Repeat Prescription

The impact of the World Bank’s Private Sector Diagnostic Tools on developing countries

By Gino Brunswijck • March 2020
Contents

Executive Summary 3
Introduction 5
1. What is the CPSD and how does it connect with the WBG's strategy? 6
2. CPSD in practice 9
3. CPSD on health and education 12
Conclusion 19
Annex I: CPSD recommendations across countries 20
Annex II: CPSD policy recommendations in health and education 22

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List of acronyms

CEM Country Engagement Memo
CPF Country Partnership Framework
CPSD Country Private Sector Diagnostic
CSO Civil Society Organisation
DBR Doing Business Report
DFI Foreign Direct Investment
DPF Development Policy Finance
FDI Foreign Direct Investment
FSAP Financial Sector Assessment Program
IBRD International Bank for Reconstruction and Development
ICT Information and Communications Technology
IDA International Development Association
IFC International Finance Corporation
IMF International Monetary Fund
InfraSAP Infrastructure Sector Assessment
J-CAP Joint Capital Market Program
GNI Gross National Income
MDB Multilateral Development Bank
MFD Maximizing Finance for Development
MSMEs Micro Small and Medium Enterprises
MIGA Multilateral Investment Guarantee Agency
ODA Official Development Assistance
OOP Out-of-Pocket Payments
PPP Public-Private Partnership
SABER Systems Approach got Better Education Results
SCD Systematic Country Diagnostic
SDGs Sustainable Development Goals
SMEs Small and Medium Enterprises
SOE State Owned Enterprise
SWF Sovereign Wealth Fund
TVET Technical and Vocational Education and Training
VAT Value-Added Tax
WB World Bank
WBG World Bank Group
WHO World Health Organization
Executive Summary

The World Bank exerts influence over the development policies of low and middle income countries. It does this through various channels, including financial operations, policy advice and ‘knowledge products’ such as research and diagnostics tools.

Civil Society Organisations (CSOs) and academics have investigated conditions attached to both the International Monetary Fund (IMF) and World Bank loans and the tendency to advance a donor-driven reform agenda in recipient countries, undermining democratic ownership of development policies. This discussion paper investigates the policy influence of one strand of diagnostics tools promoted by the WBG (WBG) – The Country Private Sector Diagnostic (CPSD).

The growing influence of CPSD

CPSD reports are drafted by staff of the World Bank and the International Finance Corporation (IFC) – the private sector arm of the World Bank. They are essentially a broad-based assessment a country’s economic sectors; the identification of business opportunities for – and constraints to – private sector investment; and policy recommendations to mobilise investment. These recommendations constitute good practice according to the WBG when it comes to the private sector.

CPSD reports also include policy and regulatory recommendations for governments and government support for private investors, including through public-private partnerships (PPPs) across various sectors including energy, transport, health, education, water.

Private actors can use all of this information to inform future investment decisions. In addition, the findings from the CPSDs provide crucial information to the WBG to guide its operations and financing arrangements.

These diagnostics have an influential role both in shaping World Bank and domestic policies. Their use is expected to be scaled up considerably in the short-term. CPSD reports will increasingly provide important reference points for informing and implementing the Maximizing Finance for Development (MFD) agenda – the World Bank’s flagship strategy for development finance. The MFD aims to mobilise private finance and create markets to achieve the Sustainable Development Goals (SDGs). In this context, CPSDs examine a country’s economic sectors in order to identify market opportunities for – and policy reforms to support – market creation.

A better understanding of the recommendations of CPSDs sheds light on the World Bank’s direction of travel in terms of private sector development, in particular in the field of public service provision.

Structure of the briefing

In this discussion paper, we define role of CPSD reports in contributing to the implementation of the MFD approach and then explain the policy recommendations across sectors in eight countries: Angola, Burkina Faso, Ethiopia, Ghana, Kazakhstan, Kenya, Nepal and Rwanda.

In our sample, the principal sectors identified for increased private sector investment are:

- Agribusiness (7 countries)
- Transport and Logistics (6 countries)
- Information and Communications Technology (6 countries)
- Health (5 countries)
- Energy (5 countries)
- Education (4 countries)
- Finance (4 countries)

The main obstacles to private sector development according to CPSD are:

- Insufficient infrastructure (5 countries)
- Lack of professional skills (5 countries)
- Access to finance (5 countries)
- Restrictive Business Climate (4 countries)
- Restrictive Trade Policy (4 countries)
- Market Structure (4 countries)
- Access to land (4 countries)

CPSDs are included in policy recommendations in the following fields:

- Regulatory reforms of the business environment, competition policy and State Owned Enterprise (SOE) reform: (8 countries)
- Trade liberalisation and investment promotion (8 countries)
- Improved land access for investors: (7 countries)
- Improved access to finance (6 countries)
- PPP promotion in infrastructure, transport or energy (5 countries)
- Private health and education (5 countries)

Finally, we focus in on policy recommendations in the health and education sectors and compare these to rights-based approaches in public service provision.
Findings

We found that CPSD reports influence the WBG policy planning cycle at an early stage and are increasingly likely to shape the WBG’s country engagement and financial operations. The strategic direction and priorities put forward in these diagnostics are not merely suggestions – they exert a significant influence on partner countries. Indeed, recommendations and findings from the earliest CPSD reports have been translated into WBG conditional loans and grants, which turns them into a directive.

This paper also shows that these diagnostics typically aim to increase the role of the private sector in the economy (see policy recommendations above). This steers financing decisions at both the national and World Bank level in support of the projects and policies that create markets, hence squeezing the policy space for alternative policies such as rights-based public development policies based on fighting inequalities.

Furthermore, CPSDs advance similar policy recommendations in all countries where they have been used, suggesting that there is a blueprint of “the right economic policies”, which can be applied across different country settings. This fails to sufficiently take into account specific local contexts.

The recommendations are also not based on wide stakeholder consultations, including with representatives of local communities. Such an approach risks undermining democratic ownership of development policies – one of the key principles of development effectiveness.

The impact on public services

This paper has also shown that the WBG – through CPSDs – is actively supporting increased private sector involvement in rights-based services such as health and education in partner countries, while publicly funded and delivered services are deprioritised. CPSDs in these sectors centre around regulatory reforms tailored to the private sector; active pursuit of PPPs; and government support for private providers.

Findings for the education sector:
- CPSDs considers education a priority sector for private investment in four countries: Ghana, Nepal, Angola and Ethiopia.
- CPSDs recommends permissive regulatory reforms in three countries.
- Three countries were requested to put in place some form of government support to spur private investment in education, including PPPs.

Findings for the health sector:
- Five countries are encouraged to enact business-friendly regulatory reforms.
- Four countries are recommended to put in place some form of government support to spur private investment in health, including health PPPs.

The profit-driven nature of private health care and education, including PPPs, tends to benefit wealthier segments of the population. This contrasts starkly with rights-based approaches, which emphasise universal and equitable access to health services and quality public schooling, especially for women and girls.

Refocusing the World Bank as a public development bank

As CPSDs advocate allocating more public funding towards these approaches, there is a risk of diverting crucial resources away from development interventions with solid proven impact on poverty reduction. Instead of promoting private service provision and PPPs, the WBG should prioritise public sector approaches. As a development bank, the WBG should work with countries to deliver on their obligation to provide free quality education and universal access to health.

The WBG defends CPSD’s emphasis on catalysing more private investment on the grounds that this will lead to better development outcomes. However, CPSDs do not include systematic and robust gender-sensitive and human rights based development impact assessments to substantiate this claim. In the absence of such proven poverty impact and in the presence of well-documented risks, scaling up the MFD based partly on the findings of CPSDs is risky policy-making.

As a development bank, the WBG should tailor its interventions to the poorest and apply a needs- and rights-based approach rather than creating markets that improve services for the advantaged.

The content and direction of CPSDs is closely aligned with the IFC mandate – focused on creating markets. Yet through the CPSD, a private sector approach and an “investor perspective” to development is mainstreamed across all WBG interventions – beyond purely IFC investments.

This paper has found little justification for why the WBG – a public development bank – should favour a private sector approach over a public sector perspective focused on fighting inequalities, ensuring human development, environmental sustainability and democratic ownership.
Introduction

In 2017, the WBG formally adopted the Maximising Finance for Development (MFD) approach. This approach details the WBG’s financing strategy to achieve the Sustainable Development Goals (SDGs). As a financing strategy, the MFD embodies the WBGs vision on development finance for the 21st century – a systematic step towards the implementation of the Billions to Trillions agenda. The Billions to Trillions agenda aims to turn billions of public money into trillions through private investment in developing countries, while also changing institutional incentives to enhance staff performance.

The MFD approach privileges private finance over public finance, and it is to be operationalised by the so-called Cascade approach. The Cascade approach first seeks to mobilise for-profit commercial financing in support of development projects. If private investors are not ready to support these projects, the World Bank promotes regulatory and policy reforms to create an improved business environment. If this does not lead to crowding-in of private investors, the WBG provides subsidies and guarantees to lower the risk of the development projects. Public finance will be considered as a very last option.

The implementation of the MFD approach by the WBG is supported by various diagnostic tools, such as the CPSD and the Infrastructure Sector Assessment (InfraSAP) which serve to identify opportunities for creating markets. These tools typically intervene at an early stage of the policy planning cycle and their findings and recommendations shape the direction of WBG operations and policy from the onset.

This briefing focuses on the CPSD primarily because of its influential role in shaping both WBG and domestic policies. Furthermore, a better understanding of the recommendations of CPSD sheds light on the WBG’s direction of travel in terms of private sector development, in particular in the field of public service provision. The briefing will assess whether the WBG uses its diagnostic tools to exert undue influence on the policy space of developing countries, particularly in terms of directing public funding and policy choices towards privileging private sector solutions over their public alternatives. It will contribute to the analysis of the various channels of the World Bank influence in developing countries and to the Civil Society Organisation (CSO) debate on the role of the private sector in aid.

With the CPSD approach likely to be scaled up in the short-term, it is important that this analysis is carried out.

This briefing will critically assess the policy recommendations included in CPSD reports published for eight countries: Angola, Burkina Faso, Ethiopia, Ghana, Kazakhstan, Kenya, Nepal and Rwanda. It will focus on the potential impacts of the reforms proposed in CPSD reports for the health and education sectors.

This discussion paper examines the CPSD in three steps. Firstly, it describes the CPSD and details how it contributes to the implementation of the MFD approach. Secondly, it maps the overall set of CPSD policy recommendations across sectors of the eight country cases. Thirdly, it analyses the risks associated with CPSD policy recommendations in the health and education sectors, and contrasts these to rights-based approaches in public service provision.
1. What is the CPSD and how does it connect with the WBG’s strategy?

The CPSD is an analytical tool jointly developed by the International Finance Corporation (IFC), the private sector lending arm of the WBG, and the World Bank. This diagnostic tool reviews economic sectors of a given country “from an investor perspective.” The objective is to create markets for increased private sector investment in developing countries. The CPSD maps out both opportunities and regulatory constraints for private sector development. The focus is on identifying areas and sectors where private sector development will have “significant development impact,” which is typically defined by the IFC as having a high potential for economic growth and job creation. The use of CPSDs will increase significantly in the coming years, with the WBG planning to conduct CPSDs in over 40 countries by the end of 2020, which would mean a significant increase from the 11 CPSDs published at the end of 2019. According to the IFC, at least 16 CPSDs are under development covering a range of low-income, lower-middle income and middle-income countries.

Diagnostics in support of the Maximising Finance for Development approach

CPSD intervene early in the policy-planning cycle of the WBG. They provide an analytical basis to inform the WBG’s policy and financial operations. In particular, the CPSD is instrumental in implementing the WBG’s MFD approach, in which all World Bank-arms – International Development Association (IDA) – the concessional lending arm, International Bank for Reconstruction and Development (IBRD) – the middle-income lending arm, (IFC) – the private sector lending arm1 and Multilateral Investment Guarantee Agency (MIGA) – the private sector risk guarantee arm, work together to attract private sector investments. In addition, the findings and recommendations of the CPSD are integrated in the Country Partnership Framework (CPF), which determines the priorities for World Bank engagement and financial operations in a given country, see Figure 2.

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Figure 1: The Cascade Approach

1. Commercial Financing
   - Can commercial financing be cost-effectively mobilised for sustainable investment? If not...

2. Upstream Reforms and Market Failures
   - Country and Sector Policies
   - Regulations and Pricing
   - Institutions and Capacity
   - Can upstream reforms be put in place to address market failures? If not...

3. Public and Concessional Resources for Risk Instruments and Credit Enhancements
   - Guarantees
   - First Loss
   - Can risk instruments and credit enhancements cost-effectively cover remaining risks? If not...

4. Public and Concessional Resources, including Sub-Sovereign
   - Public finance (incl national development banks and domestic Sovereign Wealth Fund)
   - Multilateral Development Banks and Development Financial Institutions
   - Can development objectives be resolved with scarce public financing?

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‘Forward look – A vision for the World Bank Group in 2030. Progress and challenges’

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1 International Development Association (IDA): provides finance mainly to low-income countries and certain middle-income countries.
International Bank for Reconstruction and Development (IBRD): provides finance to middle-income countries and certain creditworthy low-income countries.
Multilateral Investment Guarantee (MIGA): provides risk mitigation instruments
International Finance Corporation (IFC): the World Bank’s private sector arm, investing in for-profit commercial projects.
The MFD approach has become the World Bank’s flagship strategy. The strategy prioritises commercial finance over public concessional funding, which results in a ‘private finance first’ approach to development finance. The ‘cascade’ approach maps out the pathway of the World Bank’s view on sustainable finance for development (see figure 1). Initially the method would be used specifically for infrastructure, however, from the onset, the WB announced that it would expand the approach to health, education, finance and agribusiness.14

According to the cascade principles, the WB first seeks to mobilise commercial finance for a development project. When private finance is not forthcoming, the first step is to support upstream regulatory reforms to create a so-called, enabling business environment. If private investors are still not interested, the cascade approach has a strong emphasis on lowering the risk of private investment (or ‘de-risking’) through providing subsidies, guarantees and various other risk-mitigation instruments that have the capacity to alter risk-reward calculations of private investors in order to make investments more profitable. The use of public finance for development projects is only advisable only as a very last option.15

Since 2017, the MFD has become a systematic way to implement the ‘From Billion to Trillions’ agenda released in 2015. This agenda suggests that “to meet the investment needs of the Sustainable Development Goals, the global community should move the discussion from ‘billions’ in Official Development Assistance (ODA) to ‘trillions’ in investments of all kinds: public and private, national and global, in both capital and capacity.”16 Each of the arms of the World Bank has a role to play to put the MFD approach into practice. The IFC finances private sector projects and advises governments and companies on how to structure deals.17 On the other hand, the World Bank supports so-called upstream reforms, which creates an environment for private investment to flourish. IDA & IBRD allocate Development Policy Finance (DPF), which is disbursed as general budget support and is conditioned on specific policy and regulatory reforms. Finally, MIGA provides risk mitigation instruments in order to make a project more profitable to private sector investors.18

The MFD has become the modus operandi across the WBG, with key MFD principles integrated into ‘standard WBG client engagement and investment project cycles’.19 In addition, MFD is aligned to both IFC strategy titled “Create Markets” and MIGA’s 2020 strategy and has been referred to in recent capital allocation negotiations across the different arms – IDA replenishment in 2019 and IBRD and IFC capital increase negotiated in 2018.

The different arms of the WBG will intensify cooperation to mainstream MFD-principles across their operations by deploying joint operational teams to implement the cascade approach. The coordination between the different arms of the WBG is circumscribed as the ‘new normal’,20 which underscores the strategic importance of MFD for the different arms of the WBG. In addition, staff incentives are structured towards delivering on the objectives of MFD. Country teams are to explore the viability of commercial finance, and to subsequently assess whether WB support should be used to create an enabling environment for private investment or risk mitigation.21

The MFD approach has led to a number of criticisms from academics, think tanks, and CSOs, who question the rationale for prioritising private finance over public finance and point to the risks associated with this approach. Some even assert that the World Bank has deviated from its original mandate.22 In addition, the MFD-agenda assumes a positive development impact. However, to date, there is no publicly available development impact assessment on the implementation of the MFD-agenda in the nine pilot countries. In the absence of such evidence, it is unclear who benefits from MFD-operations, making WB-claims over positive development impact hard to sustain.

In its paper ‘Maximizing Finance for Development’, prepared for 2017 Annual Meetings, the WB announced the deployment of diagnostics as “new tools to support MFD”. These tools are critical to implement the flagship MFD-strategy by providing analysis and recommendations. The MFD-agenda explicitly endorses two diagnostic tools – CPSD and the Infrastructure Sector Assessment (InfraSap). The CPSD examines a country’s economic sectors in order to identify opportunities for private investors. In doing so, it contributes to the over-arching objective of the MFD – to crowd in the private sector by privileging private finance and market creation. The InfraSAP is a diagnostic tool intended to maximise finance for priority infrastructure investments. The analytics identify strategic opportunities for investors and make proposals to lift barriers to private sector development with the aim to spur private-led growth and infrastructure investment. They are crucial instruments in the operationalisation of World Bank country strategies and strategic direction of the WBGs interventions.23
Box 1: Diagnostics define World Bank country strategies and programming

The flowchart shows how diagnostics underpin World Bank country strategies and programming. The diagnostic tools intervene early in the policy planning cycle, as such their recommendations and findings can influence the strategic direction, design, development and implementation of World Bank-policy and lending.

Figure 2: Idealised sequencing of WBG Diagnostics and Strategy Products

Both CPSDs and Sector Deep dives occupy a central place in the implementation of the MFD-approach. First, the tools provide crucial analytics to identify market opportunities for the private sector (layer 1). Next, they identify policy reforms, de-risking mechanisms and project investment, which can be supported by WBG financing instruments (layer 2 & 3).24 CPSD reports include a set of policy recommendations, which typically propose reforms to improve the business climate and competition law, call for government support for trade and investment promotion and commercialisation of public services.25

The findings of the various benchmarking tools are integrated in the Country Partnership Framework (CPF), which is the central tool guiding World Bank interventions at the country level, bringing together country-specific strategic objectives and envisaged development results.26

The CPSD is a very recently developed tool, and so additional analysis is needed to assess the influence of CPSDs on CPF. However, preliminary analysis details the way in which CPSD influences country strategies. For instance, in Morocco, CPSD influenced competition law, business reform and tertiary education.27 At the time of research, of all the sample countries, CPF was only publicly available in Nepal28. This was adopted after the publication of CPSD for the country. The Nepali case shows how CPSD has become a vehicle to implement the MFD-agenda in Nepal: “Based on the recommendations of the InfraSAP and the CPSD, the WBG would seek to apply MFD principles in transport, urban, tourism, agribusiness, health, education and ICT.”29 As such, CPSD will increasingly become a crucial tool in spearheading the MFD-agenda across different countries and sectors.

*FSAP = Financial Sector Assessment Program
**InfraSAP = Infrastructure Sector Assessment
***J-CAP = Joint Capital Market Program
This section explores the type of policy reforms recommended in CPSD reports published for eight countries: Angola, Burkina Faso, Ethiopia, Ghana, Kazakhstan, Kenya, Nepal and Rwanda. This briefing highlights the results of a document analysis of the CPSD reports for these eight countries and the priority sectors, constraints and policy recommendations are detailed in the tables below. The policy analysis will evaluate the different options put forward in the CPSD, and will also identify cross-country trends.

**CPSD: its use**

CPSD signals to what extent a country’s economy and specific sectors are open to investment. The CPSD provides private investors with an overview of market opportunities and potential obstacles to investment in a given country. Private actors can use this to inform future investment decisions.

**CPSD: the format**

CPSDs are drafted by World Bank and/or IFC staff, and generally include consultations with government officials and the local private sector. They lay out policy recommendations on what constitutes good practice according to the WBG in terms of private sector development, and rely on the views of WBG/IFC staff, national public officials and private sector representatives, while representatives of local communities, CSOs, unions and national parliaments are not consulted.

In general, a CPSD aims to identify both opportunities for, and constraints to private sector development in a specific country. The CPSD evaluates the country’s economic sectors through a so-called sector scan which assesses “desirability” of increased private investment, as well as “feasibility” of increased private investment. The CPSD maps a number of priority sectors for the country, which are typically investigated in a so-called ‘deep dive study.’ Among the priority sectors recognised are agribusiness, transport and logistics, Information and Communications Technology (ICT), education and health. All types of recommended reforms are listed in Table 3.

## Informing government policy

CPSD reports also include policy and regulatory recommendations and government support for private investors, including through PPPs, across various sectors including energy, transport, health, education, and water.

## Identifying business opportunities

The above-mentioned sector scan provides potential investors with insights into the possible growth of a country’s economic sectors and their current performance. The scan scores and ranks the economic sectors in terms of their potential for development, and possibility for private sector investment. In conclusion, the findings from CPSD reports provide investors with an overview of investable opportunities within various sectors in a given country. Table 1 provides an overview of the priority sectors identified in CPSD reports for our sample countries.

### Table 1: Priority sectors in CPSD reports

<table>
<thead>
<tr>
<th>Priority Sector</th>
<th>Number of countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agribusiness</td>
<td>7</td>
</tr>
<tr>
<td>Transport &amp; logistics</td>
<td>6</td>
</tr>
<tr>
<td>ICT</td>
<td>6</td>
</tr>
<tr>
<td>Health</td>
<td>5</td>
</tr>
<tr>
<td>Energy</td>
<td>5</td>
</tr>
<tr>
<td>Education</td>
<td>4</td>
</tr>
<tr>
<td>Finance</td>
<td>4</td>
</tr>
<tr>
<td>Affordable Housing</td>
<td>2</td>
</tr>
<tr>
<td>Mining</td>
<td>1</td>
</tr>
<tr>
<td>Regional Trade</td>
<td>1</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1</td>
</tr>
<tr>
<td>Tourism</td>
<td>1</td>
</tr>
</tbody>
</table>

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ii This concerns the countries for which CPSDs were published before 1 October 2019. The CPSD for Morocco merely included an executive summary, for this reason the CPSD for Morocco was not considered in the analysis.

iii Typically, the WBG/IFC does not specify which representatives of the private sector were consulted at the local level.

iv Not to be confused with “Sector Deep Dives”
Constraints for the private sector development

The most common types of constraints to private sector development identified in CSPDs are listed in Table 2. The main type of constraints include restrictive business regulations, insufficient skills, infrastructure and finance. The CPSD-policy responses to these so-called constraints are listed in Table 3 and mainly call for countries to deregulate, liberalise trade and promote investment including through PPPs. Acting on these policy recommendations would create an enabling environment and provide the necessary support to spur private sector growth in a given country.

Table 2: Common constraints to private sector development

<table>
<thead>
<tr>
<th>Key Constraint</th>
<th>Number of Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insufficient infrastructure</td>
<td>5</td>
</tr>
<tr>
<td>Professional skills</td>
<td>5</td>
</tr>
<tr>
<td>Access to finance</td>
<td>5</td>
</tr>
<tr>
<td>Restrictive Business Climate</td>
<td>4</td>
</tr>
<tr>
<td>Restrictive Trade policy</td>
<td>4</td>
</tr>
<tr>
<td>Market structure/performance</td>
<td>4</td>
</tr>
<tr>
<td>Access to land</td>
<td>4</td>
</tr>
<tr>
<td>Excessive regulation</td>
<td>3</td>
</tr>
<tr>
<td>Macroeconomic Stability</td>
<td>3</td>
</tr>
<tr>
<td>Public sector performance</td>
<td>3</td>
</tr>
<tr>
<td>Competition policy</td>
<td>2</td>
</tr>
<tr>
<td>Water management</td>
<td>1</td>
</tr>
<tr>
<td>Access to energy</td>
<td>1</td>
</tr>
<tr>
<td>Access to health</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 3: Policy responses to constraints

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Number of countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory reforms (business environment, competition policy, SOE reform)</td>
<td>8</td>
</tr>
<tr>
<td>Trade liberalization and investment promotion</td>
<td>8</td>
</tr>
<tr>
<td>Access to land</td>
<td>7</td>
</tr>
<tr>
<td>Access to finance</td>
<td>6</td>
</tr>
<tr>
<td>PPP-promotion in infrastructure, transport or energy</td>
<td>5</td>
</tr>
<tr>
<td>Private Health and education</td>
<td>5</td>
</tr>
<tr>
<td>Market/sector reform</td>
<td>4</td>
</tr>
<tr>
<td>Skills development</td>
<td>3</td>
</tr>
<tr>
<td>Quality standard</td>
<td>3</td>
</tr>
<tr>
<td>Energy tariffs</td>
<td>2</td>
</tr>
<tr>
<td>Labor law</td>
<td>1</td>
</tr>
<tr>
<td>Fiscal and monetary reforms</td>
<td>1</td>
</tr>
</tbody>
</table>
Box 2: CPSD Ghana

The CPSD for Ghana, the first of its kind, was launched in 2017. It looks at 22 economic sectors to identify their potential for private sector investment. The diagnostic maps both opportunities and constraints to private sector development in Ghana. This CPSD report lists four constraints for private investors: insufficient domestic demand, macroeconomic instability, poor infrastructure and access to land, as well as a lack of managerial and entrepreneurial skills. The main opportunities for the private sector reside in developing high-value export markets (horticulture and ICT), increased ICT-use across sectors, commercialisation of social sectors, and investing in a range of sectors such as green energy and rural land development. The policy recommendations included in the CPSD centre around improving the business environment, trade and economic liberalisation, investment promotion, opening up markets and commercialised public services (see Annex I).

According to the CPSD, the sectors with the highest potential for private sector investment and development for Ghana are ICT, education and agribusiness. These three sectors are the subject of detailed analysis as part of the so-called ‘sector deep dive’.

For ICT, the CPSD calls for appropriate public support for the private sector to improve ICT infrastructure and skills development. In education, the key recommendations are increased use of PPPs and voucher schools to attract more private investors. The advice for agribusiness focuses on support for the development of high-value export markets.

The recommendations from CPSD are put into practice by a number of WBG operations. The findings from the CPSD for Ghana, have been the building blocks for recent IFC projects and an IDA-operation. A 2018 IFC project, worth $1.5 million followed through on CPSD findings in agriculture and aims to improve market entry for agribusiness investors through investment promotion, regulatory reforms and improved extension services. Similarly, the IFC provided a $10 million loan to support the infrastructure and facility expansion of a private university in Ghana, which is in line with CPSD’s support for commercial education. In addition, a $200 million IDA-credit to promote private investment specifically mentions that CPSD recommendations are incorporated in the project design in terms of priority sectors (education, agribusiness and ICT) and in the reform agenda (business environment, access to land and entrepreneurship).
3. CPSD on health and education

Despite the fact that CPSDs are important vehicles to implement the World Bank’s main approach to development finance, CPSDs lack any form of systematic and robust development impact assessment. In what follows, we will assess to what extent CPSD recommendations support governments in their obligation to deliver on the universal rights to health and education.

This chapter analyses the policy reforms included in CPSD reports on health and education (see Table 1). CPSDs routinely consider health and education as sectors for private investment potential. Typically, the state provides health and education as a public service, with the aim of providing a service to all members of society. In addition, universal access to adequate healthcare and education are basic human rights, which the state has an obligation to guarantee. However, each sector is different in nature and requires a different relationship with the private sector.

The promotion of both delivery and financing of these public services by the private sector might create tensions, as private operators tend to be primarily driven by profit generation. In what follows, this briefing will map the type of CPSD recommendations in both health and education across different countries. In addition, this advice will be evaluated against concerns raised by the policymakers, international organisations, such as the World Health Organization (WHO) and CSOs about the involvement of the private sector in health and education.

The eight CPSD reports published before October 2019 call for increased private sector participation in both health and education as a way of enhancing efficiency and innovation. The overarching purpose – creating markets – is served through identifying business opportunities for investors, policy recommendations focusing on regulatory reforms, and calls for public support to attract private investment.

In education, the rationale for specifically turning to private providers is to respond to unmet demand for primary and secondary schools, universities and vocational training. CPSDs encourage investment in private schools, universities, vocational training, e-learning and financing products such as school loans.

For health, the private sector is considered as the main partner to provide improved access to health services and health insurance. CPSDs typically and primarily call for investment in pharmaceuticals, private health providers, health insurance, staff training, ICT-solutions and health tourism. We have grouped the policy recommendations into three categories to shed light on the main types of reform promoted by CPSDs. We apply the same categories to both health and education and present the results in Tables 4 and 5. In what follows, we briefly define the categories.

1. Regulatory reforms: Refers to all policy recommendations encouraging reforms of the national regulatory framework, excluding PPP related recommendations.

2. Public subsidies to the private sector: Different types of government resources, for example, subsidies, financial instruments, and investment promotion with a view to support private investment in a given sector.

3. Incentives for and promotion of PPPs: Reform of PPP laws, creation of PPP units, government support to PPP projects.

Two types of regulatory reform have been identified. The first type of reform aims to reduce regulatory burden for private providers. The second seeks to improve quality standards of service provision. The positive development impact of both types of measures is strongly dependent on country context – whether the proposed reforms actually improve growth opportunities for local Micro Small and Medium Enterprises (M)SMEs) as well as the quality of affordable service provision for patients and students. This is an area for further research and goes beyond the scope of this briefing.

The policy recommendations in CPSDs are inconsistent in terms of their specificity. For example, they simply refer to reform of the licensing system without further detail, which does not allow for assessment of the type of reform, nor its practical impact. From the analysis (see Table 1) it appears that relaxing regulations for private sector providers concerns the large majority of reforms included by CPSDs. This could be used to suggest that CPSD reform therefore has a tendency to deregulate private providers.

The tools rely on views from WBG and/or IFC staff, national governments and the private sector; representatives of local communities are not consulted at this stage. This seemingly prioritises the interests of an investor agenda early in the policy process rather than taking a needs and rights-based approach to development.

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vi Since PPPs are increasingly being promoted by the World Bank and it is the specific focus of the CSO-analysis, the analysis gives specific attention to this model to map out the extent of its promotion in health and education.

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v This concerns the countries for which CPSDs were published before 1 October 2019. The CPSD for Morocco merely included an executive summary, for this reason the CPSD for Morocco was not considered in the analysis.
**Education: de-risking the private sector while risking development**

Table 4 provides an overview of the CPSD policy advice in the education sector across eight countries. CPSD considers education a priority sector for private investment in four countries: Angola, Ethiopia, Ghana and Nepal. CPSD recommends permissive regulatory reforms in three countries. In the cases of Angola and Ghana, government support, including government support and incentives for private schools, universities and private providers of vocational training, and PPPs, was championed to spur private investment in education. In Burkina Faso, education was not considered a priority sector, however, the CPSD did call to support PPPs in education.

The World Bank/IFC advises the governments of Ethiopia, Ghana and Nepal to bring down regulatory barriers to facilitate market entry of private providers. Concretely, the CPSD recommendations call upon these governments to relax, amongst others, affiliation guidelines, accreditation, course approval and licensing requirements for private institutions, including foreign providers. In the African context, policymakers have raised concerns about the lack of regulation for private education providers.  

Frequently, CPSD encourages governments to support the creation of market opportunities for private providers. For Ghana, the CPSD specifically calls for government funding for private schools, as well as investment promotion by the government to encourage more private investors to support private schools, universities and vocational training. Annex II provides a detailed overview of the specific policy recommendations in the education sector.

The CPSD endorses commercial education by advocating for private low-fee primary and secondary schools, voucher schools, private universities, vocational training, market-oriented PPPs and financial products such as student loans. For instance, in Angola and Ghana the CPSD recommends increasing the financial options available to citizens, in particular providing student loans as well as a voucher system. The CPSD recommends that governments support market creation by relaxing regulations and providing government support to private providers, and by actively pursuing PPPs. This advice is expected to be increasingly backed up by World Bank instruments and support for private investment (see Box 2). According to the WB6, this would allow countries to close the spending gap on education and meet unmet demand whilst improving the quality of service provision.  

**CSO concerns on private education**

CSOs have voiced concerns about donor-promoted commercialisation of education, and education PPPs in particular, as they tend to increase fiscal risks for the public purse, widen inequality and risk undermining gender equality. In addition, WB6-funded PPPs in the education sector have been criticised for failing to reach the most vulnerable and disadvantaged communities.

PPPs in education can take the form of channelling public and donor funding to low-fee private schools. However, even schools that charge a low fee can be inaccessible to the poorest communities. This extra cost forces families to make difficult choices, which in practice often means that girls have less access to schooling—thus working in contradiction with most donors’ priorities on girls’ education. In addition, there appears to be a bias in commercial PPPs in education against less-skilled students and those with special needs. The incentive structure favours enrolment of ‘cheapest to educate’ students, which discourages additional investment to cater for students with special needs.

Once the socio-economic status of students is taken into consideration, there is no strong evidence that education PPPs and for-profit private schools ensure consistently better learning outcomes than public schools. The low-cost logic of low-fee private schools often implies poor working conditions, such as short-term contracts and low wages for teachers. These conditions affect the school’s ability to attract a sufficient number of qualified staff, potentially compromising the quality of education. Furthermore, private schools appear to be an unsustainable model. Evidence suggests that private schools are at risk of frequent closures when they fail to generate sufficient income, which negatively impacts learning outcomes. In addition, the promotion of student loans in CPSD can be financially risky as down payments compromise the future household incomes of poorer families. Nevertheless, CPSDs and some WB6-assistance continue to support private school chains and education PPPs in Africa, for example, which have come under scrutiny (see Box 3).

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**Table 4: CPSD in education**

<table>
<thead>
<tr>
<th>Country</th>
<th>Policy and regulatory reforms</th>
<th>Government support / investment promotion</th>
<th>Promotion of PPPs</th>
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<tbody>
<tr>
<td>Ghana</td>
<td>X</td>
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<td>Kazakhstan</td>
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<td>Burkina Faso</td>
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Based on author’s analysis of CPSD.
Box 3: World Bank advice and private sector education in Africa

The advice included in the CPSD is aligned to other World Bank-instruments and lending. For instance, as part of World Bank technical assistance, the so-called Systems Approach got Better Education Results (SABER) consistently advocates to expand for-profit commercial education by advising countries to relax regulations for private providers and to promote PPPs. Furthermore, SABER has been criticised for relying on a questionable evidence base, for advancing similar policy advice in widely different contexts, and for its predisposed policy orientation in line with World Bank ideology.\textsuperscript{45}

In fact, Ghana’s CPSD and SABER are mirror images, as both call for the promotion of education PPPs and voucher schools. In the same vein, the World Bank’s project lending and the IFC’s finance is gradually increasing support for private education in Ghana.\textsuperscript{46}

Ghana’s CPSD recommends increasing private investment in low-fee schools. The diagnostics mention Omega schools as a good example of accessible private education with an adequate payment plan for low-income families. “The schools offer an innovative daily payment option charging US$0.65 per day. This offers a flexible low-cost payment plan, which is necessary to meet the cash flow of ‘bottom of the pyramid’ families. Omega ensures that this fee matches the out-of-pocket cost of a public school.”\textsuperscript{47}

However, recent Oxfam research contested the affordability claim and denounced the exclusionary nature of these fees: “In Ghana […], a major low-fee private school chain targeting poor people (Omega Schools) charges fees that are equivalent to 40% of the income of the poorest families per child”. Oxfam also contends that the same company is found to pay low wages: “[…] the Omega private school chain in Ghana pays teachers’ salaries equivalent to just 15% to 20% of the salaries their public-school counterparts receive.”\textsuperscript{48}

Recently, the World Bank’s Compliance Advisor Ombudsman raised substantial concerns with regards to another corporate school chain supported by the IFC in Kenya. In 2018, Kenyan citizens registered a complaint with the Ombudsman following controversy on the practices of Bridge International Academies in Kenya. The complaint raised alarms bells on the institution’s working conditions, insufficient access for children with special needs, and disability and its regulatory reluctance. The Ombudsman echoed these concerns in its latest report and called for a compliance investigation into the IFC investment for this commercial school chain.\textsuperscript{49}

In both Ghana and Kenya, the World Bank has been criticised by CSOs for fuelling the privatisation of education – including supporting controversial for-profit corporate chains at the expense of funding free, inclusive and quality public systems.\textsuperscript{50} In conclusion, CPSDs seem to be yet another instrument to underpin the WB6 push for market-based approaches over public service provision, in which education appears to be seen as a marketable commodity, instead of a rights-based public service.
Box 4: Responses to the increase in privatised education in Africa – The Abidjan Principles

In contrast to the WBG’s market-based view on public services, the Abidjan Principles - a new landmark in international policy-making on education – list the right to education as a starting point.\(^{51}\) The Abidjan Principles reaffirm the obligation of states to progressively achieve ‘free inclusive, quality and public education’.\(^{52}\) At the same time, the Principles call upon states to re-regulate private sector involvement in education in response to concerns about the rapid unregulated private involvement in education\(^{53}\) and the private sector’s apparent resistance to government regulation.\(^{54}\) On the contrary, the CPSDs advocate for relaxing regulations and call for increased government support for private providers, which can be backed up by WBG support. Both CSOs as well as policymakers have been raising concerns on the role of IFIs in promoting private education as well as the underfunding of public education.

Recent ActionAid research used the Abidjan Principles to evaluate the impact of privatisation on the right to education in seven African countries: (Ghana, Kenya, Malawi, Mozambique, Nigeria, Tanzania and Uganda). The study found that these seven countries struggle to provide free, quality public education due to underfunding of the public system, while private sector involvement in education is rapidly expanding.

The research found that the increased provision of education by the private sector tends to be concentrated in affluent urban areas and that low-fee private schools are unaffordable for the poor. This situation risks exacerbating social inequalities and undermining equal opportunity in education. The study concludes: “The presence and role of private schools is growing, without adequate regulation in the seven countries studied leading to the states abdicating their responsibility for fulfilling the right to education.”\(^{55}\)

Policymakers in Africa are alarmed by the evolution of increased private sector involvement in education on the continent. In June 2019, the African Commission on Human and Peoples Rights adopted a landmark resolution calling upon states to regulate private providers of health and education. The same resolution raises concerns about donors and practices of international institutions, which put ‘pressure’ on countries to open up social sectors to private actors. Furthermore, the resolution calls for impact assessments to ensure that private solutions – including PPPs – do not have adverse consequences on human rights.\(^{56}\)

A key rationale for the promotion of private schools is to fulfil unmet demand for schools as opposed to unmet needs, providing schooling for all segments of society. However, a study on a donor-supported private school in Ghana found that nearly all children who attended the private school were previously enrolled in public schools, 436 out of 437 children.\(^{57}\) So rather than meeting unmet demand, these schools attract pupils whose parents have the ability to pay – often actively undermining local government schools. For instance, the CPSD for Angola is actively pursuing this option by promoting private schools for the middle class in the country, rather than calling for improved public education. However, this carries the risk of widening inequalities and reduced quality of public systems, since those with economic and political influence to drive reform opt out of the public system. There is a lack of evidence that low fee private schools actually increase access for the poorest tens of millions of children who remain out of school – and as such the needs and demands of the poorest communities are not being met.\(^{58}\)

For the most part, the CPSD reforms call to bring down regulatory barriers, which would lead to a more permissive regulatory framework for private providers. The CPSD fails to respond to concerns regarding the consequences of the rapid growth of unchecked and unregulated private sector involvement in education, rather exacerbates this trend, by essentially recommending that governments deregulate. This undermines potential efforts to regulate the private sector in line with the Abidjan Principles with a view to avoid potential negative consequences of private education, such as stratification within communities and unequal access to education.\(^{59}\)

CPSD steers countries’ policy choices and public funding towards privileging commercial education models at the expense of investment in public education. Rather than mobilising more resources for education, CPSD recommendations calling for government support for the private sector involvement risk actively draining resources from an already underfunded public sector.
Both of these tendencies (underfunding and deregulation) put the right to education under pressure, as the Special Rapporteur on the Right to Education states: “[...] the persistent underfunding of public education and the rapid and unregulated growth in the involvement of private, in particular commercial, actors in education, threaten the implementation of the right to education for all and Sustainable Development Goal 4.” However, there is a case to invest more in public education from both a human rights perspective and an economic perspective: recent IMF research demonstrated a positive long-term relationship between public educational spending on both Gross National Income (GNI) per capita and expected years of schooling.\textsuperscript{60}

CPSD recommendations on education currently lack any robust gender-sensitive development impact assessment of the provision of education through PPPs and private institutes. This runs the risk that the CPSD recommendations do not account for potential adverse impacts on socio-economic inequalities, including gender inequality and human rights. Eventually, this can amount to a disconnect between CPSD and the core mandate of a public development bank, which is to deliver on sustainable development outcomes.\textsuperscript{61}

Health: promoting a risky model in healthcare

CPSD can also be used as a tool by private investors, governments and the WBG to support private healthcare and healthcare privatisation in low- and middle-income countries.\textsuperscript{viii} CPSDs identify business opportunities for private investors and encourage them to invest in health service provision and health insurance, training of health personnel, pharmaceutical value chains and e-health solutions.

Governments are encouraged to prepare the ground for private care providers and health insurers through regulatory reforms, government support and pursuit of health PPPs.

Table 5 provides an overview of the CPSD policy recommendations in the health sector across eight sample countries. In five countries, the CPSD considered health a priority sector for private investment and included specific recommendations for the health sector. In all five countries (Ghana, Nepal, Angola, Ethiopia and Kenya), governments are encouraged to enact regulatory reforms. Three countries are recommended to put in place government support to spur private investment in health and four countries are encouraged to pursue health PPPs.

In terms of regulatory reforms, governments are typically asked to reduce the regulatory burden for private investors, specifically by relaxing licensing and certification requirements. In two countries, reforms to national health insurance should ensure greater participation for private health insurance companies. Countries are equally advised to bring down trade barriers, including both tariff and non-tariff trade barriers, in order to facilitate access to health supplies, equipment and innovations (e-health). The CPSD for Nepal calls to scale up the quality standards of care provision. Whether or not such reforms are beneficial for local SMEs and patients will depend on the country context.

Governments are frequently encouraged to support market creation for private providers in the health sector. Specifically, the WBG/IFC routinely recommends national governments to increase their investment in health provision, pharmaceuticals and medical training. Annex II provides a detailed overview of the specific policy recommendations in the health sector.

Similarly, PPP-arrangements are promoted to increase private investment in health, notably in new private hospitals, pharmaceuticals, e-health solutions, voluntary private health insurance, and provision of non-clinical services such as training, equipment, supply management and marketing.

Table 5: CPSD in the health sector

<table>
<thead>
<tr>
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Based on author’s analysis of CPSD.

\textsuperscript{vii} Right to education: the implementation of the right to education and Sustainable Development Goal 4 in the context of the growth of private actors in education

\textsuperscript{viii} Definition: Private health care are health services, medicine and insurance provided by other entities than the public sector. The privatisation of health care refers to the increased involvement of private actors in health care and it can refer to the transfer of formerly publicly owned assets and services to private actors, for instance through health PPPs.
Concerns with privatised health care

CSOs have voiced concerns around the donor-promoted private health care, because it can lead to increased fragmentation of health systems and because of the potential negative impact on service provision for the poor, and on the right to health.

The right to health is a universal human right, which confers an obligation on states to guarantee universally accessible, affordable and acceptable quality health services for their citizens. As part of the State’s obligation to progressively achieve the right to health, it should include the specific needs of vulnerable groups in national health strategies. In the following discussion, we will assess whether CPSD recommendations in health are coherent with these rights-based notions of accessible and affordable health services, and whether they support countries in progressively achieving the right to health.

CPSDs promote increased investment in private health care systems, and increased privatisation in public health care systems. CSOs have pointed to the risks of such models, particularly in terms of their ability to provide accessible and affordable services to the poor. CSOs and academics have criticised the WBG/IFC for promoting private health solutions, potentially increasing segmentation of health systems by supporting high-end health services, which primarily benefit the wealthiest citizens in urban areas. Similarly, CPSDs support higher-end private health services, including those offering specialised care, medical tourism and private health insurance. At the same time, CSOs have highlighted several cases of donor-driven investments in commercial health services, insurances and hospitals, where the type of services supported were unaffordable to low-income households and where public-private schemes have led to higher costs for the public purse. One of the key concerns is that donor-promoted private health care fails to account for the impact on people living in poverty, especially women, due to the absence of pro-poor measures. It is therefore unlikely that these models will contribute significantly to long-term health development goals.

Health PPPs can also increase fragmentation of health systems and potentially lead to adverse equity impacts. There are concerns around the equitable access to affordable and quality services in health PPP-projects, in particular for the poorer households and women. This is partly due to the profit-driven nature of PPPs, which primarily seeks out commercially viable projects. This steers public funds for health towards the secondary and tertiary segments, at the expense of primary basic healthcare – an approach reflected in the CPSD.

Furthermore, both CSOs and academics have highlighted that health PPPs can have negative impacts on the wider health system, especially in a context of scarce resources where skilled health workers are drawn out of the public system into private facilities, and do not deliver on their promise of delivering cost-efficient social services to the poor. Importantly, there is no empirical evidence linking health PPPs to positive development and health outcomes.

CPSD recommendations typically call to create more opportunities for private health insurance. Voluntary private health insurance is considered to be unfit to achieve universal health coverage, because poor people cannot afford it in case of commercial schemes. Non-commercial voluntary health insurance schemes – usually labelled community-based health insurance schemes – on the other hand, are accessible but offer very limited financial protection, lack cross-subsidisation between rich and poor, and are usually not viable without external support. Private insurers charge high premiums and co-payments, which are unaffordable to the poor and compromise future household income. According to the WHO and the World Bank, private health insurance schemes have the potential to multiply inequities in access to health. In addition, these schemes carry the risk of drawing away scarce skilled health workers from the wider health system to service the privately insured – so-called internal brain drain.

More broadly, private health finance has been associated with worse health outcomes. A wide-ranging study covering 163 countries found that public health care spending outperforms private health care spending, including out of pocket payments and private insurance schemes in terms of reducing mortality. In fact, both the WBG and the WHO have cautioned against the use of Out-of Pocket Payments (OOP), because they are one of the key causes in pushing people into poverty and undermining the right to health. However, CPSDs promote private health care solutions which invariably apply user fees, in the context of LMICs where there are generally no national health insurance mechanisms that cover both public and private services. In contrast, WHO have underlined the importance of publicly financed health systems, which is vital for improved health outcomes and equity. Other CSOs add that health care should be publicly provided in order to achieve health equity.
It is important to note, that CPSD health sector recommendations currently lack any robust poverty and human rights impact assessment. The African Commission on Human and Peoples Rights calls for such regular impact assessments to avoid adverse human rights impacts from the involvement of private actors in healthcare, including health PPPs, on the right to health.\textsuperscript{77} CSOs have been pioneering such a human rights impact assessment framework for private actors in health services.\textsuperscript{78} As a public development bank, the institution should account for potential adverse impacts on socio-economic inequalities, including gender inequality and human rights to ensure that its operations are in line with its development mandate.\textsuperscript{79} However, as discussed earlier some of CPSD recommendations risk having adverse effects on accessibility and affordability, undermining the universal right to health in particular for vulnerable groups. CPSD recommendations eventually find their way into grant and lending programmes of the World Bank. As such, international aid and national budgetary resources risk being directed towards initiatives that can have adverse equity impacts, such as private health insurance and health tourism. In this way, scarce concessional resources could be diverted to serve an investor agenda which is not necessarily aligned to the public health agenda. CSOs have called for improved ODA to assist countries to progressively achieve full realisation of the right to health.\textsuperscript{80} Connected to this, policy choices of both national governments and donors are directed towards private health care models, which are universally recommended by CPSDs, notwithstanding widely differing country contexts and health needs.
Conclusion

Since the adoption of the MFD approach, the WBG has been systematically pushing to leverage private finance by creating investment opportunities for private investors. The MFD approach privileges private sector solutions and is likely to dominate World Bank discourse and policy for years to come. This approach also aligns with the IFC-mandate focused on creating markets.

Diagnostic tools, including CPSD, play a critical role in informing and implementing the WBG’s MFD agenda. CPSDs were developed jointly by the IFC and the World Bank. They are particularly influential in that they intervene early in the policy planning cycle and are likely to increasingly shape WBG’s country engagement and financial operations. Therefore, the strategic direction and priorities put forward in these diagnostics are not merely suggestions, rather they exert significant influence on partner countries. Indeed, recommendations and findings from the earliest CPSD have been translated into WBG loans and grants, which turns them into a directive. In this way, the WBG is extending its influence on the design of the economy and public service provision in developing countries.

CPSDs serve to identify market opportunities and policy reforms to support market creation. More specifically, CPSDs typically aim to increase the role of the private sector in the economy by calling for an enabling business climate, liberalisation and commercialisation of public services. This steers financing decisions both at the national and World Bank-level in support of the projects and policies that create markets, hence squeezing the policy space for alternative policies such as rights-based public development policies based on fighting inequalities.

CPSDs advance policy recommendations, which in theory can be applied across different country settings. However, this method fails to recognise specific local contexts or the recommendations based on wide stakeholder consultations, including representatives of local communities. Such an approach risks undermining democratic ownership of development policies – one of the key principles of development effectiveness.

The World Bank’s CPSD potentially leads to an increased promotion of private health and education systems in partner countries – a form of influence that has raised concerns among CSOs, academics and some policymakers. As this review has shown, CPSDs typically include similar reforms in health and education across developing countries: regulatory reforms tailored to the private sector, active pursuit of PPPs and government support for private providers. At the same time, publicly funded and delivered services are relegated to the background.

Private service provision can put poverty eradication, and the human rights to health and education, at risk. Rights-based approaches to health and education emphasise universal and equitable access to healthcare and education through national health systems and expanding quality public schooling. These models address social inequality and exclusion as well as being key for the realisation of women’s rights.

In contrast, the profit-driven nature of market-based approaches, including PPPs tends to benefit wealthier segments of the population. Evidence brought forward by CSOs and academics has highlighted cases where private health care and schooling have been too expensive and inadequate to respond to urgent health and education needs of the poor. In this way, private healthcare and education can result in increasingly fragmented public services. This carries the risk of widening the urban-rural divide in service provision, and exacerbating socio-economic inequalities leading to poor health and education outcomes. Without adequate safeguards in place to ensure that adequate healthcare and quality education is provided to the poor, the approach risks diverting crucial resources away from development interventions without proven positive impact on poverty reduction.

The WBG is promoting private service provision and PPPs despite the lack of a robust methodology and assessment for the private versus the public option in terms of gender-sensitive development impact and poverty reduction. Instead, as a development bank, the WBG should work with countries to deliver on their obligation to provide free quality education and universal access to health, prioritising public sector approaches.

The WBG defends the emphasis of CPSDs on catalysing greater private investment on the grounds that this will lead to better development outcomes. However, CPSDs do not include systematic and robust gender-sensitive and human rights-based development impact assessments to substantiate this claim. In the absence of such proven poverty impact, and in the presence of well-documented risks, scaling up the MFD based partly on the findings of CPSDs is risky policy-making. As a development bank, the WBG should tailor its interventions to the poorest and apply a needs and rights-based approach rather than creating markets that improve services for wealthier populations.

The content and direction of CPSDs is closely aligned with the IFC mandate which is focused on creating markets. Yet through the CPSDs, a private sector approach and an “investor perspective” to development is mainstreamed across all WBG interventions – beyond purely IFC investments. This paper has found little justification for why the WBG – a public development bank – should favour a private sector perspective, which defends particular private interests, over a public development perspective that should be centred on fighting inequalities, ensuring human development, environmental sustainability and democratic ownership of development policies.
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<tr>
<th>Country</th>
<th>Priority Sectors</th>
<th>Constraints</th>
<th>Key recommendations/reforms</th>
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<tbody>
<tr>
<td>Ghana</td>
<td>• Energy</td>
<td>• Demand (market size)</td>
<td>• Trade facilitation (customs reform)</td>
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<td>• Information and Communications Technology (ICT)</td>
<td>• Macroeconomic instability</td>
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<td>• Transport</td>
<td>• Poor infrastructure (energy and transport) and land</td>
<td>• Business environment (PPP law, company legislation, property registration, contract enforcement and one stop shops)</td>
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<td>• Education</td>
<td>• Lack of managerial and entrepreneurial skills</td>
<td>• Agriculture liberalising seed industry &amp; opening rural land markets</td>
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<tr>
<td></td>
<td>• Agribusiness</td>
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<td>• Promotion of commercial education</td>
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<td>• Health</td>
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<td>• Investment and competition promotion in ICT infrastructure</td>
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<td>• Access to finance for small and medium-sized enterprises (SMEs)</td>
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<td>Kazakhstan</td>
<td>• Agribusiness (wheat and livestock)</td>
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<td>• Trade logistics and facilitation</td>
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<td>• Transport</td>
<td>• Barriers to trade</td>
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<td>• Logistics</td>
<td>• Market structure (few players (wheat) or too many small-scale producers (livestock))</td>
<td>• Competition policy</td>
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<td>• Weak export performance</td>
<td>• State Owned Enterprise (SOE) reform</td>
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<td>Nepal</td>
<td>• Tourism</td>
<td>• Institutions</td>
<td>• Simplify business law, a single window for investors, a platform dialogue between the government and private sector, and improve public governance</td>
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<td></td>
<td>• Agribusiness</td>
<td>• Infrastructure (road, electricity and access to land)</td>
<td>• Infrastructure (energy and transport): promotion of PPPs (enact law, develop pipeline and contingent liabilities)</td>
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<td></td>
<td>• Education</td>
<td>• Technical and managerial skills</td>
<td>• IT infrastructure: promote market entry and competition</td>
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<td></td>
<td>• ICT</td>
<td>• Access to finance</td>
<td>• Enhance access to finance</td>
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<td></td>
<td></td>
<td>• Excessive regulation for foreign investors</td>
<td>• Improve (land allocation (land reform, land acquisition policy, industrial parks))</td>
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<td></td>
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<td></td>
<td>• Remove constraints to Foreign Direct Investment (FDI)</td>
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<td>• Commercial education</td>
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<td></td>
<td></td>
<td></td>
<td>• Extension services for businesses</td>
</tr>
<tr>
<td>Angola</td>
<td>• ICT</td>
<td>• Macroeconomic instability</td>
<td>• Fiscal and monetary reforms</td>
</tr>
<tr>
<td></td>
<td>• Electricity</td>
<td>• Weak investment climate &amp; regulatory reforms</td>
<td>• Promote international trade (trade policy)</td>
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<tr>
<td></td>
<td>• Transport</td>
<td>• Access to energy</td>
<td>• Business climate (Along the lines of the Doing Business Report), competition law, investment laws</td>
</tr>
<tr>
<td></td>
<td>• Finance</td>
<td>• Infrastructure</td>
<td>• Land reforms (land lease to agribusiness investors) &amp; transfer of agriculture assets (farms, infrastructure) to private ownership or management</td>
</tr>
<tr>
<td></td>
<td>• Health</td>
<td>• Underdeveloped digital infrastructure</td>
<td>• Pursue SOE reform/privatisation/PPP in priority sectors/companies (energy, transport, ICT, education, health/water)</td>
</tr>
<tr>
<td></td>
<td>• Education</td>
<td>• Access to finance</td>
<td>• Energy tariff reforms</td>
</tr>
<tr>
<td></td>
<td>• Agribusiness</td>
<td>• Untapped agriculture potential</td>
<td>• Lease public property assets (urban estates, agricultural land)</td>
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<td></td>
<td></td>
<td>• Skills shortage education, Access to health</td>
<td>• Access to finance (less state presence)</td>
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<td></td>
<td></td>
<td>• Access to clean water</td>
<td>• ICT, e-health solutions, more investment, improve regulatory environment (licensing, import export costs), access to pharmaceuticals</td>
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<td></td>
<td></td>
<td>• Poorly managed, underperforming public assets; poorly targeted spatial</td>
<td>• Commercial education</td>
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<tr>
<td></td>
<td></td>
<td>development initiatives</td>
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</tr>
<tr>
<td>Ethiopia</td>
<td>• Logistics</td>
<td>• Restrictive business environment</td>
<td>• Promote investment and competition in key enabling sectors (energy tariffs)</td>
</tr>
<tr>
<td></td>
<td>• Telecoms</td>
<td>• Regulatory impediment to foreign exchange</td>
<td>• Introduce regulatory reforms to improve business climate, competition (level playing fields SOE and private sector)</td>
</tr>
<tr>
<td></td>
<td>• Finance, and energy (enabling)</td>
<td>• Access to finance for SMEs and large companies, and women entrepreneurs</td>
<td>• investment and trade (including World Trade Organisation accession and review of import tariffs)</td>
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<tr>
<td></td>
<td>• