REGIONAL PRIVATE SECTOR ENGAGEMENT (PSE) ROADMAP 2024-2028: OUTLINE

Context: Regional Private Sector Engagement (PSE) Roadmap 2024-2028

The importance of private sector engagement:
- Better policy outcomes
- Support to close critical financial gaps

Goals/actions of the Roadmap
- Monitoring and evaluation
The Roadmap outlines priority actions on how countries participating in the HoAI can create a more conducive and enabling environment that encourages cross-border trade/investment.

**CONTEXT**
- 17th Ministerial Meeting of the HoAI (May 2023) called for the continued dialogue with the private sector.
- Reforms that are implemented through PSE have greater sustainability and higher levels of acceptance.
- The roadmap was developed with inputs from the private sector representatives from each of the HoAI member countries.

### STRUCTURE OF THE ROADMAP DOCUMENT

| 1 Vision Statement | THE RATIONALE | Why is the reform necessary? Where do we stand? Where do we want to go? |
| 2 Baseline Situation | | |
| 3 Goals (and Goal Performance Indicators) | THE STRATEGY | What do we want to do and how will we do it? |
| 4 Activities (and Activity Compliance Indicators) | IMPLEMENTATION OF THE ROADMAP | Who will do what? When? How much will it cost? |
| 5 Schedule of Implementation | CONDITIONS | What are the risks and assumptions that need to be considered? |
| 6 Governance Structure | | |
| 7 Resources | | |
| 8 Risks and Assumptions | | |
Collaboration between government and the private sector in shaping policy is fundamental for fostering a supportive business environment that promotes sustainable and inclusive growth.

**CONTEXT**

- **WBG's Global Investment Competitiveness Report 2019-2020 (GIC) surveyed more than 2,400 foreign investors in 10 large middle-income countries in 2019.**

- Beyond political stability and security, the regulatory environment was cited as the most important factor driving investment decisions.

- The quality of institutions governing the business environment, including a strong private sector engagement platform, has a positive effect on FDI.

**THE LEGAL AND REGULATORY ENVIRONMENT WAS AMONG THE TOP THREE FACTORS FOR FDI IN 2019**

- **Political stability and security:** 50% Critically important, 37% Important, 9% Somewhat important, 2% Not at all important, 0% Don't know
- **Legal and regulatory environment:** 40% Critically important, 46% Important, 12% Somewhat important, 2% Not at all important, 0% Don't know
- **Large domestic market size:** 42% Critically important, 38% Important, 14% Somewhat important, 4% Not at all important, 0% Don't know
- **Macro stability and exchange rate:** 34% Critically important, 44% Important, 16% Somewhat important, 5% Not at all important, 0% Don't know
- **Available talent and skill of labor:** 28% Critically important, 45% Important, 22% Somewhat important, 5% Not at all important, 0% Don't know
- **Good physical infrastructure:** 25% Critically important, 46% Important, 24% Somewhat important, 5% Not at all important, 0% Don't know
- **Low tax rates:** 19% Critically important, 39% Important, 31% Somewhat important, 9% Not at all important, 0% Don't know
- **Low cost of labor and inputs:** 18% Critically important, 35% Important, 35% Somewhat important, 11% Not at all important, 0% Don't know
- **Access to land or real estate:** 14% Critically important, 31% Important, 32% Somewhat important, 22% Not at all important, 0% Don't know
- **Financing in the domestic market:** 16% Critically important, 28% Important, 31% Somewhat important, 24% Not at all important, 0% Don't know
There is an opportunity to leverage the AfCFTA to HoAI’s private sector engagement for AfCFTA implementation.

AFRICA’S FIRST CONTINENT-WIDE FREE TRADE AREA

1. LEADS TO greater economic benefits.
2. INCREASES incomes by 9% (2035).
3. LIFTS 50M people out of extreme poverty.
4. INCREASES Africa’s exports to the rest of the world by 32%; intra-African exports by 109% (2035), led by manufactured goods.

IMPACT
Harmonizing policies on trade in goods and services, trade and investment facilitation, e-commerce, and intellectual property.

This will need the support of regional initiatives, such as the HoAI, and crucially the private sector.
Reforms that are implemented through PSE have greater sustainability and higher levels of acceptance.

Main benefits from reforms that are implemented through a process of private sector engagement:

**WITH PRIVATE SECTOR ENGAGEMENT**
- Buy-in for reform
- Evidence-based policy
- Inclusive, participatory policymaking/higher degree of acceptance
- Feedback/improved problem diagnosis
- Increased momentum and speed of reform

**WITHOUT PRIVATE SECTOR ENGAGEMENT**
- Reform not sustained
- Side deals (elite capture)
- Unresponsive regulation
- Lower degree of acceptance

**OECD’S 5 STAGES OF PUBLIC-PRIVATE CONSULTATIONS**

1. Early stage in the development of regulations
2. Later-stage in the development of regulations
3. Implementation (Incl. transparency/accessibility)
4. Ex-post evaluation of regulations
5. Review of regulatory policy
Given the complex fiscal scenario in the region, the private sector can play a key role in closing critical financing gaps for sectors that are HoAI priorities.

