion, 9 percent, 31 projects). **Tunisia** took the fourth spot with \$1.7 billion (6 percent, 21 projects), followed by **Ghana** with \$1.3 billion (5 percent, 31 projects).

⁵ Data from fDi Markets as of October 2019.

Sector and Activity Breakdown⁶

- During the January 2015 - June 2019 period, the **energy sector** (coal, oil & gas) accounted for nearly one-third of total volume of CBI (\$59.0 billion or 32 percent, Figure 8), followed by **real estate** (\$50.2 billion; 27 percent) and investments in **renewable energy** (\$15.1 billion; 8 percent—mostly **solar and wind power**). Over the period, the major sectors (such as energy and real estate) saw a decline in CBI volumes, while renewables, tourism and food sectors saw a stronger investor interest over the past few months. In addition, various services sectors attracted the largest number of investments, albeit smaller in their US\$ value. Financial and business services were in the lead during the same period, with 143 and 115 projects (11 and 9 percent of total CBI), respectively, followed by communications (82 projects, 6 percent), software/IT services (80 projects, 6 percent), transportation (72 projects, 5 percent) and hotels and tourism (50 projects, 4 percent).

FIGURE 8: CwA Monthly Inbound Cross-Border Investment by Sector (2015 -June 2019)



Source: IFC Global Macro and Market Research

- Breaking down the CBI data by industry activity, manufacturing attracted the largest number of cross-border investors (by project count) with 388 projects** (Table I), albeit with smaller value per investment/project, followed by business services with 228 projects, sales/marketing and support (219), retail (97), electricity (76), logistics/distribution & transportation (75), construction (71 projects). Over the past 12 months, manufacturing was still the lead activity among investors with 90 projects (30% of total), albeit the scale of investments of in this space was smaller in

⁶ For the cross-border investment analysis (CBI) this report uses data provided by *fDi Markets*, a service from the *Financial Times Limited* 2018. Each project tracked by *fDi Markets* is classified according to its cluster, sector, sub-sector and business activity, based on a proprietary industry classification system. This report analyzes the CBI data at both sector and business activity level, which provides a more granular level of detail on economic activity in CwA countries.

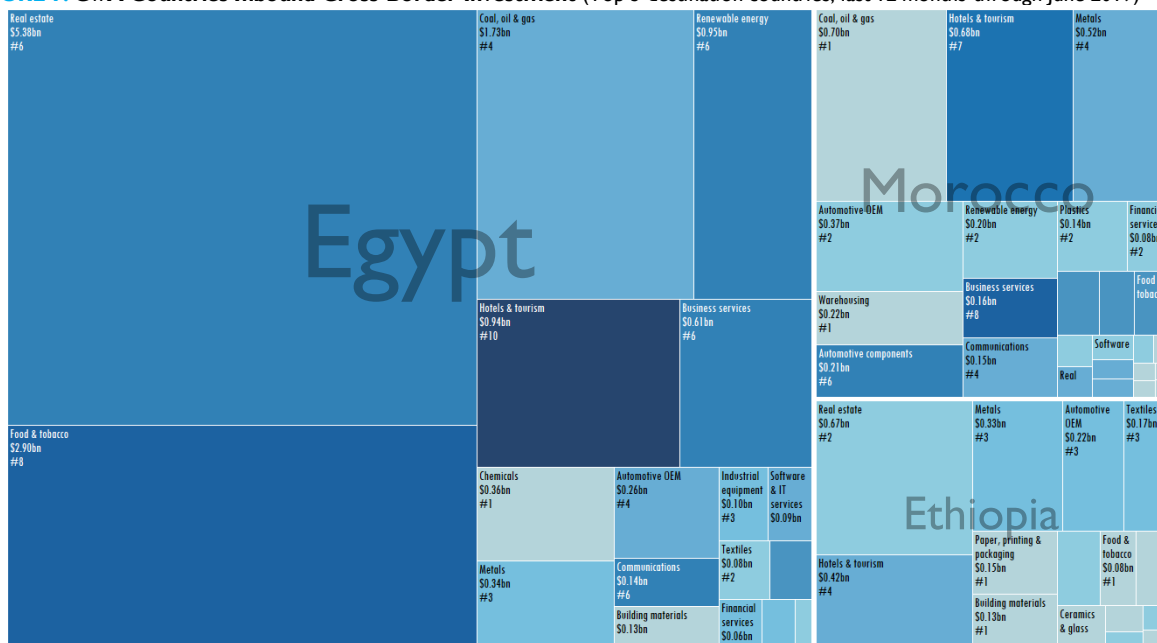
U.S. dollar value terms. Nevertheless, the value of manufacturing investments was still substantial at \$5.2 billion or 19 percent of the total, second only to construction at \$9.0 billion (32 percent).

