

# Country Private Sector Diagnostic (CPSD) Methodology Note

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Note: This is a living document and will be periodically updated.

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## Introduction

### Context

**The Country Private Sector Diagnostic (CPSD) was launched in 2017 as a corporate priority.** It supports WBG strategic focus on expanding private investment and leveraging private solutions to address persistent development challenges in client countries. The CPSD has been instituted as one of the WBG’s “Extended Core Analytics”, to provide the analytical basis for a coherent and complementary response of the public and private sector to a development challenge. By assessing critical constraints to private investments and identifying the policy/regulatory reforms and public support needed to unleash private investments with strong development impact, the CPSD lays the foundation for a more integrated World Bank Group (WBG) response that brings to bear private and public sector perspectives, expertise and solutions.

**This strategic focus has been driven by a renewed momentum in the development community since 2015 along with a shift in the development finance architecture towards greater mobilization of private investment.** The Addis Ababa Action Agenda and the Sustainable Development Goals signaled a new consensus that the most enduring, sustainable, and scalable solutions to development problems have emerged through and depend on an effective interplay of private investment and public policy.

**Responding to this shift, the 2015 WBG Development Committee Paper recognized that the private sector will have to play an increasingly important role as private investment underpins economic growth, jobs creation, innovation, productivity gains and tax revenues.** Competitive markets respond to demand, sustain development gains and advance inclusive economic opportunities. The WBG has adopted deliberate approaches and tools to significantly expand the use of private sector solutions, which has been further cemented under the WBG capital increase commitments. Maximizing Finance for Development (MFD), the Cascade Principles, IFC 3.0 and the Upstream agenda. The Jobs and Economic Transformation strategy (JET) reflects the WBG’s commitment to help countries achieve their development priorities – expand opportunities, increase income, reduce poverty, etc. – by leveraging private sector solutions and investment.

### CPSD Objective and Value Added

**The objective of the CPSD is to identify opportunities where the private sector could have a larger positive development impact, and to recommend specific actions that will help to enable transformative private investment in the short to medium term in critical economic sectors.** The CPSD is intended to follow the country engagement cycle, allowing for findings and recommendations to be integrated into IFC Country Strategies, Systematic Country Diagnostics (SCD), and Country Partnership Frameworks (CPF) with the objective of delivering more impactful WBG programming.

**Jointly delivered by the WB and IFC, and intended to leverage expertise across the WBG, the value of the CPSD stems as much from its diagnostic rigor as it does from its consultation process.** The diagnostic fosters a common understanding across WBG teams of opportunities for the private sector to address key development challenges and solutions to constraints on these opportunities. Agreement on critical areas is intended to help improve policy dialogue, better allocate WBG resources, and align country programming, e.g., WB policy lending and technical assistance, IFC investment and advisory services, and MIGA guarantees.

**The value of the CPSD is also the explicit focus on sectors.** The primary objective of the CPSD is to provide sector-specific insight and analysis, in addition to a review of cross-cutting issues relevant to those sectors,

building on other analytical diagnostics, such as the Country Economic Memorandum (CEM). The CPSD is also a useful tool in articulating the JET agenda, established as a special theme under IDA19, at the sectoral level. Each CPSD highlights the sectors driving economic growth and job creation, as well as those providing critical services and enabling the business environment.

## Guiding Principles for Conducting a Successful CPSD

Based on the experience of especially impactful CPSDs, TTLs should note the following principles to guide their approach:

### 1. Adopt an inter-disciplinary, consultative approach that draws on local knowledge

- Embrace multidisciplinary approaches
- Convene public and private investment expertise across sectors and policy areas
- Build on local knowledge, particularly WBG country teams and the local private sector

### 2. Leverage existing analysis and fill knowledge gaps

- Utilize existing internal and external analyses – avoid duplication
- Synthesize information and seek new insights on existing knowledge
- Fill critical knowledge gaps, including by conducting new and updating outdated analysis

### 3. Iterate and finetune throughout the process

- Iterate throughout the process—synthesizing, revising, and refining information to focus the analysis and improve the sequencing and prioritization of recommendations
- Iterate throughout the methodological steps outlined in this note, as well as through communication with colleagues and stakeholders

This note is organized in two main sections: The first section introduces the [10 questions all CPSDs seek to answer](#), and then provides guidance on how to answer these questions at each stage of the CPSD from inception to concept note to the final report. This section provides policy and sectoral typologies (**Tables 3 and 5**), together with a sector assessment framework (**Table 1**), designed to help structure the CPSD analytical process. The second section expands on each of the 10 guiding questions, providing additional guidance on data sources, tools, and contacts of resource persons. The annexes contain additional reference material to help answer FAQs. Note: TTLs are advised to also familiarize themselves with the [CPSD Process and Procedure Guide](#), especially with respect to conducting effective and efficient consultations. See the [CPSD Resource intranet page](#) for structured access to additional material.

## Section One: 10 key questions the CPSD aims to answer

### Contextual Questions

Answering these questions will help capture country context, the most pressing development challenges, and the role the private sector plays or could play to address these in the near term.

See [Annex C](#) for a description of available tools recommended for use by all CPSD teams, including some specifically developed for the initial phase of the CPSD.

#### **Question 1: What are the country's main development challenges the private sector can help address in the near term?**

This first question is critical to frame the CPSD narrative, and through the iterative process of preparing the diagnostic, will need to be revisited and refined as the team addresses each major question.

Dimensions to consider: slow and/or low-quality growth; demographic pressures on job creation; gender inequality; high vulnerability to climate change; digital divide; lagging regions; concentration in commodity-based exports; declining terms of trade; fragility/conflict; governance, geography (e.g., landlocked, small island); availability of resources. The CPSD does not aim to provide solutions to all development challenges, but should identify and focus on areas where the private sector could drive inclusive economic growth and job creation, and/or provide essential goods and services, within a 3-5 year horizon subject to certain conditions (e.g., reforms). The 1-page guidance for each question, provided in the next section of this note, details frameworks and tools that can be useful to teams.

#### **Question 2: What is the state of the private sector, what are its main characteristics and what role does it play in the country's development?**

Dimensions to consider: Sectoral contributions to GDP (see sector typology in Table 5 below), distribution of jobs, size and age of firms, informality, trade performance, value chain participation, level of private investment, extent of diversification including within broad sectors, FDI, productivity, innovation. Corporate sector composition, structure and ownership (including connected firms, direct state participation and relative size of SOEs vs. private sector). An analysis of the role of the private sector in possible reform processes and the political feasibility of reform is addressed in Questions 9 (Q9) and Q10.

### Analytical Questions

The objective of the following questions is to identify private investment opportunities with strong development impact, the main cross-cutting and sector-specific constraints following the CPSD sector analysis framework, and practical, feasible solutions to address constraints within the next 3-5 years (see **Table 1**).

#### **Question 3: Which policy issues are major cross-cutting constraints to private sector led growth?**

Dimensions to consider: political economy, governance, macro-fiscal management, trade policy, investment policy, competition policy, product market regulations, innovation & entrepreneurship, land policy, labor policy, capital markets. The analysis should consider the most recent CEM. The severity of constraints can be assessed through both benchmarking, surveys, consultations, as well as through sector

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<sup>2</sup> See [Annex D](#). The CPSD policy typology (Table 4) is aligned with WB practices, the CEM 2.0 methodology, and IEG results monitoring frameworks.

assessments (Questions 4, 5, 6 and 7 below) as they pertain to the specific development challenges identified in Q1. The idea is not to discuss all cross-cutting constraints, but only the ones which are directly related to these development challenges and/or pervasive across the economy.

**Question 4: Which enabling sector issues are major constraints to the private sector?**

Dimensions to consider: access and availability as well as performance (e.g., quality and affordability of the services) of enabling sectors (transport, power, water, digital infrastructure, finance, business services, education, health) and relevance to the firms/sectors driving growth and jobs as well as the provision of essential goods and services as per the specific development challenges identified in Q1.

**Question 5: In which enabling sectors can the private sector contribute as innovator, operator or financier? Which actions can be taken to facilitate more private sector engagement and investment?**

Enabling sectors to consider: transport, power, water, digital infrastructure, finance, business services, education, health. This analysis should consider any recent InfraSAP or FSAP, and seek to apply the MFD/Cascade framework.

**Question 6: In which tradeable sectors can the private sector drive growth and the creation of more and better jobs? Which actions can be taken to better support private sector growth and investment?**

Tradeable sectors to consider: agribusiness, manufacturing, mining, tourism, tradeable/digital services. Effort should be made to identify opportunities at the subsector level.

**Question 7: In which domestic sectors can the private sector drive growth and the creation of more and better jobs? Which actions can be taken to better support private sector growth and investment?**

Domestic sectors to consider: construction (including housing), wholesale and retail trade, personal services

Focus	Content
<b>1. Sector characteristics</b>	<ul style="list-style-type: none"> <li>- Sector size and growth trends (output and jobs), main subsectors/ locations; orientation of trade (market share, position in regional and global value chains, product/service segmentation)</li> <li>- Firm characteristics: size and age of firms (entrepreneurship, SMEs), informality</li> <li>- Corporate sector structure and dynamics: ownership structure<sup>3</sup> (MNCs, SOEs, domestic firms), competitive dynamics</li> <li>- Major government policies/initiatives in the sector – impact of which to be assessed</li> </ul>
<b>2. Sector performance</b>	<ul style="list-style-type: none"> <li>- Benchmarking against structural and aspirational peers (see <a href="#">Annex C</a>)</li> <li>- Outputs:               <ul style="list-style-type: none"> <li>o Sales, value addition, imports/exports for tradeable sectors</li> <li>o Quality/price, access, impact on other sectors for enabling sectors</li> </ul> </li> <li>- Inputs:               <ul style="list-style-type: none"> <li>o Intermediate inputs (cost/quality)</li> <li>o Labor, capital and land inputs (cost/quality) – especially for tradeable sectors</li> </ul> </li> <li>- Productivity drivers (integration, reallocation, upgrading)</li> <li>- Recent trends in (domestic and foreign) investment</li> <li>- Environmental and social externalities (positive or negative)</li> </ul>
<b>3. Sector potential</b> (see also AIMM framework)	<ul style="list-style-type: none"> <li>- Potential to fill gap with aspirational peers/potential competitors/market leaders</li> <li>- Sources of comparative advantage (human, cultural, natural resources, location)</li> </ul>

<sup>3</sup> Note: According to general practice within CPSDs to date, publishing positive and public information about firms is acceptable and even encouraged. There is no need to ask for permission in this case. However, teams should request permission to include any firm-specific information that is not public or insight that is clearly attributable to a specific individual or firm. Please consult with the country management unit in such cases.

	- Positioning vis-à-vis demand and supply trends, investment trends
<b>4. Constraints on growth and investment</b> (see also Table 7)	- Policy constraints (see policy typology in <a href="#">Annex D</a> ) – e.g., policies restricting entry, increasing the cost/risks of doing business and/or distorting the playing field - Performance issues in related sectors (enabling, upstream/downstream) - Market failures and distortions (e.g., monopolies/monopsonies, unintended effects of government policies, coordination failures, environmental/social externalities)
<b>5. Prioritized recommendations</b>	- Possible solutions to removing a critical mass of constraints in the sector taking into account legitimate government policy objectives and minimizing distortive effects. - Prioritization and sequencing taking into account feasibility (political economy, financial/political cost)

**Synthesis Questions**

The following questions synthesize the answers to the previous questions into a concise summary of private investment opportunities, their expected development impact, the practical/feasible measures/reforms needed to trigger them within 3-5 years based. They should help the team articulate a clear theory of change based on an “if-then” framework.