**SUB-SAHARAN AFRICA’S CLIMATE ADAPTATION FINANCING GAP IS ESTIMATED TO BE US$12.4–13.1 BILLION**

<table>
<thead>
<tr>
<th>Region</th>
<th>Gap</th>
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<tbody>
<tr>
<td>East Asia and Pacific</td>
<td>$6.5 - $11.9 billion gap</td>
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<tr>
<td>Latin America and Caribbean</td>
<td>$14.7 - $18.1 billion gap</td>
</tr>
<tr>
<td>East Asia and Pacific</td>
<td>$14.9 - $16.5 billion gap</td>
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Examples of actions to encourage Private Capital Mobilization (PCM)/Private Capital Enabling (PCE):

- Investment climate (AfCFTA’s Protocol on Investment).
- Partial risk guarantees (Southern Africa Regional Gas Pipeline).
- Public Private Partnerships (PPPs) advisory work (ECOWAS PPP framework).
- Green bonds (Egypt’s Inaugural Green Bond Issuance).

Note: Spending means the amount of international public adaptation finance in 2014 directed to both public and private sectors, as described in Buchner et al (2015). Costs estimates refer to the average annual cost of adaptation for each year from 2010-2050 for seven sectors and 144 low income and middle income countries described in World Bank (2010). Estimates cover varying climate scenarios: dry global climate projections (costs estimate – CSIRO) and wet global climate projections (costs estimate – NACC).

Source: World Bank (2022)
EXAMPLE:
PPP investment commitments in Sub-Saharan Africa are a small portion of total investment in emerging markets and developing economies (EMDEs).

WEST AFRICA’S FIRST PPP FRAMEWORK - ECOWAS

- Underdeveloped transport infrastructure and poor connectivity have hindered intra-regional trade and economic growth.
- ECOWAS produced in 2021 guidelines that outline roles and responsibilities for preparing and implementing regional PPP projects.

PPP INVESTMENT IN SUB-SAHARAN AFRICA VERSUS THE REST OF THE EMDES

The Roadmap was developed with inputs from the private sector from Djibouti, Ethiopia, Kenya, Somalia and South Sudan.

- **GOALS / ACTIONS**
  - **July-August, 2023**
    - National level exchanges in each country
  - **September 2023**
    - Regional workshop with representatives from all countries in Addis Ababa
  - **October 2023**
    - Private sector Roundtable, Addis Ababa

**FORMULATION OF THE ROADMAP (+ RESEARCH)**

Ethiopian Freight Forwarders and Shipping Agents Association (EFFSAA), the Kenya National Chamber of Commerce & Industry (KNCCI), the Kenya Private Sector Alliance (KePSA), the Kenya’s Youth and Women in Trade and Business, the Chamber of Commerce of South Sudan, the South Sudan Women Entrepreneurs Association, the Somali Chamber of Commerce, the Somali Industry Association, the Somali Women in Business Association, the Chamber of Commerce of Djibouti, the Djibouti Importers and Exporters Syndicate, the Djibouti Freight Forwarders Association, and the Djibouti Association of Women in Trade.
Goals of the Regional Private Sector Engagement (PSE) Roadmap 2024-2028

STAGES 1-5

1. CREATE a regional platform for regularly engaging business communities in the HoA for dialogue with national Governments

2. STRENGTHEN the national statistical capacities of HoAI countries to guide investors’ decisions

3. HARMONIZE business licensing processes in the region through the adoption of a single business permit system inclusive of a trading license

4. PROMOTE adoption of a regional PPP framework for cross-border projects, in areas such as climate adaptation and mitigation, physical and digital infrastructure, agribusiness, livestock value chains and trade facilitation

5. PROMOTE women’s economic participation with legal parity with men (Women Business and the Law)
<table>
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<tr>
<th>Stage</th>
<th>Goal/Action</th>
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<tr>
<td>6</td>
<td>SUPPORT the harmonization of national regulations towards regional tax convergence (Double Taxation Avoidance Agreements)</td>
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<td>7</td>
<td>DEVELOP cross-border SEZs at key HoA border areas</td>
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<td>8</td>
<td>IMPROVE business entry, property rights, and access to finance</td>
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<td>9</td>
<td>STRENGTHEN market access, linkages, investment protections and incentive regimes (align to the AfCFTA Protocol on Investments)</td>
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<tr>
<td>10</td>
<td>ADOPT cluster development programs to promote regional value chains</td>
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Business pulse surveys to support monitoring and evaluation

BUSINESSES TO OBTAIN A DEEPER UNDERSTANDING AND ANALYSIS OF THE CURRENT IMPEDIMENTS TO INVESTMENT AND TRADE IN THE REGION

The survey will serve the following essential purposes:

1. Characterization of businesses based on sector, size, and capital structure.

2. Identification of the primary challenges businesses face in their pursuit of growth, including obstacles related to legal and regulatory compliance and the utilization of e-government tools.

3. Exploration of the extent of businesses' involvement in import, export, or foreign investment activities, specifying target markets, and elucidating any associated barriers or impediments.

150 telephone pulse surveys in each country (every 6 months)
Governance structure for the Roadmap management

- **Policy Steering Committee** (Ministers of Finance of HoA countries)
- **Regional Trade & Investment Task Force**
- **HoAI Secretariat**
- **TRADE Regional Working Group**
- **CUSTOMS Regional Working Group**
- **TRANSPORT Regional Working Group**
- **INVESTMENT Regional Working Group**
Suggested next steps

1. Validation of Roadmap including goals, actions and governance structure with designated teams from the ministries of finance by November 2023.

2. Discuss implementation support and plans with other DPs by December 2023.

THANK YOU