Table 1: CBI by Industry Activity in CwA Countries

| CBI Last 12 months | FDI Count | Capital Investment, \$m | Cumulative CBI 2015-June 2019 | FDI Count | Capital Investment, \$m |
|-----------------------------------|------------|-------------------------|-----------------------------------|--------------|-------------------------|
| Manufacturing | 90 (30%) | 5,233 (19%) | Manufacturing | 388 (29%) | 36,624 (20%) |
| Sales, Marketing & Support | 49 (16%) | 385 (1%) | Business Services | 228 (17%) | 2,911 (2%) |
| Business Services | 39 (13%) | 669 (2%) | Sales, Marketing & Support | 219 (17%) | 2,009 (1%) |
| Construction | 36 (12%) | 8,982 (32%) | Retail | 97 (7%) | 3,765 (2%) |
| Electricity | 16 (5%) | 3,364 (12%) | Electricity | 76 (6%) | 48,519 (26%) |
| Logistics, Distribution & Transp. | 12 (4%) | 2,692 (10%) | Logistics, Distribution & Transp. | 75 (6%) | 8,971 (5%) |
| Retail | 12 (4%) | 778 (3%) | Construction | 71 (5%) | 54,529 (29%) |
| Extraction | 8 (3%) | 3,956 (14%) | Headquarters | 34 (3%) | 881 (0%) |
| Maintenance & Servicing | 8 (3%) | 91 (0%) | Design, Development & Testing | 31 (2%) | 764 (0%) |
| Headquarters | 7 (2%) | 158 (1%) | ICT & Internet Infrastructure | 19 (1%) | 1,860 (1%) |
| Design, Development & Testing | 6 (2%) | 115 (0%) | Customer Contact Centre | 16 (1%) | 116 (0%) |
| ICT & Internet Infrastructure | 6 (2%) | 608 (2%) | Extraction | 16 (1%) | 21,480 (12%) |
| Customer Contact Centre | 5 (2%) | 33 (0%) | Maintenance & Servicing | 15 (1%) | 157 (0%) |
| Education & Training | 4 (1%) | 25 (0%) | Education & Training | 14 (1%) | 234 (0%) |
| Recycling | 3 (1%) | 652 (2%) | Recycling | 12 (1%) | 2,114 (1%) |
| Technical Support Centre | 2 (1%) | 21 (0%) | Technical Support Centre | 7 (1%) | 80 (0%) |
| | | | Research & Development | 2 (0%) | 42 (0%) |
| | | | Shared Services Centre | 1 (0%) | 13 (0%) |
| Total | 303 | 27,762 | Total | 1,321 | 185,067 |

- Sectoral distribution of investments over the last 12 months varied significantly across all CwA countries.** Among the top three destination countries, real estate dominated the investment landscape in Egypt, the largest destination among CwA countries. Hotels and tourism sector saw the largest number of investment announcements. Investments in food & tobacco industries and coal, oil & gas were also significant. In Morocco, the three predominant sectors were coal, oil & gas, hotels and tourism and metals, while business services commanded the largest number of projects. In Ethiopia, the main sectors were real estate, hotels and tourism, and metals. The graph below illustrates the breakdown of inbound CBI for the three largest CwA destinations (Figure 9).

FIGURE 9: CwA Countries Inbound Cross-Border Investment (Top 3 destination countries; last 12 months through June 2019)