**Question 8: Where are the most important and feasible opportunities for private investment to transform or create markets in the near term?**

Sectors to consider: the sectors identified/assessed when answering Q5, Q6 and Q7, prioritizing between them based on expected development impact (informed by Q1) and feasibility of removing the constraints.

**Question 9: Which actions (cross-cutting, sector-specific) could have the greatest impact on unleashing private sector growth? How should these be prioritized based on impact, urgency and feasibility?**

Measures to consider: policy reforms, investments in public goods, technical and financial support to firms following competitive process (e.g., PPPs, de-risking). These measures should follow the MFD/Cascade Framework, and be prioritized based on their expected impact and the feasibility of implementing these measures (Q8). Sequencing of reforms may include “second best” partial or pilot reforms to develop reform momentum.

**Question 10: How to get started with implementation and how could the World Bank Group help?**

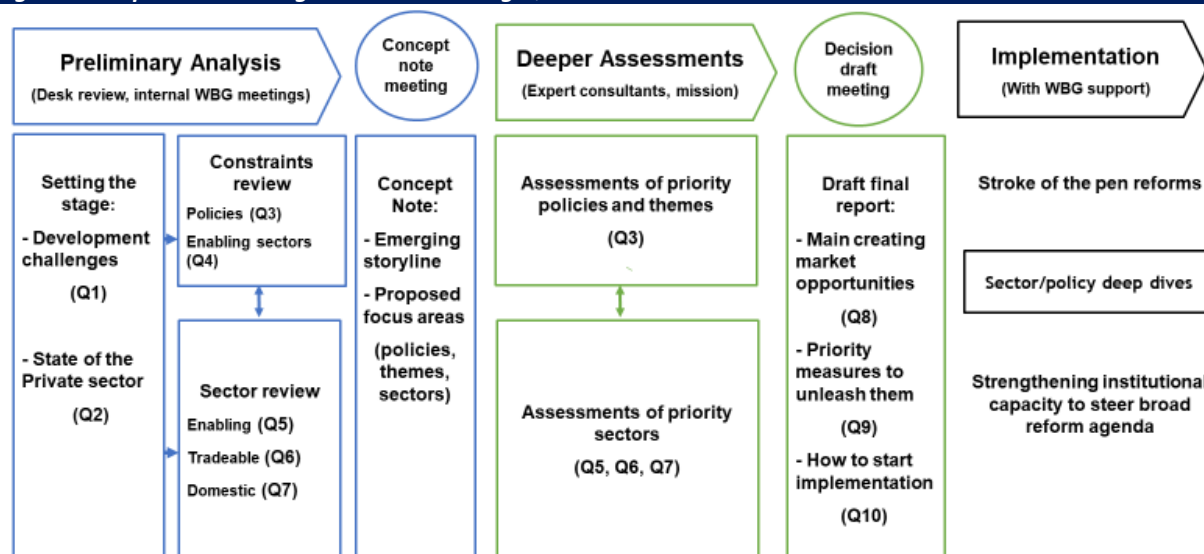
This question is intended to help the team consider the transition from the final CPSD report and potential follow-up activities. Next steps to consider: stroke-of-the-pen no-regret reforms, recommending CPSD Phase 2 Deep Dives to provide further market intelligence or elaborate a reform roadmap/action plan, creation of a reform team to lead broad reform process, etc.



## CPSD Project Stages

This section provides guidance on each stage of the CPSD process (figure below). For each step, we discuss the objective (*the Why?*); the analytical approach, typologies, and frameworks (*the What?*); the tools and the resources (*the How?*).

**Figure 1: Steps to answering CPSD's 10 Guiding Questions**



## CPSD Preparation & Preliminary Analysis: Inception to Concept Review Meeting

**Intended timeline: 3 months**

Once the CPSD is assigned to a task team, entered into [IFC iPortal](#), and given a budget code, the TTLs should begin familiarizing themselves with the most recent published analysis on the country, the WBG country program/portfolio, and the latest developments within the country. The team should begin to:

- 1) **Consult with the CPSD Core Team** (see [Annex G](#) and [CPSD Resource Page](#))
- 2) **Review CPSD resources, including:**
  - This CPSD Methodology Note, [CPSD Process & Procedure Guide](#), [published CPSDs](#), additional CPSD methodology notes on sectors, themes, and COVID-19 available on the [CPSD Resources intranet page](#)
- 3) **Review World Bank and IFC portfolio, core analytics, and recent flagship reports; including:**
  - Latest [SCD and CPF](#), [InfraSAP](#), [FSAP](#), CEM, Economic Monitor/Economic Update, value chain analysis, etc. (see [Annex C](#) for additional core analytics, resources, and tools)
  - IMF [World Economic Outlook](#), IMF [Article IV Staff Report](#), World Bank [Global Economic Prospects](#), [IFC Country Macro Updates](#), latest WTO [Trade Policy Review](#), [WEF reports](#), etc.
  - [IFC investment and advisory portfolio](#)
- 4) **Review in-country analytics from other IFIs, private sector organizations and other development research outfits (e.g., MCC)**
- 5) **Run diagnostic tools and request support for CPSD diagnostics, including:**
  - Tools designed for CPSD pre-concept note data analysis, including: [CPSD Private Sector Scan](#), CPSD Investment Scan, Country Opportunity Spotlight, etc. Note: Some of these tools remain under development. Contact the CPSD Core Team (see [Annex G](#) or [CPSD Resource Page](#)).

- Other online tools available to TTLs, including: [CEM 2.0](#), [Jobs Diagnostics](#), [AIMM](#), [Macro, Trade, and Investment Tools](#)

Outputs from the tools should be discussed with relevant WBG country team representatives, policy and sector experts and CPSD WBG focal points. Findings need to be contextualized and not taken at face value. The table below summarizes the coverage of these tools along the CPSD questions. The first five tools are free and readily available on-line. The following three are available through cross-support and the last two are available from external sources (see [Annex C](#) for details on each tool, including time and cost).

Tools and Data	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10
Private Sector Scan	V		V	V					V	
CEM 2.0	V	V	V			V				
WITS/Trade Dashboard		V	V			V		V		
Jobs Diagnostic Tool		V						V		
AIMM Tool	V	V	V	V						
Investment Scan			V			V		V		
Country Opportunity Spotlight						V		V		
MCPAT (competition)		V	V		V	V	V		V	
Harvard Growth Lab Tools		V	V	V						
ITC Tools		V				V				

Drawing on these resources, the CPSD team will develop an initial understanding of recent economic performance, development challenges, transformative private sector opportunities and critical constraints. Further insights will be gleaned through consultations with World Bank and IFC colleagues in the country office, those actively working on projects in the country, and relevant subject matter experts. This will help answer the first four CPSD Questions and develop hypotheses on the following six, as well as identify knowledge gaps the CPSD can help to fill. The emerging narrative will form the basis for the concept note and the shortlisting of proposed areas for featured assessments—which can be either sectors (most common), policy areas, or thematic issues. See **Box 1** below for more on selecting feature assessments (sector or thematic).

Thus, the Preparation and Preliminary Analysis Stage consists of the following four steps:

### 1. Setting the stage (Q1, Q2)

- **Objective:** identification of the country’s main development challenges that the private sector could help address in the near term, which will help inform and motivate the shortlisting of sectors/policies/themes for CPSD feature assessments.
- **What:** analysis of the private sector’s past contribution to growth and job creation, drivers of past growth episodes, and a forward-looking assessment of development challenges, including the ones which are not growth and job creation related (e.g., provision of key goods and services).
- **How:** review of World Bank and IFC core analytics and recent flagship reports; review of CPSD diagnostic tool outputs; review of in-country analytics, consultations with WBG HQ and country office staff working in the country; use of CPSD thematic notes to ensure coverage of corporate priorities.

### 2. Conducting the constraints review (Q3, Q4)

- **Objective:** initial prioritization of the main policy and enabling sector issues affecting private sector growth and investment (to be specified during the Analysis Stage - see Table 12 of Q8).
- **What:** analysis of critical policy frameworks (see **Table 3**, and [Annex B](#) for the complete CPSD policy typology which builds on the CEM policy typology) and impact of enabling sectors on the performance of firms and other sectors (see also **Table 4** showing how policy and enabling sector issues combine to constrain firms)
- **How:** review of WBG portfolio data and project documents (in addition to resources listed above), especially Project Appraisal Documents; use of CPSD policy and enabling sector notes.

Broad policy areas	Sub policy areas
<b>Governance</b>	Security, Political Stability, Resilience (pandemics, climate, disasters), Policy Governance, Institutional Quality & Capacity, Public procurement, PPP framework, Corporate Governance
<b>Macro Fiscal</b>	Fiscal Policy, Foreign Exchange Policy, Monetary Policy
<b>Trade</b>	Trade Policy, Trade Facilitation
<b>Investment</b>	Investment Policy, Investment Promotion
<b>Competition &amp; Sector Regulations</b>	Competition Policy, Product market regulations, SOE rationale and restructuring, Competitive neutrality, Business Regulations
<b>Innovation &amp; Entrepreneurship</b>	Technology & Innovation, Entrepreneurship & Skills
<b>Land Markets</b>	Access to land
<b>Labor Markets</b>	Labor Market Regulation
<b>Capital Markets</b>	Capital Markets & Financial Regulation

**Table 4** below shows how policy and enabling sector issues combine to constrain firms.

Constraints faced by firms <sup>4</sup>	Corresponding broad policy areas	Corresponding enabling sectors
Poor business environment	Governance, Macro, Investment, Sector Regulations	
Difficult/unequal access to output/input markets	Trade	Transport & Logistics, Digital infrastructure
Difficult/unequal access to land/facilities	Land	Transport, Power, Water
Difficult/unequal access to skills, technology, data, services	Labor, Innovation & Entrepreneurship	Education, Health, Business services
Difficult/unequal access to finance	Capital	Finance & Insurance

### 3. Conducting the sector review ([Q5](#), [Q6](#), [Q7](#))

- **Objective:** identification of private investment trends, opportunities, and specific constraints in sectors where private enterprise currently plays an important role in achieving development objectives and/or could play an important role in the not too distant future (e.g., 3 to 5 years)
- **What:** analysis of sector performance; trends and opportunities in domestic, regional, and global markets; and constraints to private sector growth and investment in these sectors.
- **How:** broader consultations with sector and subject matter experts across and outside of the WBG, including a possible CPSD kickoff mission to meet stakeholders (in-country or virtually). These meetings should be prepared and conducted using the CPSD sector notes. (see [CPSD Resource Page](#). The sector typology in **Table 5** below has been developed to help CPSD teams

<sup>4</sup> These constraints can be related to one another – e.g., access to finance issues may result from having an overall poor business environment increasing the risks to lenders or access to technology issues may result from access to finance issues

conduct the sector review. It should be noted that enabling sectors can be tradeable (e.g., power, health, business services).

**Table 5: CPSD sector typology and associated WBG units<sup>5</sup>**

Sector types	CPSD sectors	IFC sectors (Departments, incl. Upstream)	WB sectors (GPs)
Enabling sectors (Q5)	Digital Infrastructure	Information (INR), CDF	Digital Development (DD)
	Water	Utilities (INR)	Water (Infra GP)
	Power	Electric Power (INR)	Power (Infra GP)
	Transport & Logistics	Transportation & Warehousing (INR)	Transport (Infra GP)
	Finance & Insurance	Finance & Insurance (FIG)	Finance (FCI)
	Business Services	Professional, Scientific and Technical Services (MAS)	Business Services (FCI)
	Education	Education Services (MAS)	Education (Ed GP)
	Health	Health Care (MAS)	Healthcare (Health GP)
Tradeable sectors (Q6)	Mining	Oil, Gas and Mining (INR)	Mining (Envr GP)
	Agribusiness (including Food and Beverages)	Agriculture and Forestry, Food & Beverages (MAS)	Agriculture (Ag GP) + Agribusiness (FCI)
	Resource-based Manufacturing	Chemicals, Nonmetallic Mineral Product Manufacturing, Primary Metals, Pulp & Paper, Plastics & Rubber (MAS)	Manufacturing (FCI)
	Light Manufacturing	Textiles, Apparel & Leather (MAS)	Manufacturing (FCI)
	Complex Manufacturing	Industrial & Consumer Products (MAS)	Manufacturing (FCI)
	Tourism	Accommodation & Tourism Services (MAS)	Tourism (FCI)
	Tradeable/Digital Services (can include enabling services)	Information (INR), CDF	Digital Development (DD)
Domestic sectors (Q7)	Construction (including Residential, Commercial)	Construction and Real Estate (MAS)	Construction (Urban GP + FCI)
	Retail & Wholesale Trade	Wholesale and Retail Trade (MAS)	Retail (FCI)
	Personal Services		Jobs Group

#### 4. Preparing the concept note and conducting the CRM

- **Objective:** to present the concept note at the CRM, discuss initial findings, flag critical issues, agree on the narrative, focusing on private sector opportunities (Q8) and selection/justification of featured sector/policy/thematic assessments (see below), to receive management approval to advance the CPSD into the Analysis/Diagnostic Stage.
- **What:** proposed narrative, and shortlisted areas proposed for featured assessments.
- **How:** synthesis of the previous three steps to develop a narrative highlighting the main private sector opportunities (Q8) and how they will help address the main development challenges (Q1). Prior to drafting the concept note, the team may want to have a workshop with country/subject matter experts and key stakeholders to discuss the narrative and proposed areas of focus.

CPSD concept notes have a unique structure (**Table 6**). Initial sections mirror those of the final report, followed by a shortlist of proposed sectors, policies, and/or themes to be developed as featured assessments of the CPSD. The CRM will select around 5 areas of focus for the Analysis Stage.

Concept notes should be concise (<15 pages, excluding Annexes) and thus not include detailed analysis of **all** sectors and **all** constraints, or justifications for why each sector, policy, or theme was or was not proposed for a featured assessment. See Box 1 for guidance on how to structure the proposed shortlisted areas. To ensure the concept note reads as a compelling narrative, supporting material should be

<sup>5</sup> WBG focal points will be made available on the [CPSD Resource Page](#)

annexed. This may include a list of ongoing and pipeline WBG operations relevant to the CPSD, as well as further elaboration on the rationale or evidence supporting the shortlisting of feature assessments.

**Table 6: Recommended structure and length of CPSD concept note**

Section Title	Content	Recommended page length
Summary of main messages	Initial hypotheses on private sector opportunities (Q8) related to development challenges (Q1)	1pg
Country Context	Summary of Q1	~2pgs
State of the Private Sector	Summary of Q2	~2pgs
Cross-Cutting Constraints	Summary and initial prioritization of constraints based on initial analysis of Q3 & 4	~3pgs
Proposed Feature Assessments	4-7 shortlisted sectors/opportunities, policy/themes based on initial analysis of Q5, 6, & 7	~1 page per proposed area
Annexes	May contain additional critical information, including reasons for not shortlisting other areas	Should be kept to a minimum
<b>Total</b>		<b>&lt;15 pages (excluding Annexes)</b>

**Box 1: Shortlisting proposed feature assessments in the concept note**

Based on the preliminary analysis during the Preparation Stage, TTLs should develop a shortlist of proposed areas for assessments (sector/thematic) to feature in the final report. Feature assessments have typically been important or high-potential growth sectors, but can also be key policy (e.g., trade, competition) or thematic areas (e.g., gender equality, climate change resilience). Depending on data and resources as well as the depth of analysis sought within these assessments, TTLs should propose 4-7 areas, allowing for the selection of 3-5 feature assessments at the CRM.

The selection criteria for feature assessments is purposely flexible, allowing the CPSD team to best determine where and how such assessments can provide value—specifically in consideration of the potential development impact, feasibility of reform, capacity for the CPSD to add value, interest from the government and how the analysis can support IFC and World Bank country engagement. The CPSD tools ([Annex C](#)) will provide indicators and common criteria that can help TTLs determine and defend their shortlisted selections. [Annex E](#) also provides an illustrative table to help capture and convey selection criteria.

In many cases, analysis of the most important sectors within an economy will already be extensive. In others, ongoing or pipeline analysis/projects may be positioned to provide greater depth than the CPSD can deliver. The TTLs should use their discretion on whether such areas should be proposed for feature assessments in the CPSD. Teams should reference existing analytics and ongoing/pipeline projects in the concept note. The final report can draw on these resources and integrate the findings into the overall storyline.

With most features being sector assessments, the CPSD team should consider each sector—however, importantly, the concept note is only expected to contain short (~1pg) write-ups for each of the *shortlisted* sectors that the team proposes as offering the most impactful and feasible for private investment in the short to medium-term. Each proposal should include a short evidence-based justification for selection and the proposed value add within the CPSD. Additional information to justify the selection and detail why other sectors were not shortlisted can be provided in an annex.

CPSD teams are recommended to include at least one enabling and one tradeable sector (export locomotive) as featured assessments. Furthermore, the final report may be more impactful if selected assessments complement and reinforce each other. For example, the team may select an enabling sector whose performance is critical to the tradeable sectors selected by the team.

## CPSD Diagnosis & Assessment Stage: Post-Concept Review Meeting to Decision Review Meeting

Intended timeline: 6 months

With the concept approved and featured assessments selected, the TTLs can proceed with deepening the analysis and drafting the final report. The Analysis and Diagnostic Stage entails extensive in-country engagement with country office colleagues and in-depth interviews with private sector actors and key stakeholders. CPSD teams should explore collaboration with World Bank and IFC subject matter experts to lead relevant feature assessments<sup>6</sup>. External consultants may also need to be hired, and, if so, World Bank and IFC subject matter experts should be consulted while developing terms of reference and identifying qualified candidates.

The Analysis Stage consists of the following three steps (the first two to be conducted in parallel, as they inform each other):

### 1. Assessments of policy and thematic issues (Q3, Q4)

- **Objective:** to describe the impact of specific cross-cutting constraints on private sector development and to develop detailed recommendations to remove these constraints.
- **What:** evidence-based descriptions of how policies or other issues impact the performance of the private sector; and a prioritized set of granular recommendations, based on proven and relevant international good practices, considering the government's development objectives and reform agenda. See [Annex F](#) for more guidance on developing policy recommendations.
- **How:** policy analysis, benchmarking, and extensive (in-country) consultations. Notes are being developed to help CPSD teams better assess policies and themes which have been particularly important/prevalent in CPSDs completed to date. Note: World Bank EFI teams are available to support CPSD teams on policy analysis.

### 2. Assessments of priority sectors (Q5, Q6, Q7)

- **Objective:** to identify and tightly link impactful private investment opportunities with the actions needed to realize them - i.e. "if" these actions are taken "then" these investments could follow.<sup>7</sup>**What:** assessments, based on the CPSD sector analysis framework (**Table 1**) to confirm/refine/refute the hypotheses developed during the Preparation Stage; with prioritized recommendations, informed by international good practices, to remove binding constraints.
- **How:** synthesis/analysis of existing reports/data combined with new data (need to be carefully targeted given resource and time constraints of CPSDs), insights from WBG industry experts and (carefully selected) leading domestic and multinational firms and investors (including potential/run away investors) to capture detailed information on market trends and the necessary conditions for growth and investment. Sector-specific methodology notes are being developed to help CPSD teams assess opportunities, constraints and possible solutions. Note: IFC Upstream Units and World Bank teams are available to support sector assessments (**Table 4**).

### 3. Preparing the draft report for DRM (Q8, Q9, Q10)

- **Objective:** to deliver the final report, with a compelling evidence-based storyline detailing opportunities for and constraints on private sector development (spelling out the theory of

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<sup>6</sup>For infrastructure and PPP assessments, IPG should be a first point of call. IPG has entered into an MOU with CCE, agreeing that IPG will provide cross-support to CPSD teams. IPG and CCE focal points, respectively are Fatouma Toure Ibrahima and Liane Lohde.

<sup>7</sup> More information on the "if/then" matrix in IFC Country Strategies is available [here](#).

change underpinning private sector led growth), and prioritized actions to inform policy dialogue, client and country engagement, and ongoing and future WBG programming.

- **What:** final report (50-70 pages, including executive summary, excluding annexes—see Error! Reference source not found.7 for a suggested outline) synthesizing all findings into a compelling development storyline, highlighting transformative private investment and creating market opportunities (Q8), detailing prioritized specific recommendations to unlock these opportunities (Q9). For the DRM, the team should provide suggestions on how to get started on implementation.
- **How:** final data collection and integration of findings into a complete, coherent final draft. When drafting recommendations, TTLs should keep in mind opportunities and modalities for operationalizing CPSD recommendations in future programming and CPSD follow-up activities. Prior to finalizing the draft report for DRM, it is recommended that the team conduct a workshop with WBG country/subject matter experts and key WBG stakeholders to discuss the storyline, recommendations and next steps. Upon management approval and incorporating DRM feedback, TTLs will share the approved draft report with the government and key development partners for comment. This consultation is also the opportunity to discuss possible WBG support to implement the recommendations as part of the Implementation Stage (see the following section).

See the suggested structure of the final CPSD report in **Table 7** below.

<b>Table 7: General structure of CPSD final report</b>		
<b>Section Title</b>	<b>Content</b>	<b>Recommended Page Length</b>
Executive Summary - Top (sectoral) opportunities - Key constraints - Priority recommendations - Suggested next steps	Storyline, priority recommendations table and key messages drawing from Questions 8, 9, & 10	~10-15pgs
1. Country Context 2. State of the Private Sector 3. Top (sectoral) opportunities 4. Key constraints (sector-specific and cross-cutting) 5. Practical recommendations	Question 1 Question 2 Questions 8 (synthesis of 5,6 and 7) Questions 3, 4, 5, 6, 7 Question 9 and 10	~5-7pgs ~5-7pgs ~ 5-10 pages ~ 2-5 pages
6. Sector assessments - Sectoral opportunities - Key constraints - Priority recommendations	Question 5, 6, & 7 (sectors selected at CRM)	~5-10 pages each
Annexes	May contain additional critical information <sup>8</sup>	Should be kept to a minimum
<b>Total</b>		<b>50-70pgs, excluding annexes</b>

## CPSD Implementation Stage: Publication/Dissemination to Implementation

### Intended timeline: Immediate to 12 months

- **Objective:** to sensitize key stakeholders (public and private sector, development partners, media and civil society) to CPSD recommendations, mainstream the findings in programming, and

<sup>8</sup> Note: Background reports/extensive sector assessments should be shared as separate documents in the decision package. These can be made available as separate links on the external CPSD page or on the internal CPSD Resources page.

support implementation. To transition from the finalized diagnostic to an actionable roadmap and implementation. In order to ensure the 'operationalization' of CPSD recommendations, it is important that CPSD teams are cognizant of ongoing strategic and programming and planned activities – so that policy dialogue and the design of lending, investment and advisory can be influenced.

- What: deeper analysis to close remaining knowledge gaps and/or engagement to help motivate, inform, and drive reforms; integration of CPSD recommendations into ongoing and pipeline activities; and/or the development of new programming (see the [CPSD Process & Procedures Guide](#)).
- How: CPSD teams must work with country teams and management to determine how to action CPSD recommendations and findings. This should be aligned with the country strategy cycle. For more information on follow-up activities see the 1-page guidance on [Question 10](#).