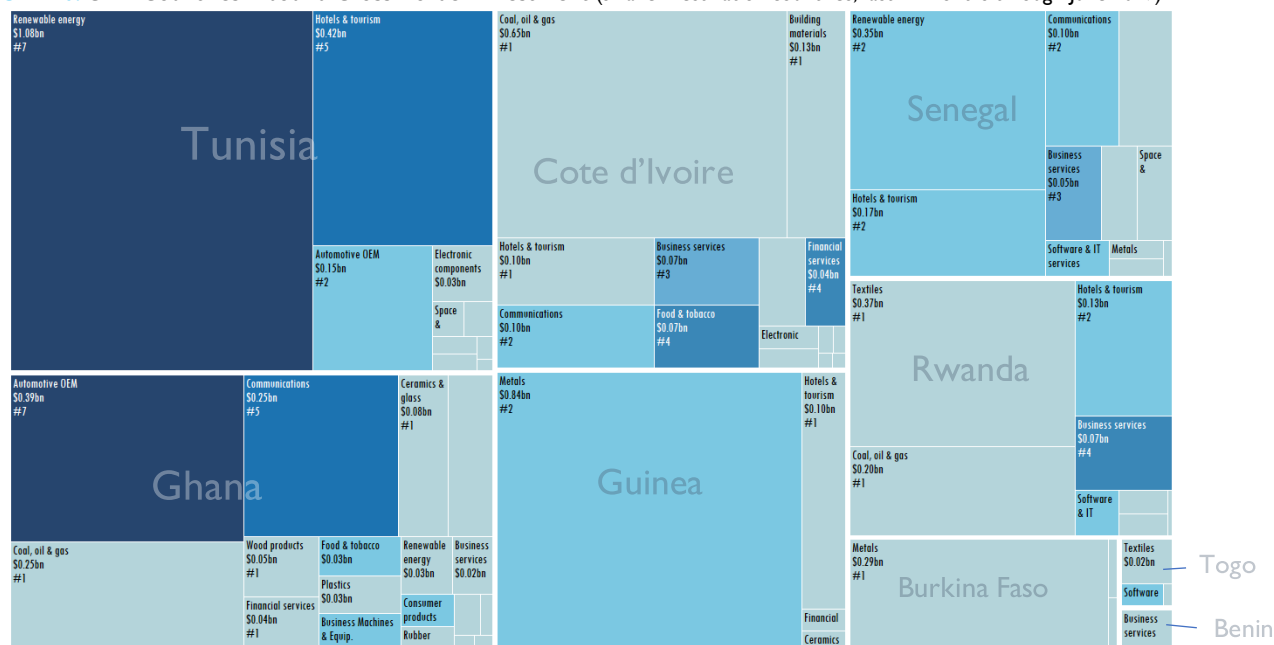


Source: IFC Global Macro and Market Research



- On the trends over the same 12-month period for the remaining CwA countries, we find that for **Tunisia** most investments were in renewable energy (63 percent of total US\$ volume for the country), with hotels and tourism as the other major sector (24 percent). Largest share of investment in **Ghana** was in automotive OEM sector (29%), followed by coal, oil & gas and communications (12 percent each). **Côte d'Ivoire's** inbound CBI was heavily dominated by the **coal, oil & gas** sector, with smaller investment volumes in building materials (11 percent) and hotels & tourism and communications (8 percent each). In **Guinea**, CBI flows were primarily concentrated in metals (87 percent) and hotels and tourism. In **Senegal**, CBI flows were dominated by investments in **renewable energy**, while in **Rwanda and Togo**, the largest share of investments announcements were in textiles sector, albeit with only one project in each case. Lastly, in the case of **Burkina Faso**, the largest CBI was in the **metals** sector, while **Benin** saw one investment in **business services** over the period. (Figure 10).

FIGURE 10: CwA Countries Inbound Cross-Border Investment (smaller destination countries; last 12 months through June 2019)



Source: IFC Global Macro and Market Research



Outbound CBI Trends from CwA Countries

- Between January 2015 to June 2019, outbound CBI announcements originating from CwA countries totaled **\$18.4 billion across 253 projects**. Main outbound CBI source countries were **Morocco** (\$10.8 billion, 87 projects), followed by **Egypt** (\$6.3 billion; 79 projects), and **Ethiopia** (\$459 million; five projects). A substantial number of CwA outbound projects originating from **Tunisia** were also recorded (38 projects) and **Côte d'Ivoire** (19 projects). Outbound investment activity originating from CwA countries (by \$ volume) was primarily concentrated in chemicals, real estate, and energy. **The largest number of outbound projects were concentrated in services sectors** (financial, software/IT, business services) accounting for over half of total projects recorded.

III) Main Source Countries for Cross-Border Investment Announcements

Cumulatively over the January 2015 and June 2019 period, Emerging Markets (EMs) were the largest source of CBI announcements for CwA countries in U.S. dollar value terms, accounting for around two-thirds (64 percent) of total CBI. In terms of project count, the picture is almost an opposite one, where Developed Markets (DMs) account for 61 percent share of the total number of recorded projects (Figure 11; flows within CwA countries are netted out from EM source/destination amounts).

- China and Russia were the top source countries with largest investment plans in CwA countries over the 2015 –2019 (through June) period, accounting for 30 and 26 percent, respectively, of total EM-sourced investment in US\$ terms. Other major EMs investing in CwA countries include UAE (15 percent), Saudi Arabia (9 percent) and Morocco (6 percent). Among DMs, Italy accounted for the highest US\$ volume with 30 percent of the total DM-sourced CBI in CwA countries, followed by the US (15 percent), France (12 percent), the UK (10 percent), Spain, Germany and Switzerland (5 percent each). For both EM- and DM-sourced projects, France was in the lead with 190 projects (14 percent of the total), followed by the US (120 projects, 9 percent), China (106 projects, 8 percent), UAE (94 projects, 7 percent) and Germany (74 projects, 6 percent).

- Over the last 12 months, China was the top investor by US\$ value with 19 percent, followed by the UK (13 percent), UAE (12 percent), Saudi Arabia (9 percent) and France (7 percent). Similarly to longer term period, France was in the lead with 13 percent of the total, followed by China, the US and Germany (8 percent each), and the UK (7 percent).

- An additional metric can provide yet another interesting perspective on investment activity in CwA countries over the period from January 2015 through June 2019—the number of companies investing in this group of countries. **France led the ranking with 123 unique companies** announcing investments in CwA countries over this timeframe, followed by United States with 80 companies, and China with 70 companies.

- The list of top ten most active investing companies in CwA by US\$ value and number of investments is presented in Tables 2 and 3 below:

Table 2:

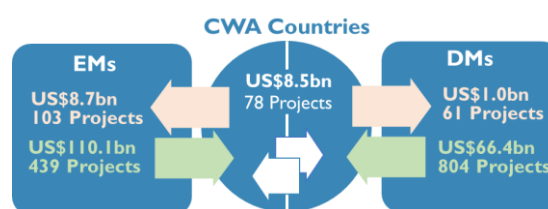
| Investing Company / Country | US\$, billions |
|---|----------------|
| Rosatom, Russia..... | 30.0 |
| China Fortune Land Development (CFLD), China..... | 20.0 |
| Eni SpA (Eni), Italy..... | 16.5 |
| Al Habtoor Group, UAE..... | 8.5 |
| Office Cherifien des Phosphates (OCP), Morocco..... | 4.0 |
| Fairfax Africa Fund, US..... | 4.0 |
| Sisban Holding, Saudi Arabia..... | 3.6 |
| Terra Sola, Bahrain..... | 3.5 |
| AlSaqqaf Group, Saudi Arabia..... | 3.5 |
| British Petroleum (BP), United Kingdom..... | 3.3 |

Table 3:

| Investing Company / Country | # of Projects |
|---|---------------|
| Orange (France Telecom), France..... | 11 |
| LafargeHolcim, Switzerland..... | 10 |
| Auchan Group (Mulliez Group), France..... | 9 |
| Huawei Technologies, China..... | 9 |
| Societe Generale (SocGen), France..... | 9 |
| Abu Dhabi Islamic Bank, UAE..... | 8 |
| Dubai World, UAE..... | 8 |
| Inditex, Spain..... | 8 |
| Eni SpA (Eni), Italy..... | 7 |
| General Electric (GE), US..... | 7 |

Source: Country Economics and Engagement, IFC

FIGURE 11: CBI In-/Outflows for CwA Group of Countries
A. Period: January 2015 – June 2019 (cumulative)



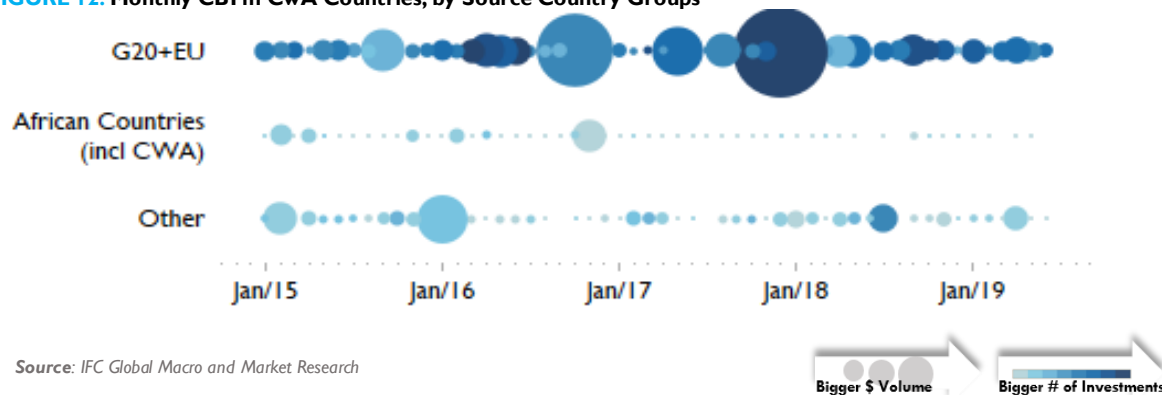
B. Period: July 2018 – June 2019



Source: Country Economics and Engagement, IFC

- **G20+EU accounted for the major share of CBI during 2015–19 (through June)—76 percent in US\$ volume and 70 percent in project count (Figure 12).** African countries (including CwA countries acting as a source of inbound CBI into other CwA countries) accounted for 18 percent and 19 percent, respectively.

FIGURE 12: Monthly CBI in CwA Countries, by Source Country Groups



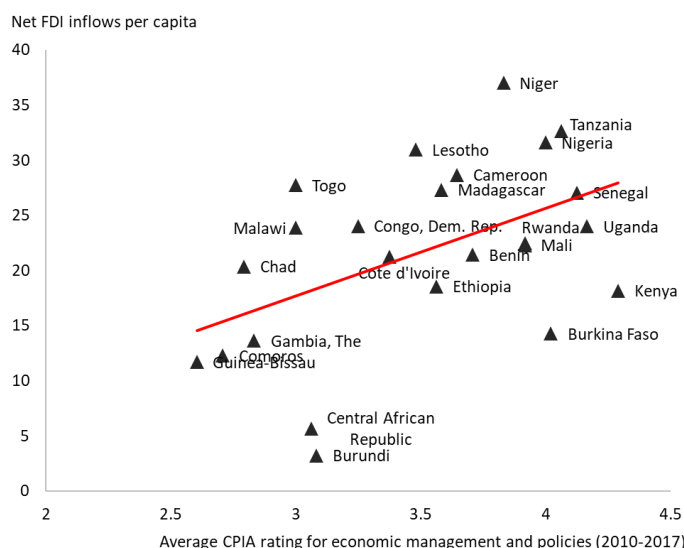
- **Among African countries as the source of CBI into CwA countries, Morocco was leading in both US\$ volume and number of projects, with 66 percent and 25 percent of overall CwA-bound CBI originating in Africa, respectively, followed by Nigeria (12 and 21 percent) and Egypt (10 and 11 percent).** Among the G20+EU group of countries, China accounted for most US\$ value of CBI (25 percent of G20+EU total), followed by Russia (22 percent) and Italy (14 percent). By number of projects, most active investing companies were from France (20 percent), followed by the United States (13 percent) and China (11 percent). Other, non-G20+EU and non-African countries as source of inbound investments accounted for 19 percent by project count and 18 percent by US\$ volume.

Note: The term “Cross-Border Investment (CBI)” used throughout this report should be differentiated from the “official” FDI statistics prepared by governments and reported by agencies such as IMF, UNCTAD and others. There are substantial differences between the two: (a) CBI data is project-level and contains detailed information on investment, such as parent company, sector, sub-sector, or activity; (b) CBI is based on announcements and CBI projects are captured at the time of announcement by the company and not at the time the actual investment is made; (c) CBI includes only greenfield investments and major expansions and does not include M&A or financial restructurings (which are part of “official” FDI statistics); (d) CBI data does not track the progress of investments from announcement to completion; (e) as public announcements made by companies on their prospective cross-border projects often lack any specific financial information, CBI data **often contains estimates of the U.S. dollar value of investment**—based on fDi markets’ proprietary algorithms, which take into account the country and sector/sub-sector characteristics.

IV) Business Environment Reforms—How do African countries compare?

- There is evidence to suggest that between 2010 and 2017, SSA LIC and LMIC countries with stronger macroeconomic management and policies as reflected in high Country Policy and Institutional Assessment (CPIA) scores received more net FDI inflows (in per capita terms) than their peers.

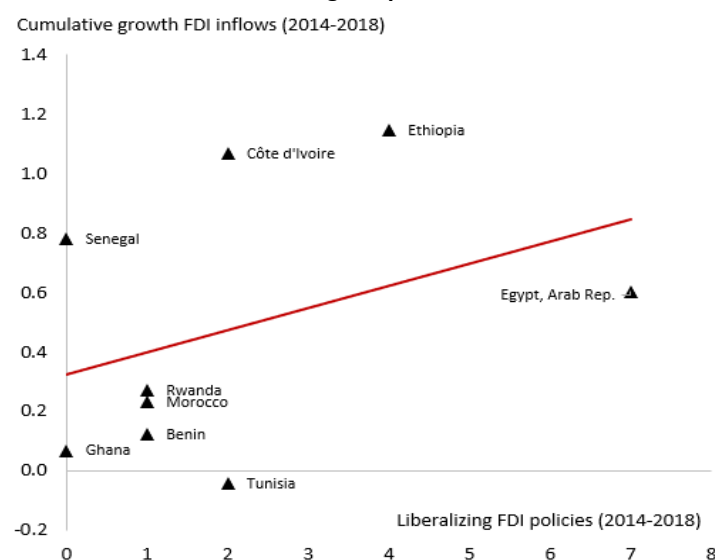
FIGURE 13: CPIA rating and Net FDI inflows (per capita)



Source: World Bank Staff Calculations

- An analysis of CwA countries suggest that the implementation of investment-friendly policies is associated with an improvement in net FDI inflows⁷.

FIGURE 14: Number of liberalizing FDI policies vs. cumulative FDI inflows



Source: UNCTAD, World Bank Staff Calculations

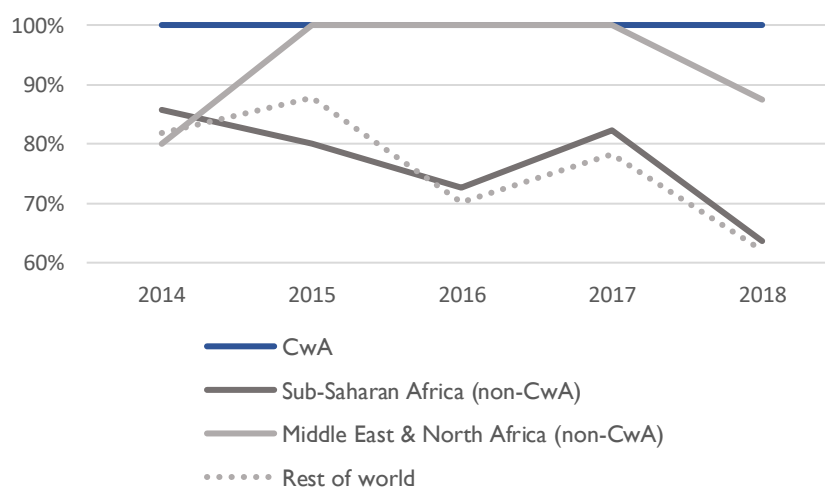
⁷ While some countries have performed well in the *Doing Business* reform indicators (e.g. Rwanda), this may not necessarily reflect on specific FDI-enabling policies captured by this analysis. Other factors such as perception of political risk (e.g. Tunisia) may impact FDI flows in the period analyzed.

- **FDI policy restrictiveness trends: CwA countries have presented the highest rate of FDI liberalizing policy reforms over the past 5-years (2014-2018).** The trend towards FDI liberalization by CwA countries stands in contrast with the rest of Sub-Saharan Africa, as well the global trend pointing towards greater share of FDI-restrictive policies.

TABLE 4: Number of liberalizing FDI policies (2014-2018)

| # of FDI policies (excl. neutral) ⁸ | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|------------|------------|------------|------------|------------|
| CwA | 3 | 1 | 2 | 8 | 4 |
| Sub-Saharan Africa (non-CwA) | 7 | 5 | 11 | 17 | 11 |
| Middle East & North Africa (non-CwA) | 5 | 1 | 7 | 5 | 8 |
| Rest of world | 33 | 49 | 67 | 55 | 58 |
| World | 48 | 56 | 87 | 85 | 81 |
| Liberalizing FDI policies | 2014 | 2015 | 2016 | 2017 | 2018 |
| CwA | 3 | 1 | 2 | 8 | 4 |
| Sub-Saharan Africa (non-CwA) | 6 | 4 | 8 | 14 | 7 |
| Middle East & North Africa (non-CwA) | 4 | 1 | 7 | 5 | 7 |
| Rest of world | 27 | 43 | 47 | 43 | 36 |
| World | 40 | 49 | 64 | 70 | 54 |
| Liberalizing FDI policies (% of FDI policies) | 2014 | 2015 | 2016 | 2017 | 2018 |
| CwA | 100% | 100% | 100% | 100% | 100% |
| Sub-Saharan Africa (non-CwA) | 86% | 80% | 73% | 82% | 64% |
| Middle East & North Africa (non-CwA) | 80% | 100% | 100% | 100% | 88% |
| Rest of world | 82% | 88% | 70% | 78% | 62% |
| World | 83% | 88% | 74% | 82% | 67% |

FIGURE 15: Number of liberalizing FDI policies (2014-2018)



Source: UNCTAD, World Bank Staff Calculations

⁸ Excludes policies coded as neutral and policies pertaining only to "general business environment" i.e. non-investment-specific policies

- **The World Bank's Doing Business (DB)⁹ data suggest that CwA countries on average had better overall distance-to-frontier (DTF) scores,¹⁰ while also demonstrating faster improvement over the last nine years.** CwA countries' average DTF score stood at 50.3 in DB2010 and 58.6 in DB2019 (ranging from 77.8 for Rwanda to 49.6 for Ethiopia), whereas non-CwA countries' average DTF score was at 46.1 in DB2010 and moved to 50.7 in DB2019 (highest DTF for Mauritius at 79.5 and lowest at 20.0 for Somalia). The growth rate in DTF score for CwA countries stood at 16.5 percent, with only half of that for non-CwA countries, which suggests that CwA countries may have been implementing reforms and improving their business environment more effectively.
- **Since the launch of the Compact in 2017, a total of 148 reform commitments were identified and all 12 CWA countries have improved their ease of doing business (EODB) score.** 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.
- Among the CwA countries, the top countries moving furthest towards the frontier during this period were **Rwanda** (7.53), **Togo** (+6.96), **Côte d'Ivoire** (+6.95) and **Senegal** (+4.11). This reflects the substantial, comprehensive and continuous commitment to a reform agenda aimed at improving the overall enabling environment for investment.
- **Analytical support provided by partner international organizations is helping to identify key bottlenecks** to private investments in priority sectors of CwA countries, which in turn help in designing more targeted reform initiatives.
- **Country Private Sector Diagnostics (CPSDs) will help guide the WBG work on the Compact with Africa (CWA).** CPSDs focus on key sectors—the fundamental economic building blocks of economies where opportunities and constraints can be identified. CPSDs link sector-specific and cross-cutting issues to establish the theory of change and develop a reform roadmap leveraging sectoral/country knowledge of the WBG and other institutions.
- **The CwA initiative will continue to monitor progress of the reform agenda** in the compact countries under the three key pillars of macroeconomic, business, and financing frameworks. A detailed monitoring report assessing the progress of policy reforms under the CwA will be issued on a regular basis,¹¹ in parallel with the World Bank Group/IMF Spring and Annual Meetings and will complement the FDI analysis.

⁹ <http://www.doingbusiness.org/>.

¹⁰ The distance to frontier (DTF) measure shows the distance of each economy to the "frontier," which represents the best performance observed on each of the indicators across all economies in the *Doing Business* sample since 2005. An economy's distance to frontier is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier. The ease of doing business ranking ranges from 1 to 190.

¹¹ See <https://www.compactwithafrica.org> for more details and available progress reports.

Annex I:



G20 Compact with Africa: Independent Review – October 2019 Prepared by the African Center for Economic Transformation (ACET)

This note is intended to complement the assessment of progress under the Compact with Africa (CwA), particularly cross border flows, engagement of Development Finance Institutions (DFIs) and the roles and responsibilities of the International Organizations (IOs).

The CwA Context: Since its launch in March 2017, CwA has become a well-established G20 flagship initiative. This is reinforced by the commitment of four G20 Presidencies since 2017 to maintain its prominence. Likewise, there have been more than fifty CwA or CwA-related events in nearly twenty countries, including in nine African countries. These have included investment and trade promotion events, governance meetings, Heads of State and Ministerial summits, and peer learning events.

Finally, the CwA displays growing ownership by nearly all stakeholders. For example, the July workshop on diversification and growth included most CwA countries, as well as G20 representatives and the three IOs. The September peer learning event on blended finance included ten of twelve CwA countries, the IOs and representatives of the G20. While there are numerous challenges remaining for full implementation, on the whole it has evolved as an important initiative to support investment in Africa.

The Role of DFIs: The DFI survey and the DFI Action Plan developed by the AfDB are welcome support mechanisms. The recommendations strongly reinforce the July 2019 OECD report “*Blended Finance in the Least Developed Countries 2019*” which addressed both least developed countries and the “missing middle”. That report emphasized that “blended finance solutions should respect national ownership, be aligned with national priorities, and applied as part of a broader national SDG financing strategy...”. Likewise, the DFI Action Plan is well aligned with research recently undertaken for the September 12 CwA peer learning event in Abidjan. That research, which was coordinated by ACET, was entitled “*Strengthening the Local Dimension of Blended Finance: A review of the local approaches and instruments employed by Development Finance Organizations (DFOs)*”. The report assessed how development finance organizations are adapting to local country conditions and identified numerous areas where DFOs can do more to provide financing in developing countries.

While the DFI Action plan recommendations should be endorsed by all parties, the sentiment that CwA countries should be more active and transparent about their needs can be emphasized more strongly. We also believe that additional country case studies may be useful in identifying and sharing good practices. We suggest that all CwA country teams agree to include local DFI representatives, which would be going beyond “increasing in-country coordination” in recommendation #1. Finally, for future DFI Action Plans it may be useful to explore how DFIs can increase investment by adjusting risk perceptions, hence increasing the pool of “bankable” projects.

Cross Border Flows: Linking CwA country programs to the Country Private Sector Diagnostics (CPSDs) is welcomed and will provide a stronger framework for policy implementation. It is also heartening to see that CPSDs have been completed or are underway in 10 out of the 12 Compact countries. It is noted that global FDI flows were down 13 percent in 2018, the third consecutive year of decline, but FDI volumes to CwA countries have remained stable. Likewise, FDI stock to CwA countries have a higher rate of FDI accumulation than the rest of Africa. While causal linkages are difficult to determine, the strong Doing Business reform actions in CwA countries are quite encouraging.

Given the increasing role of Emerging Markets as the source of CBI announcements, it is recommended that more be done through the G20 AAG and bilaterally to encourage all G20 members to contribute more fully, especially those responsible for large CBI announcements that have not been proactive in the CwA initiative thus far. The Saudi Arabian G20 Presidency could offer a good opportunity.

For future editions of “*Trends in FDI and Cross-Border Investments in Compact with Africa Countries*” it may be helpful to provide a more detailed breakdown of the proportion of FDI inflows as a percentage of GDP for all CwA countries. Likewise, additional analysis that shows comparisons with non-CwA countries of similar size or market structure, or a matching sample, will help to address the selection bias challenge. The job creation data in the Country Dashboards is insightful, and given the critical need for job creation in most CwA countries, additional research on investment related employment may prove useful in helping CwA countries prioritize investments. This could also be linked to the Development Committee emphasis on investment and employment.

International Organization Task Profiles: The agreement of task profiles is a further indication of the initiative’s sustainability and ownership. The focus on selected priority sectors will help to collectively achieve quick wins and strengthen country ownership. We believe the task profiles, and particularly the role of the World Bank Group, will assist each country in making best use of the CwA. Likewise, the note on “*Leveraging the World Bank Group’s Country Private Sector Diagnostics for Compact with Africa Quick Wins*” provides a useful enhanced framework for prioritizing support. For the African Development Bank, the Africa Investment Forum (AIF) is emerging as a primary opportunity to overcome investment bottlenecks and move towards financial close on flagship investments. It will be important to keep a CwA “lens” during selection of AIF projects and invitees. It would be advantageous to see a stronger role for the IMF Regional Technical Assistance Centers going forward.

Continued Improvements: In some ways the CwA is well established, while in other ways it continues to evolve. Numerous issues addressed during the April 2019 AAG remain important for the success of the CwA. These include full operationalization of the Compact Teams, greater public-private dialogue at the country level, mutual accountability – including more focused investment promotion by G20 countries, inclusion of regional integration and capacity building considerations, and a stronger appreciation of the unique CwA model, which differs significantly from a direct relationship between reforms and finance.

Finally, it is critical to quickly provide clarity on areas (sector or country) of focus by IOs and G20 members, while also ensuring that all twelve countries benefit appropriately. The German Reform Partnership is focused on six countries, while the DFI – as outlined in the DFI Action Plan – are focused in most cases on a subset of CwA countries. The IO engagement varies depending on lending volumes, size of local offices, and presence of IO programs, while the new World Bank framework, as indicated above, will focus on a limited number of Compact countries. And as outlined in the “*Trends in FDI and Cross-Border Investments in Compact with Africa Countries*” a few CwA countries benefit from the vast majority of investment, hence it is important, lest momentum be lost, to ensure adequate support to those CwA countries receiving less investment.