## Section Two: 1-Page Guidance for Each of the 10 CPSD Guiding Questions

### Question 1: What are the country's main development challenges the private sector can help address in the near term?

Development challenges amenable to private sector solutions within a 3 to 5-year time horizon should be identified in the CPSD. Narrowing this focus can follow a three-step approach:

- The first step is to identify the broad development challenges (e.g., slow and/or low-quality, jobless growth; gender inequality; human capital and digital divide, vulnerable groups and lagging regions).
- The second step is to contextualize and specify these challenges by taking into account the global context (e.g., automation of manufacturing, growth of traded services, digitalization) and country characteristics (e.g., exports dominated by commodities, middle income trap, small island, landlocked, fragility, governance issues, as well as climate and resilience issues).
- The third step is to identify those development challenges where the private sector can make a difference in the not too distant future – e.g., improving the performance of sectors which can drive growth and jobs and/or provide key goods and services to vulnerable/disenfranchised groups – answers to be confirmed/refined by answering Questions 5, 6 and 7.

The JET framework can help frame the development challenges – e.g., integration to the global economy, reallocation of factors of production, upgrading capabilities and/or facilitating the entry and exit of firms. The AIMM team can also help in answering this CPSD Question 1, as it has developed a framework and database to assess the development impact of IFC investments along five dimensions: sector wide changes which enhance competitiveness, resilience, integration, inclusiveness and/or sustainability. The MFD framework will also be useful to identify private sector opportunities as discussed in the guidance to Questions 5 & 6.

The [CEM 2.0](#), [Jobs Diagnostics](#), [AIMM](#) and [CPSD Private Sector Scan](#) should also be very useful points of departure for CPSD teams in answering this first question:

- The SCD will provide the team with a detailed assessment of poverty challenges and drivers of inclusive growth (WBG Twin Goals)
- The CEM 2.0 analyzes the level and quality of growth as well as the sectors driving growth and jobs (see CEM 2.0 macro questions 2, 4, 5, 6 and 7)
- Jobs Diagnostics provide a useful starting point to understand the job creation challenges and opportunities, disaggregated by demographic groups and sectors – e.g., issues with the supply of workers vs. issues with the demand for workers.
- The CPSD Private Sector Scan benchmarks the country with regional, structural and aspirational peers along key development indicators. The Investment Scan helps to assess the feasibility and development impact of economic sectors.

These tools are available and are discussed in more details in [Annex C](#). It is recommended that an initial review of the findings from these reports/tools be followed by discussions with the WB Poverty Specialist as well as with the WB and IFC Economists covering the country.

#### Contacts:

- SCD: [Alexandru Cojocaru](#), [Samuel Freije-Rodriguez](#)
- CEM: [Maria R. Andersen](#), [Deepak Mishra](#), [Lars Moller](#), Christine Qiang, Yuchen Zhang
- Jobs Diagnostics: [Theresa Osborne](#), [Dino Merotto](#), [Nadege Desiree Yameogo](#)

- CPSD Private Sector Scan: [Peter Kusek](#), [Yan Liu](#)

## Question 2: What is the state and characteristics of the private sector and what role does it play in the country's development?

The main objective of this question is to provide a bird's eye view of the private sector (and the other entities it is interacting with) starting by assessing the size and growth of the different types of firms (FDI, SOEs, private firms with state participation, large local/conglomerates – including “connected” firms, SMEs, informal-semi organized/clusters, informal-subsistence) based on national statistics, household and firm surveys. Here again the latest SCD and CEM should be useful starting points. The CEM 2.0 guidelines provide guidance on how to assess firm-level productivity dynamics, managerial practices, human capital and innovation (see CEM 2.0 micro questions 1, 2 and 5).

To lay the ground for the sector review/assessments, it is recommended the CPSD team identify sectors with significant presence of:

- World class firms/FDI which could be a major source of technology transfer, market creation (including high value exports), innovation both directly and indirectly through linkages
- SOEs which could be inefficient and crowding-out more productive private sector firms - see separate CPSD methodology and knowledge notes on SOEs
- Connected firms/politically exposed persons (PEP) which could also distort/capture the markets at the expense of other players and consumers – see separate CPSD methodology note on Governance
- Competition and market power issues - see separate CPSD methodology note on Competition (forthcoming)
- SMEs – is there a missing middle? What are the main challenges faced by SMEs? – see separate CPSD methodology note on SMEs
- Informality - see separate CPSD methodology and knowledge notes on Informality which differentiates between three types of informality (subsistence, forced by red tape, voluntary to gain unfair advantage)

It is also recommended the CPSD team takes stock at this initial stage of the role played by the private sector along each of the development challenges identified in Q1 and how its contribution to addressing them could be increased going forward, both directly (e.g., creation of jobs for the poor, provision of better/cheaper essential goods and services) as well as indirectly (e.g., through indirect job creation both through the supply and demand side and increased contribution to fiscal revenues). Although this would be a major and difficult undertaking, the team may also look how unleashing specific and feasible private sector investment opportunities could help reduce elite capture, inequality and the sources of conflicts.

Finally, it is recommended the CPSD team assesses the extent to which the private sector participates in the reform process (including the risks of capture). This information, together with the answer to the first CPSD question, will help inform the sector review and the selection of sectors, policies and themes for assessments during the CPSD Analysis Stage.

Answering this CPSD question will require the CPSD team to go beyond the Country Economist to include the WBG private sector specialists working on the country, as well as IFC's Country Manager and Upstream Units. The CEM2.0, WITS/Trade Dashboard, AIMM and MCPAT can also be very useful tools in answering this question (see [Annex C](#)).

### Question 3: Which policy issues are major cross-cutting constraints to private sector led growth?

Like for the previous question, the policy review involves in-depth discussions with the World Bank Group Economists and Private Sector Specialists familiar with the Country as well as with IFC's Country Manager and Upstream Units. These experts will provide up to date information on the key policy areas and guidance on the ones which need to be further reviewed. In addition to the CPSD Private Sector Scan, Investment Scan and Harvard Lab Tools (see [Annex C](#)) and as indicated in the table below, specific CPSD notes and tools are being developed on some of the most common/important policy issues (e.g., trade, competition, SOEs). See also the detailed CPSD policy typology in [Annex D](#) and the CEM 2.0 guidelines as indicated in **Table 8** below. This top down policy review should serve as a critical input to answering CPSD Questions 5, 6, 7 and 9. In turn, the answers to Questions 5-7, in addition to uncovering sector-specific constraints, will help prioritize/specify the main cross-cutting constraints to private sector led growth by showing how they impact the key sectors (see **Table 13** as part of the guidance for Q8).

<b>Policy areas</b>	<b>Typical policy issues</b>	<b>Data sources</b>	<b>Contacts</b>
<b>Governance</b>	Fragility, resilience issues (pandemics, climate), policy uncertainty, corruption, elite capture, rule of law/contract enforcement issues, public investment management and public procurement/PPP framework issues	CPSD Governance guidance note CPSD PPP guidance note Governance and corruption index	Jim Anderson, Gael Raballand
<b>Macro Fiscal</b>	FX (dual rates, volatility), high inflation, high government debt crowding-out private sector, high tax burden/harassment, tax/subsidy distortions, unequal enforcement	CEM 2.0 macro question 3 Macro-Poverty Outlook (MPO), Debt Sustainability Framework, IMF BOP, IMF IFS	Christian Yves Gonzalez, Charl Jooste
<b>Trade</b>	Lack of market access, high/distorting tariffs, NTMs, ineffective duty draw back, issues at customs, services trade restrictiveness, export promotion issues	CPSD Trade guidance note CEM 2.0 micro question 7a Merchandise Trade and Services Competitiveness Diagnostics, DB (Trading Across Border), OECD TFI Indicators, WITS/Trade Dashboard	Michael Ferrantino, Guillermo Carlos Arenas, Jean-Christophe Maur
<b>Investment</b>	FDI/licensing restrictions, repatriation of profit issues, investment incentives and promotion issues	CEM 2.0 micro question 7b FDI Snapshot, Investment Competitiveness Benchmarking tool	Peter Kusek, Ivan Nimac
<b>Competition and Sector Regulations</b>	Product market regulations, Antitrust, competitive neutrality, state aid to weak SOEs crowding-out private sector, price/product/service restrictions, product standards/certification, business registration, licensing and inspection issues	CPSD SOE guidance note CPSD Competition guidance note MCPAT CEM 2.0 micro questions 6 and 8 Enterprise Surveys, HHI/concentration ratio, WBG-OECD PMR database, EFI SOE and price benchmarking databases (under development) TCdata360, DB, Women Business & the Law	Georgiana Pop, Graciela Murciego, Sara Nyman (PMR, competition policy), Tanja Goodwin Dennis Sanchez Navarro, Ana Paula Cusolito (SOEs), Tania Ghossein (business regulations)
<b>Innovation &amp; Entrepreneurship</b>	Issues with: Intellectual Property Rights (IPR), patents, R&D and Innovation Policies, SME and entrepreneurship policies, policies in support to skills (TVET)	CPSD SME guidance note CEM 2.0 micro question 5	Xavier Cirera, Ernesto Lopes Cordova
<b>Land Markets</b>	Poor planning/zoning, unsecured titles & leases, registration issues, zone/SEZ issues	DB (Registering Property, Construction Permits), zone database (under development)	Somik Lall

<b>Labor Markets</b>	Informality, restrictions on women employment, on hours, on expats, on hiring (contract flexibility), migration issues	DB (Employing workers), Enterprise Surveys, Labor force surveys, Household surveys	Theresa Osborne, Dino Merotto, Nadege Yameogo
<b>Capital Markets</b>	Inadequate bankruptcy laws and investor protections – financial sector issues (e.g., banking supervision, interest rate caps, Fintech) discussed as part of enabling sector issues (Q4)	CEM 2.0 micro question 9 Penn World Tables, FinStats Database, DB (Resolving Insolvency, Protecting Investors)	Aurora Ferrari, Mahesh Uttamchandani, Jean Denis Pesme

**Question 4: Which enabling sector performance issues are major constraints to the private sector?**

Enabling sectors (transport, power, water, digital infrastructure, finance, business services, education, health) impact the performance of most other sectors. When reviewing enabling sectors during the preparation stage, CPSD teams should thus assess the (negative) impact these sectors have on the other sectors, especially the sectors most important to the specific development challenges identified in Q1 (in addition to the development challenges related to these enabling sectors providing critical services to households). Providing compelling evidence on such negative impact may help prioritize, inform and motivate enabling sector reforms – whenever possible by leveraging productive private investor and market forces as per Q5. Such examples should be featured in the Executive Summary.

The CPSD Private Sector Scan, AIMM Tool (see Annex A) and the WB Enterprise Survey are good starting points to assess the impact of enabling sectors on the private sector – see the indicators/questions related to transport, utilities, finance and skills. The survey can be disaggregated by sectors, type of firms and locations. In some countries, panel data is available to assess the impact of these sectors over time on firms. Team should keep in mind selection/response bias in firm surveys, and survey results should thus be complemented with quantitative measures/benchmarking when possible.

**Table 9** below shows how enabling sectors can negatively impact other key sectors:

<b>Enabling Sectors</b>	<b>Impact on other key sectors</b>	<b>Contacts (TBC)</b>
Transport	Increased cost, time and risks to access key output and input markets	Anca Dumitrescu, Richard Humphreys, Charles Schlumberger (air transport)  Omar Chaudry (IFC, CSE) Shyamala Shukla (IPG) Ian Twinn (IFC) Daniel Pullido
Energy	Increased cost of energy intensive manufacturing	Omar Chaudry (IFC, CSE) Shyamala Shukla (IPG) Don Purka
Water	Key inputs to agribusiness and housing construction. Critical for health.	Alice Ladlow (IFC)
Digital infrastructure	Critical for the rapidly expanding set of tradeable digital services. Increasingly important for all other sectors and government efficiency (especially in the age of COVID)	Doyle Gallegos, Tania Begazo Gomez  Davide Strusani (IFC, CSE) Ami Dalal (IFC Upstream)

Finance	Critical to support SMEs in all sectors	Aurora Ferrari, Mahesh Uttamchandani, Jean Denis Pesme
Business services	Critical to support SMEs (BDS) in all sectors	Sylvia Solf
Education (including superior and technical)	Basic education critical to acquire new knowledge and skills for all sectors, language and soft skills critical for tourism and BPO, technical and superior education critical to manufacturing	Tazeen Fasih (WB) Zeynap Kantur (IFC) Alejandro Caballero (IFC)
Health	Important for worker productivity in all sectors, critical for tourism especially in the age of COVID	Andreas Seiter (WB) Irina Nikolic (WB)  Charles William Dalton (IFCO) Andrew Myburgh (IFC, CSE)

### Question 5: In which enabling sectors can the private sector contribute the most as innovator, operator or financier? Which actions can be taken to facilitate more private sector engagement and investment?

Enabling sectors are often subject to serious sector-specific policy issues. In the case of infrastructure sectors, these issues are often due to natural monopoly issues requiring regulations on access to the networks and prices. In the case of social sectors, the issues are related to the important policy objective of facilitating access which is most often achieved through SOEs with the potential consequence of crowding-out the private sector. The MFD framework/Cascade, which underpins the case for private sector investments in enabling sectors and provides an algorithm through which to identify the necessary measures to enable them, is a key starting point. Thematic methodology notes are also being prepared covering SOEs, PPPs, and Competition and will be made available on the [CPSD Resources Page](#).

As discussed in the previous section, the relative importance of policy constraints in a given sector should be assessed by linking the policy issues to performance issues (including unfulfilled potential) by applying the CPSD Sector Analysis Framework presented in **Table 1** and the separate CPSD sector-specific methodology notes.

Enabling sectors	Typical sector-specific policy issues	Data sources	Contacts
<b>Transport &amp; Logistics</b>	Entry barriers and policies restricting competition (airlines, trucking, rail), poor planning of large transport infrastructure, crowding-out by poorly performing –SOEs, lack of independence/capacity of regulator	DB - Trading Across Borders (trucking cost) PPP database, InfraSAPs. Logistics Performance Index; MCPAT	Anca Dumitrescu, Richard Humphreys, Charles Schlumberger (air transport), Omar Chaudry (IFC), Shyamala Shukla (IPG), Ian Twinn (IFC), Daniel Pulido (IFC)
<b>Power</b>	Regulated pricing below cost, poorly performing SOEs (especially power distribution), noncompetitive bidding for IPPs, no provisions for off-grid/renewable solutions, lack of independence/capacity of regulator	EIA database SE4ALL database InfraSAPs	Omar Chaudry (IFC), Shyamala Shukla (IPG), Don Purka (IFC)
<b>Water</b>	Regulated pricing below cost (for both urban and agriculture water), poorly performing SOEs,	InfraSAPs	Omar Chaudry (IFC)

	lack of independence/capacity of regulator, unreliable or inexistent water services		
<b>Digital Infrastructure</b>	Limited and non-competitive allocation of spectrum, crowding-out by poorly performing incumbent SOE (problematic access to backbone), lack of independence/capacity of regulator	GSMA Intelligence Budde report InfraSAPs DE4A reports ; MCPAT	Doyle Gallegos, Tania Begazo Gomez
<b>Finance</b>	Entry barriers for non-banks (e.g., mobile operators), capital requirements limiting competition, policies limiting Fintech, interest rate caps, issues with collateral markets, poorly performing SOE crowding out private banks	FSAPs; MCPAT	Aurora Ferrari, Mahesh Uttamchandani, Jean Denis Pesme
<b>Business Services</b>	Standards (accounting, legal, brokerage) not internationally recognized, restrictions on skilled expats, issues with superior/technical education	MCPAT	Sylvia Solf
<b>Education</b>	Licensing restrictions for private sector, crowding-out by SOEs, restrictions on EdTech and e-Learning and curriculum/calendar upgrading to improve/adapt with private sector inputs (especially relevant for tertiary/TVET), lack of standards, transparency & accountability of providers, lack of empowerment of beneficiaries (parents, students, and communities)	Human Capital Index SABER-EPS: Engaging the private sector, Educ-Edstats Barro Lee Database, The Business of Education in Africa, Ghana & Morocco CPSDs	Tazeen Fasih (WB), Zeynep Kantur (IFC), Alejandro Caballero (IFC)
<b>Health</b> <a href="#">See CPSD Health guidance note</a>	Licensing restrictions for private sector, crowding-out by poorly performing SOEs, restrictions on e-Health, lack of standards, transparency (including on pricing) & accountability of providers, issues with standards/certification, restrictions on skilled expats	Human Capital Index WHO Ukraine CPSD	Andreas Seiter, Irina Nikolic, Charles William Dalton (IFC), Andrew Myburgh (IFC)

### Question 6: In which tradeable sectors can the private sector drive growth and the creation of more and better jobs? Which actions can be taken to better support private sector growth and investment?

As shown by the 2008 Growth Report, export led growth (with the private sector in the lead) has been a common feature of all the countries which sustained high growth rates. The 2019 WDR shows how GVCs help countries/firms earn forex, create better jobs, specialize, reach scale, access new skills/technology and compel them to keep improving operations, policies and public goods. The opposite is true of import substitution strategies which tend to “lock/protect” connected firms into stagnant/low productivity.

The question then arises as to whether and how government should “select/pick” among a growing and increasingly interconnected set of tradeable sectors (recognizing that governments cannot reform everything everywhere at once). [Annex C](#) presents the tools, none perfect, to help assess the economic impact potential of traded sectors and whether the country has a comparative/potential competitive advantage. See Tirole (2007) for the “smart industrial policy” principles, starting by reforming policies distorting markets (see examples in the **Table 11** below) and reforming the enabling sectors affecting competitiveness as discussed in CPSD Questions 4 and 5. “Smart industrial policies” also entails putting in place the conditions to attract “strategic first movers” -- see the CPSD sector-specific methodology notes.

**Table 11: Typical sector-specific policy issues in traded sectors**

Traded sectors	Typical sector-specific policy issues	Data sources	Contacts (TBC)
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<b>Mining</b>	Mining code issues (licensing, taxation), no geological survey, mining cadaster, transparency issues with payments (not part of EITI), artisanal mining issues, issues with monitoring/enforcement (taxes, environmental, social)	<a href="https://eiti.org/">https://eiti.org/</a>	Michael Stanley
<b>Agribusiness</b>  <a href="#">See CPSD Agribusiness guidance note</a>	Restrictive and ever-changing policies (import tariffs/bans, price regulations, inadequate standards/certification, subsidies, SOE crowding-out) on key food items (e.g., rice, poultry, wheat/bread, sugar, oil) and inputs (fertilizers, seeds, pesticides, water), access to land issues (conflicting formal and traditional land laws, no model land leases), government crowding-out of extension services, restrictions on supermarket limiting backward linkages with farmers, restrictions on warehouse receipts and agri-insurance	Growing Africa: Unlocking the potential of Agribusiness Enabling business in agriculture, , IFC Agribusiness Deep Dive, FAO, IFAD; MCPAT	Chris Brett, Anupa Pant, Sara Nyman, Jean Saint-Geours; Miles McKenna
<b>Manufacturing (resource base, light, complex)</b>	Import tariffs (anti-export bias, inverted tariff structure), trade facilitation (dis-functioning duty drawback systems, dis-functioning single window), trade finance (access to FX, letters of credit), FDI restrictions (local partner/content requirements), unprotected intellectual property rights, unfair competition from connected/informal firms, industrial land/zones (SOE crowding-out, no off-grid provisions), environmental/social standards, labor restrictions (gender, hours worked, skilled expats), issues with technical education (Government crowding-out)	IFC Manufacturing Deep Dive, Light Manufacturing in Africa	Mariem Malouche, Emiliano Duch, Blair Lapres, Etienne Kechichian (green manufacturing).
<b>Tourism</b>  <a href="#">See CPSD Tourism guidance note</a>	Restrictive/complex tourism visas, non-competitive air access (restrictions on airlines, SOE crowding-out), hotel restrictions (licensing, SOE crowding-out), licensing/standard certification issues with tourism services (e.g., taxis, diving), mismanagement of key tourism assets/destinations, access to land, poor language education	WTO, Tourism in Africa	John Perrottet, Hannah Messerli, Louise Twining-Ward, Shaun Mann, Andrew Beath
<b>Tradeable/digital services (can include enabling services)</b>	Non-competitive digital infrastructure (see Q4), restrictions on internet/data access, restrictions on electronic signature, restrictions on fintech, restrictions on on-line platforms, unprotected intellectual property rights, issues with language/technical education	ITU	Juni Zhu, Sara Nyman

### Question 7: In which domestic sectors can the private sector drive growth and the creation of more and better jobs? Which actions can be taken to better support private sector growth and investment?

Domestic sectors are important for job creation given high income and price elasticities (construction, retail and personal services are among the largest and fastest growing job creators). The productivity performance of these sectors is dependent on the functioning of urban and peri-urban land markets as well as the capacity to reduce red tape and level the playing field between firms (SOEs, connected, formal and informal). Subnational governments play a major role in these sectors because of their control over the land markets and local business regulations. Fiscal transfers from central to subnational governments can be used as an incentive to subnational government to improve the policies affecting these sectors.

**Table 12: Typical sector-specific policy issues in domestic sectors**

Urban sectors	Typical sector-specific policy issues	Data sources	Contacts
<b>Construction (housing, commercial)</b>	Deficient urban/peri-urban land markets (planning, zoning, titling, unused government land, ineffective property tax preventing financing of local infrastructure), restrictive floor-to-area ratios, inadequate building codes, SOE	Construction sector review Breaking down barriers (cement industry in Africa) The Power of Productivity (synthesis of the work of the McKinsey Global Institute on	Vincent Palmade, Jade Salhab, Blair Lapres

	crowding-out (social housing), licensing restrictions (building permits), competition issues in construction material industries (e.g., cement), unfair competition from connected and informal players (privileged access to land), issues with mortgage markets	the housing construction sector) MCPAT	
<b>Retail/wholesale &amp; restaurants</b>	Deficient urban/peri-urban land markets (as above), restrictions on mixed use buildings (combining residential and commercial), restrictions on hours, restrictions on e-commerce, licensing restrictions/inspection harassment, unfair competition from connected and informal players (tax evasion)	The Power of Productivity (synthesis of the work of the McKinsey Global Institute on the retail sector) MCPAT	Vincent Palmade, Juni Zhu (e-commerce)
<b>Personal services</b>	Issues with labor rights, informality and protection of home workers		Theresa Osborne

**Question 8: Where are the most important and feasible opportunities for private investment to transform or create markets in the near term?**

**By combining the answers to Questions 5, 6 and 7, the team should arrive at the list of the main private investment and creating market opportunities in enabling, tradeable and domestic sectors respectively.** The WITS/Trade Dashboard, Jobs Diagnostic Tool, Investment Scan and Country Opportunity Spotlight can help to identify these opportunities (see [Annex C](#)).

These opportunities can be shown as columns in a constraints matrix as per the illustrative **Table 13** below. For these transformative private investment and creating market opportunities, such a table can highlight the most important policy areas across sectors and illustrate the relative feasibility by looking down vertically – sectors with the least amount of red and yellow being the more feasible ones.

**Table 13: CPSD Matrix (ILLUSTRATIVE)**

Policy Areas	Agribusiness	Light manufacturing	Digital services	Construction	Transport	Power
Governance						
Macro						
Trade						
Investment						
Competition & Sector Regulations						
Innovation & Entrepreneurship						
Land Markets						
Labor Markets						
Capital						

\* major constraint, moderate constraint, not significant constraint

**The CPSD report should include a table in the Executive Summary listing opportunities to be included.** Opportunities may have been identified at the level of sectors, subsectors, markets/products, specific locations or even transactions (e.g., specific PPPs in enabling sectors or attracting strategic first movers in



high potential tradeable sectors). This table should list the actions required to unleash them as per the answer to the next CPSD question (Q9).

**Assessments are recommended to be based as much as possible on quantitative analysis** leveraging international benchmarks, multiplier estimates and even growth modelling as was done in the case of the Ghana and Ethiopia CPSDs. Such quantitative analysis should be done with the support of the Country Economist, the Poverty Specialist and/or the IFC Sector Economics team -- leveraging techniques and estimates developed in the context of the CEM, the SCD and the IFC AIMM framework and database. It is imperative that CPSD teams source sector and investment expertise from IFC operational teams (investment, upstream, advisory) to get a detailed practical understanding of opportunities and core constraints. The identification and assessment of these priorities should also be discussed during a team workshop prior to finalizing the report for DRM. The CPSD team is also encouraged to invite experienced CPSD TTLs which will also help provide consistency across countries.

**Question 9: Which actions (cross-cutting and/or sector-specific) could have the greatest impact on unleashing private sector growth and investment? How should these be prioritized based on impact, urgency and feasibility?**

**Identifying priority cross-cutting policy areas.** Looking horizontally across the “CPSD Matrix” (Table 13 introduced in Q8) indicates the relative impact of various policy areas on the key sectors. The policy areas having the most red and yellow cells being the most problematic. Such policy areas may have been identified during the preparation stage and selected for deeper assessments during the Analysis Stage. CPSD methodology notes and tools are being developed for the most common policy areas advising teams on how to assess and reform such policy areas.

**Identifying specific priority policy reforms/measures.** CPSD teams should also consider the specific measures deemed essential to unleash private investments and/or markets in critical sectors as revealed by the sector assessments -- see the CPSD sector-specific guidance notes. These could include specific measures to counteract the impact of cross-cutting policy issues deemed too difficult to address within the CPSD five year-time horizon (e.g., industrial zones and/or model land leases to circumvent problematic land market policies).

**Considering the original policy intent.** When developing recommendations on how to reform a specific policy, CPSD teams need to consider the original intent of the policy at hand, as this intent is often legitimate – e.g., the pursuit of a social objective. In such cases, the CPSD team should suggest private sector and market friendly policy alternatives to achieving the same objective – e.g., targeted demand side subsidies to low income groups as opposed to prices set too low to enable private investments.

**Figuring out the right package of measures.** In quite a few cases, reforming policies may not be enough (or even required, or feasible) to crowd-in private investments – e.g., the lack of private investment may be due to high country risk, lack of track record and/or information. In order to design the right, specific and feasible package of measures for each sector/opportunity, the CPSD team should follow the Cascade approach (see [World Bank Policy Research Working Paper 8320](#)) when developing recommendations. The first step of the MFD Cascade is to remove the policy impediments blocking the private sector and the functioning of markets as discussed above. If this is not enough or required, the CPSD team, as revealed by the sector assessments, should propose measures to address the (non-policy) issue at hand – e.g., “de-risking” which can include fiscal incentives, provision of information such as pre-feasibility studies and/or

the provision of public goods in the form of infrastructure and skills. To the extent possible, such support should follow a competitive and transparent process like for good practice PPPs.

**The special case of “strategic first movers” in tradeable sectors.** By bringing technology, skills and reputation – strategic first movers can “create” high value export markets for countries - examples include Daewoo (Bangladesh-apparel), Samsung (Vietnam-electronics), Renault (Morocco-automotive) and Huajian (Ethiopia-shoes). Policy reforms may not be enough to attract such firms which might face high entry cost and risks in the absence of information, specialized infrastructure, skills and supporting eco-system. Thus governments, should consider providing support to first movers as much as possible in the form of public/common goods available to all (information, infrastructure, readily available service land – e.g., zones, skills) following a transparent and competitive process to minimize the risks of capture. This support may also entail supplier development programs to foster the development of an eco-system generating economies of agglomeration and specialization benefiting all actors, with the lead firms facilitating access to high value markets, technology and even financing to their (local) suppliers.

**Teams should keep in mind the following principles for crafting strong, actionable recommendations.** To systematize, and improve CPSD policy recommendations they ought to:

- Be based on international good practice that this guidance note refers to, including evidence of which policy measure works
- Be sufficiently specific and clear so that an action plan can be derived, taking into consideration the on-going policy dialogue of the WBG with the respective government
- Be able to get implemented and show results that lead to private sector investment opportunities within the timeframe of CPSD (3-5 years), prioritizing short- and medium-term recommendations
- Lead to measurable outcomes / results that can be measured / monitored
- Can get used as (a basis for) policy recommendations for inclusion as prior actions and disbursement-linked indicators (triggers) in in DPOs, IPFs, and P4Rs

Stakeholder consultation and across the WBG is essential to fine tune recommendations.

## Question 10: How to get started with implementation and how could the World Bank Group help?<sup>9</sup>

**In addition to recommending priority actions (Q9), the CPSD may also provide some insights on the “how-to” of reform.** This may include practical next steps to move the private sector development agenda forward as part of CPSD follow-up activities, which may include the design of advisory projects, additional sector analysis (deep dives), WB lending etc. Below is an overview of critical questions teams should consider.

**How to reform specific policies and sectors.** The “how to” questions could be considered in the key policy areas and sectors – given limited time and resources of the CPSD, the “how to” questions may require to be analyzed as part of the CPSD follow-up (e.g., sector/policy deep dives).

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<sup>9</sup> There is a life, ongoing discussion on the organization of follow-up activities and this note will reflect any decisions.

**How to organize a broad reform process.** The “how to” questions can also apply more broadly to the overall reform process – this is particularly important in the case of countries with a reformist government facing a long list of priority reforms within a short political window of opportunity<sup>10</sup>.

The CPSD team may consider the following guiding questions (based on the experience of good practice reforming countries) when assessing the institutional arrangements for reform implementation:

- Has the government established and agreed on a list of specific priority actions following consultations with key stakeholders, starting with the private sectors?
- Has the government publicly committed to its implementation by a certain date?
- Have detailed action plans be developed for each of the items on the list?
- Are responsibilities to carried out these actions been clearly allocated to accountable entities with the mandate, incentive and capacity to carry them out?
- Is implementation being monitored, with progress being reported regularly to the top government?
- Are delays/problems in implementation being diagnosed and resolved?
- Is the impact of the actions being evaluated – including through consultations with the private sector?
- Are the actions being revisited when impact has been limited/negative?

The following institutional arrangements have proven useful to steer implementation of the reform plan:

- **Strong regulatory agencies for the enabling sectors** responsible for implementing the sector-specific policy reforms and ensure they are properly enforced, maintained or regularly updated
- **SOE reform/privatization/PPP agency** to attract investors through a competitive process once the sector regulations are in place. Line Ministries have little incentives nor capacity to part from assets.
- **Powerful competition authority** monitoring markets and reviewing existing/proposed sector-specific policies from the standpoint of ensuring maximum and fair competition
- **Investment/export promotion agency** with high capacity and access to identify, engage and attract potential “strategic first movers” and promote eco-systems around them.
- **Performance based fiscal transfers** to encourage local governments to reform – e.g., land markets
- **Dedicated world class reform team** connected to the top of government responsible to monitor the overall implementation of the reform plan, diagnose and propose solutions to implementation issues – many countries has set up such teams to steer Doing Business Reforms and have the opportunity to leverage this critical institutional capacity to other key reform areas.

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<sup>10</sup> See Chapter 4 of the Angola CPSD, Organizing for Reforms (WB, 2019) and Reform Teams (WB, 2008) for guidance.

## Annex A: Additional CPSD Guidance

- [Published CPSDs](#)
- [CPSD Resources Page](#)
- [CPSD Process & Procedures Guide](#)
- [CPSD iPortal Process Guide](#)
- [CPSD Editorial & Design Guide](#)
- [CPSD Guidance on Integrating COVID-19](#) (June 2020)

## Annex B: World Bank Group Core Analytics

### World Bank Group Core Analytics

Periodicity based on country eligibility

Output	IDA-Eligible Countries	IBRD Countries
<b>Country Economic Memorandum (CEM)</b>	Every 5 years	Every 5 years
<b>Poverty Assessment (PA)</b>	Every 5 years	Based on country context
<b>Public Expenditure Review (PER)</b>	Every 5 years	Based on country context

### World Bank Group Extended Core Analytics

Periodicity based on country context

Output
<b>Systematic Country Diagnostics (SCD)*</b>
<b>Country Private Sector Diagnostics (CPSD)</b>
<b>Infrastructure Sector Assessment (InfraSAP)</b>
<b>Financial Sector Assessment Program (FSAP)</b>
<b>Country Environment Assessment</b>
<b>Risk and Resilience Assessment (RRA)</b>
<b>Debt Management Performance Assessment (DeMPA)/ Debt Sustainability Analysis*(DSA)</b>
<b>Fiduciary Assessment</b>
<b>Human Capital Review</b>
<b>Agriculture Sector Review</b>
<b>Pandemic Preparedness Diagnostics</b>
<b>Sustainable Cities Review</b>

## Annex C: Analytical Tools and Data Sources

Tools & Data Available Online (Free) for CPSD Teams

<b>Private Sector Scan (<a href="#">link</a>)</b>
<b>Summary</b>
The primary purpose of this automated tool is to provide TTLs with a list of country-level indicators identifying where the country is over- or underperforming versus structural, regional, and/or aspirational comparators—as a starting point for further analysis of key cross-cutting and sector-specific constraints. Indicators are drawn from multiple data sources, including WDI, DB, LPI, Enterprise Surveys, and others. The scan is particularly useful for

\* Periodic analytical activities that are not processed as ASA

the initial (pre-CRM) phase to help the team develop a storyline/hypothesis and identify areas for further assessments. As an output, the scan produces a comprehensive set of charts that can be easily integrated into the CPSD report, as necessary.	
<b>Where can this tool help? Which questions can it answer?</b>	
Question #1	The scan will provide TTLs with a list of indicators that can help to identify development gaps.
Question #3	The scan will provide a list of policy and regulatory performance indicators, ranking where the country scores best and worst compared to peers.
Question #4	Within the same ranked list, the scan will capture indicators that benchmark performance in enabling sectors, such as energy and digital infrastructure.
Question #9	The scan can help to identify areas in which action, investment, and/or reform could have the greatest impact on private sector growth and investment opportunities, by closing development gaps and addressing underperformance against peers (or, conversely, by maximizing comparative advantages in areas where the country overperforms).
<b>Caveats &amp; Considerations</b>	
	The scan provides a lengthy report of figures without interpretation. TTLs are encouraged to draw on these to support the findings of other data analysis and consultation. The scan is not a sufficient source of sector-level performance and competitiveness data; more analysis drawing from a wide range of tools and data sources is essential. Note also that (panel) data may be limited for some countries, and thus the scoring/ranking of indicators should be carefully verified.
Time & Cost (est.):	Free, online
Contact:	Yan Liu <yanliu@worldbank.org> Peter Kusek <pkusek@if.org>

<b>CEM 2.0 Tool (<a href="#">link</a>)</b>	
<b>Summary</b>	
The CEM 2.0 automated tool answers 10 macro and 10 micro key questions, covering a broad number of determinants and characteristics of economic growth. This includes a set of indicators on firm-level performance. The tool also provides some modeled estimates.	
<b>Where can this tool help? Which questions can it answer?</b>	
Question #1	The tool provides answers to 10 of the most important macro/growth performance questions, helping to provide a clear picture of the country context and beginning to identify areas in which development gaps may be most pronounced.
Question #2	The tool captures and benchmarks the most commonly cited indicators for micro-level performance, which provide a starting point for identifying the characteristics, strengths, and weaknesses of the private sector.
Question #6	The tool will help to identify patterns of growth, decomposing growth by broad sector (especially tradeable sectors) to highlight parts of the economy where the private sector may be able to play a larger role in creating economic growth, jobs, and structural transformation.
<b>Caveats &amp; Considerations</b>	
	The CEM 2.0 tool will capture some of the same indicators as the CPSD Private Sector Scan, and TTLs should consult the outputs of both tools to verify initial findings. Integration of TFP is under development.
Time & Cost (est.):	Free, online
Contact:	Maria Andersen <mandersen@worldbank.org>

<b>WITS (<a href="#">link</a>) &amp; Trade Dashboard (UNDER DEVELOPMENT)</b>	
<b>Summary</b>	
The World Integrated Trade Solution (WITS) software provides access to international merchandise trade, tariff, and non-tariff measures (NTM) data. WITS also provides country profiles and additional topic-specific modules that offer automatically calculated trade and competitiveness indicators and growth dynamics.	
<b>Where can this tool help? Which questions can it answer?</b>	
Question #2	WITS can help the team assess various characteristics of the private sector, including trade performance and other indicators of competitiveness, such as product diversification, product sophistication, product survival, etc.
Question #3	WITS can help identify the main trade policy/facilitation issues overall as well as at the sector level (tariff levels, tariff dispersion, NTMs)
Question #6	WITS can help the team to analyze the competitiveness of specific sectors, including down to the sub-sector and product level.
Question #8	WITS can help teams determine which sectors may provide more opportunity than others for growth in the near-term.
<b>Caveats &amp; Considerations</b>	
	Users should be familiar with the caveats and potential limitations of trade data. Trade in services data is particularly unique and not easily assessed in WITS. The CPSD team is recommended to contact Trade colleagues to verify findings and discuss implications.
Time & Cost (est.):	Free, online
Contact:	Siddhesh Kaushik <skaushik@worldbank.org> Michael Ferrantino <mferrantino@worldbank.org>

<b>Jobs Diagnostic Tool (<a href="#">link</a>)</b>	
<b>Summary</b>	
The Jobs Diagnostic Tools page contains a range of useful tools to identify the main jobs challenges faced by a country—especially those that appear to be binding constraints to improving jobs outcomes for poor people and vulnerable communities. Click <a href="#">here</a> for an introduction to the tools.	
<b>Where can this tool help? Which questions can it answer?</b>	
Question #1	These tools can provide the CPSD team with automatically calculated jobs indicators to capture the current status and time series trends in a country's available job data.
Question #8	These tools can help identify opportunities for private investment to drive job creation by sector.
<b>Caveats &amp; Considerations</b>	
	Data sources may be limited or outdated. The CPSD team is recommended to contact Jobs colleagues to verify findings and discuss implications.
Time & Cost (est.):	Free, online
Contact:	Dino Merotto <dmerotto@worldbank.org>

<b>AIMM Development Gap Visualization Dashboard (<a href="#">link</a>)</b>	
<b>Summary</b>	
This tool provides visualizations of development gaps by indicator, IFC industry group, and country. It was developed to estimate potential impact of new IFC projects, but can give important sector insights and benchmarks for the CPSD. Usage can help align market creation opportunities with the IFC perspective.	
<b>Where can this tool help? Which questions can it answer?</b>	
Question #1 and Question #2	This tool can help teams to better identify development challenges and gaps that the private sector can play a significant role in addressing.

Question #3 & Question #4	Indicators can suggest policy and regulatory areas, enabling sectors and/or conditions, that may be strengths or weaknesses within the country.
<b>Caveats &amp; Considerations</b>	
	This tool is still in beta mode and only available to IFC staff. The CPSD team is encouraged to discuss its potential use and implications with the AIMM team.
Time & Cost (est.):	Free, online
Contact:	Utkirdjan Umarov <uumarov1@ifc.org>

*Other online data sources and services:*

- [IFC Knowledge Hub](#)
- [IFC Knowledge Package](#)
- [Enterprise Surveys](#)
- [Doing Business](#)
- [Logistics Performance Index](#)
- [Exporter Dynamics Database](#)
- [Measuring Export Competitiveness](#)
- [WBG COVID-19 Operations, Finance, and Knowledge Resources](#)
- [SME Finance Forum](#)
- [Women, Business, & the Law](#)
- [Global Financial Development Database](#)
- [WELCOM- A tool to simulate the welfare impacts of competition](#)
- [GeoLab](#)

Tools & Data Available Internally via Cross Support

<b>Investment Scan</b>	
<b>Summary</b>	
The Investment Scan highlights sectors where development impact was most feasible (based on the success of past IFC investments in that country/sector) and most desirable (in terms of job and GDP multipliers, etc.). The scan consolidates a comprehensive set of indicators, aggregating a weighted sum that is adjustable by a qualified scoring measure, and produces a graph capturing each sector on a feasibility-desirability matrix with an indication of potential change over time.	
<b>Where can this tool help? Which questions can it answer?</b>	
Question #3	The scan helps teams identify the most important cross-cutting constraints based on the historical correlation between IFC investments and the status of a cross-cutting constraint (looking at the pattern across sectors).
Question #6	The scan helps teams in the sector selection process by scoring which tradeable sectors may be more feasible for an improvement in conditions that could create desirable development impacts.
Question #8	The scan will chart the most feasible opportunities for investment to transform sectors in the near term, indicating where the CPSD team may want to investigate further via other analysis and consultation.
<b>Caveats &amp; Considerations</b>	
	The scan is currently being updated to improve the underlying feasibility data and to simplify the output, including a narrower focus on traded sectors. The set of indicators is problematic when assessing the potential development impact (desirability) of more investment in enabling sectors.

Time & Cost (est.):	~1-2 months lead time required, cost TBD
Contact:	Erik von Uexkull <jvonuexkull@worldbank.org>, Jean-Christophe Maur <jmaur@worldbank.org>

<b>Country Opportunity Spotlight</b>	
<b>Summary</b>	
The COS provides an analysis of the economic “fitness” of a country, which can give insight beyond monetary figures to assess a country’s hidden capabilities and how these can be leveraged to potentially expand into profitable new sectors (similar to product space progression analysis). The COS incorporates predictive models, but the approach is based on historical data. The COS is a starting point; to more accurately identify investment opportunity areas, CPSD teams must combine COS results with insight and expertise via consultation, and a forward-looking market demand analysis.	
<b>Where can this tool help? Which questions can it answer?</b>	
Question #6	The COS helps teams in the sector selection process by identifying a country’s economic fitness across sectors and suggesting sectors/product groups where the country may be able to leverage existing capabilities or may be more likely to develop new, related capabilities to create economic growth opportunities (i.e. exports).
Question #8	The COS provides a quantifiable measure of the most feasible opportunities for economic transformation in the near term, indicating where the CPSD team may want to investigate further via other analysis and consultation.
<b>Caveats &amp; Considerations</b>	
	The COS is based on historical data and product progression probabilities, but no two countries are the same. The CPSD team will need to root the analysis in the economic, social, and political realities of the specific country.
Time & Cost (est.):	~1 week, ~\$1500
Contact:	Masud Cader <mcader@ifc.org>

<b>The Market and Competition Policy Toolkit (MCPAT)</b>	
<b>Summary</b>	
The MCPAT effectively aligns government interventions with competition principles, considering inherent market features to give firms the incentives they need to strive for efficiency and, ultimately, help boost overall welfare. The MCPAT provides a comprehensive tool to: (i) understand what stifles effective competition dynamics in specific markets, including how government policy choices shape incentives for firms to compete and invest; (ii) design more effective competition policies; and (iii) assess the expected effects of competition policy interventions to help prioritize reforms and provide evidence to overcome political economy constraints. It also offers a tailored combination of the following topical modules as prisms through which reforms to promote well-functioning markets can be analyzed: (a) analysis of market and competition dynamics; (b) market regulation and sectoral policies; (c) antitrust rules and enforcement; and (d) state aid, SOEs, and competitive neutrality.	
<b>Where can this tool help? Which questions can it answer?</b>	
Question #2	The MCPAT can help assess the scope of SOEs and connected firms across sectors and implications for market dynamics.
Question #3	The MCPAT can help assess the strength of the competition framework in the country.
Questions #5, #6, #7 and #9	The MCPAT can help identify the measures to improve competition and private sector participation in key sectors (such as enabling sectors, agribusiness, tourism and digital services)
<b>Caveats &amp; Considerations</b>	
	The MCPAT is under continuous development, notably regarding the sector coverage. It is complemented by competition databases/indicators. The policy recommendations that are sector-specific are discussed with the WBG sector experts.



Time & Cost (est.):	\$6k (2 staff weeks) during the preparation stage (before PCN) to inform the high-level indicators that can be used as entry points and proxies to assess competition constraints in product markets \$30k (8 staff weeks with mission) if competition is selected as a focus area for the analysis stage
Contact:	Georgiana Pop <gpop@worldbank.org>

External Tools & Data Available for CPSD Teams

<b>Harvard Growth Lab Tools (<a href="#">link</a>)</b>	
<b>Summary</b>	
Led by Ricardo Hausmann, the Growth Lab at Harvard's Center for International Development works to understand the dynamics of growth and to translate those insights into more effective policymaking in developing countries. The Lab focuses on the role of increased economic diversity and complexity for development and how countries may be able to move into industries that offer increased productivity. The Lab produces a number of indicators, indexes, and reports that can help TTLs to understand growth dynamics. These resources are well aligned with IFC's objectives to improve capabilities by increasing the complexity of economic activity in a market, as articulated in IFC MAS Sector Deep Dives.	
<b>Where can this tool help? Which questions can it answer?</b>	
Question #2	The Lab's complexity and product space tools can help to identify where the private sector demonstrates capabilities/complexity and to benchmark those scores amongst peers.
Question #3 & Question #4	CID's growth diagnostics are available for many countries, applying a well-respected methodology to identify cross-cutting constraints (cross-cutting policy and enabling sector issues) on economic growth.
<b>Caveats &amp; Considerations</b>	
The Growth Lab publishes much of its analysis, but also maintains its own intellectual property to protect its advisory services business line. Product space analysis relies on trade data as a proxy for the productive structure of an economy, which may not fully capture sectoral contributions on the domestic market (i.e. countries may be able to produce goods that they do not export competitively). Predictive power has limitations and uneven results (i.e., unable to predict FDI entering a country in a given year, dramatically altering the product space). Results are based on associations rather than predictions, resulting in some strange product progressions (e.g., precious stones-> postage stamps). Integration into the CPSD will require additional analysis of endogenous trade performance and determinants of growth.	

<b>ITC Export Potential Map (<a href="#">link</a>)</b>	
<b>Summary</b>	
The Export Potential Map identifies products, markets and suppliers with (untapped) export potential as well as opportunities for export diversification for 226 countries and territories and 4,377 products. Based on the <a href="#">ITC export potential methodology</a> , it evaluates export performance, the target market's demand and market access conditions as well as bilateral links between the exporting country and target market to provide a unique ranking of untapped opportunities.	
<b>Where can this tool help? Which questions can it answer?</b>	
Question #2	The map can help to illustrate where a country may already have comparative advantages.
Question #6	The map calculates an export potential indicator based on supply, demand, and bilateral ease of trade, and identifies markets (country, sub-region, and region level) with potential for export growth and products with potential for export.
<b>Caveats &amp; Considerations</b>	

	Note that assumptions are built, in part, on projected GDP growth (ability to increase supply) and projected population and GDP growth (increase in demand). Opportunities are largely (raw) agriculture products for low-income countries; and the tool is not designed to identify new sector/product opportunities. Integration into the CPSD will require additional analysis of endogenous trade performance and determinants of growth.
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<b>ITC Trade Map (<a href="#">link</a>)</b>	
<b>Summary</b>	
Similar to WITS, ITC Trade Map provides—in the form of tables, graphs and maps—indicators on export performance, international demand, alternative markets and competitive markets. Trade flows are available from the most aggregated level to the tariff line level. It also includes a directory of importing and exporting companies, although coverage by country is limited.	
<b>Where can this tool help? Which questions can it answer?</b>	
Question #2	The map provides data on trade performance and trends, helping to characterize private sector strengths and weaknesses, over time.
Question #6	The map provides data that can allow teams to assess which tradeable sectors and products are currently most competitive or could become more competitive exports in the future.
<b>Caveats &amp; Considerations</b>	
Similar to WITS, trade data has its limitations. The CPSD team is recommended to contact Trade colleagues to verify findings and discuss implications.	

## Annex D: CPSD Policy Typology

The below table summarizes policy issues by increasing degrees of specificity, from broad focus area, to thematic area, to general policy issue. The CPSD Core Team is using this typology to construct and maintain a database of CPSD and IFC Country Strategy recommendations. Each recommendation in the CPSD is mapped to one of the below policy issues, allowing for aggregate analysis of broader trends and critical areas for country engagement on private sector development issues.

<b>CPSD policy typology</b>		
<b>Broad policy area</b>	<b>Sub policy area</b>	<b>Specific policy areas</b>
<b>Governance</b>	<b>Political Stability &amp; Absence of Violence</b>	Fragility, conflict, violence, zone of control
	<b>Resilience (pandemics, climate, disasters)</b>	Preparedness, planning, incentives (e.g., green finance)
	<b>Policy Governance</b>	Policy uncertainty, bi/multilateral tensions/disputes
		Transparency, policy-making processes, developing legal frameworks, public-private dialogue
	<b>Institutional Quality &amp; Capacity</b>	Regulatory quality (management, oversight, enforcement, transparency of regulatory agencies/bodies)
		Rule of law (e.g., judiciary, functioning of courts, commercial justice)
		Anti-corruption policies and processes (e.g., conflict of interest)
		Planning and Public Investment Management, infrastructure investment (e.g., physical and digital connectivity, spatial approaches)
		Public procurement, including PPP framework
	<b>Corporate Governance</b>	Corporate governance regulations (of firms, cooperatives), e.g., reporting/disclosure requirements, minority shareholder rights

		Elite/political capture (e.g., politically connected persons (PEPs) and bias toward large firms)
<b>Macro</b>	<b>Fiscal Policy</b>	Public financial and debt management policies and frameworks (e.g., current account deficit, reserves, balance of payments, debt sustainability, arrears to the private sector)
		Tax policy and administration (e.g., tax collection), subsidies/incentives
	<b>Foreign Exchange Policy</b>	Exchange rate regime, FX controls, FX availability, and FX volatility/risks
	<b>Monetary Policy</b>	Price stability, inflation (see also Capital Markets policy issues)
<b>Trade</b>	<b>Trade Policy</b>	Tariffs, non-tariff measures (NTMs), non-tariff barriers (NTBs)
		Market access (e.g., regional integration), trade agreements, trade preferences
		Product and market diversification (e.g., quality, sophistication, value addition)
	<b>Trade Facilitation</b>	Customs modernization, border cooperation/coordination, digitalization of trade processes, logistics performance (ports, etc.)
<b>Investment</b>	<b>Investment Policy</b>	FDI negative lists, investment restrictions (e.g., foreign ownership controls, local content rules)
		Repatriation of profits, transfers
		Investment incentives (see Fiscal Policy)
	<b>Investment Promotion</b>	Investment attraction, strategy
		Investor aftercare, retaining/expanding FDI
<b>Competition &amp; Sector Regulations</b>	<b>Competition Policy</b>	Mandate and capacity of competition agency
		Anti-trust policy and competition framework
	<b>SOE Presence</b>	SOEs rationale, SOE regulation and reform, SOE preferential treatment/debt/tax neutrality, privatization/corporatization, Transparency of SOE management, SOE ownership policies
		Restrictions on private participation
	<b>Business Regulation</b>	Regulations that restrict entry; that reinforce dominance; that provide preferential treatment or protect vested interests Inspections Red tape
	<b>Regulations on Products &amp; Services</b>	Sector- and product market regulations (including enabling sectors)
		Standardization, certification, accreditation, metrology, conformity assessment (e.g., food safety, SPS)
<b>Innovation &amp; Entrepreneurship</b>	<b>Technology &amp; Innovation</b>	Intellectual property rights, patents
		Research & Development policy (e.g., incentives for technology adoption, research partnerships)
		Innovation policy (e.g., support to incubators, accelerators, growth labs, innovation hubs)
	<b>Entrepreneurship &amp; Skills</b>	Financial support to entrepreneurs, SMEs, cooperatives (e.g., venture capital, early stage financing)
		Technical support to entrepreneurs, SMEs, cooperatives (e.g. extension services, training centers, business development services, supplier development programs)
		Support for general skills development (e.g., digital, language), vocational training (TVET), public-private collaboration on learning curricula
<b>Land Markets</b>	<b>Access to land</b>	Zoning, titling, leasing policies and processes
		Registration and property tax (see also Fiscal Policy)
		Support to/provision of serviced land, SEZs, industrial parks, etc.

<b>Labor Markets</b>	<b>Labor Market Regulation</b>	Labor laws and regulations (e.g., restriction on women employment, hours worked, minimum wages, etc.)
		Migration policy, foreign worker policy, services trade restrictiveness
<b>Capital Markets</b>	<b>Capital Markets &amp; Financial Regulation</b>	Regulation and oversight for FI and NBFI, banking supervision, market structure and concentration (for stability and resilience of the financial sector)
		Interest rate regulation, interest rate caps
		NPLs, provisioning, risk management capacity
		Insolvency, restructuring
		Financial inclusion, financial literacy, gender and cultural factors
		Collateral registry, movable collateral, warehouse receipt systems
		Digital readiness, e-payment systems
		Availability of long-term finance (mortgages, tenor debt, availability of local currency debt)
		Short-term finance (liquidity, working capital, supplier finance, commodities finance, warehouse receipt financing)
		Trade finance (e.g., letters of credit)
		Insurance programs/market creation, insurance legal frameworks and regulation

## Annex E: Recommended Tables for Concept Note

### Sector Selection Summary Template

Sector selection template (ILLUSTRATIVE)						
Sectors	Development impact potential	Importance and feasibility of removing constraints	Possibility to generalize results	Capacity for CPSD to add value	Other criteria (to be specified)	Recommendations
Sector 1	High	Medium	High	Medium		Select – focusing on subsector X and issue Y
Sector 2	Medium	Low	Low	High	High (Government priority)	Select to inform government policy in the sector
Sector 3	High	High	High	Low		Do not select but weave into storyline
...						
Sector 18	Medium	Low	Low	Low		Do not select

### Policy Constraints Summary Template

The table below is a useful tool to synthesize and show the main results of the constraints analysis from the CPSD. It can be especially useful in the summary of the concept note. The table shows the main creating market opportunities (sectors) as the columns and the main policy areas as the rows. The colors of the cells indicating the extent to which a particular policy area impacts a particular sector. Looking across horizontally, the matrix indicates the most problematic policy areas. For example, based on the illustrative example below, sector regulation issues are pervasive across key enabling sectors, while trade policy issues are a major constraint on tradeable goods sectors.

CPSD Matrix (ILLUSTRATIVE)						
Policy Areas	Agribusiness	Light manufacturing	Digital services	Construction	Transport	Power
Governance						
Macro						
Trade						
Investment						
Competition & Sector Regulations						
Innovation & Entrepreneurship						
Land Markets						
Labor Markets						
Capital Markets						

\* major constraint, moderate constraint, not a significant constraint

## Sector Scan Analysis Summary Template (Concept Note Annex)

Table XXX: Key challenges to and opportunities for private sector development, by sector

Sector	Key constraints to private sector	Reform potential / GOM priority	CPSD value-added	WBG Projects	Donor programs
<b>Transport &amp; Logistics</b>	<p>--High connectivity costs hurt Malawi's exports, which remain undiversified and outpaced by imports. Farmers keep growing maize and remain subject to market volatilities and are cash-poor without the ability to invest in productivity enhancing technologies or more efficient inputs.</p> <p>...</p> <p>...</p>	<p>As Malawi's fiscal space is decreasing, the country will not be able to finance priority infrastructure projects through the national budget alone. GOM recently endorsed a National Transport Master Plan - NTMP - (2017 – 2037) upon which two key strategies for achieving the objectives are in line with those of the Malawi Growth and Development Strategy III (MDGS III), include:</p> <p>...</p> <p>...</p>	<p>The Nacala Corridor is potentially a game changer, but WB analysis has noted investments and policy reforms are needed still for Malawi to take advantage of the benefits:</p> <p>...</p> <p>...</p>	<p>--The WB is preparing the <b>Southern Africa Trade and Transport Facilitation Project</b> (P164847) to <i>facilitate the movement of goods and people along the North-South Corridor.</i></p> <p>...</p> <p>...</p>	<p>--Contribution to the Improved Trade Statistics and Information System in Malawi (E.U.)</p> <p>...</p> <p>...</p>

## Annex F: Recommended Framework for Policy Recommendations

Objectives:

- To harmonize, systematize, and improve CPSD policy recommendations.
- To integrate the CPSD policy typology.
- To allow for systematic CPSD impact tracking in living database of policy recommendations.

Policy recommendations should be **SMART** (Specific, Measurable, Achievable, Relevant, and Time-bound) and aligned with the **CREAM** criteria (Clear, Relevant, Economic, Adequate, and Monitorable). Noting that a CPSD has a 3-5 year vision, prioritize short- and medium-term recommendations.

It is recommended that policy recommendations be developed with their use-case in mind, for instance structuring the recommendations to allow for potential inclusion as prior actions and disbursement-linked indicators (triggers) in DPOs, IPFs, and P4Rs. Not all recommendations would be suitable for such purposes.

### SHORT-TERM ACTIONS

Thematic Area

General Policy			
Issue	General recommendation		
Action	<ul style="list-style-type: none"> <li>• Specific action (L4)—i.e. solution for addressing policy issue (constraint)</li> <li>• Specific action</li> <li>• Specific action</li> </ul>		
Instrument	(optional) The how. Identify potential WBG support.		
Feasibility	Scope	Impact	Lead Agency(s)
(Low)/ Medium/ High	Sector-Specific/ Cross-Cutting	Low/ Medium/ High	Recommended/ Accountable Stakeholder

### MEDIUM- & LONG-TERM ACTIONS

Thematic Area

General Policy			
Issue	General recommendation		
Action	<ul style="list-style-type: none"> <li>• Specific action</li> <li>• Specific action</li> <li>• Specific action</li> </ul>		
Instrument	(optional) The how. Identify potential WBG support.		
Feasibility	Scope	Impact	Lead Agency(s)
(Low)/ Medium/ High	Sector-Specific/ Cross-Cutting	Low/ Medium/ High	Recommended/ Accountable Stakeholder

## Annex G: CPSD Secretariat Contacts

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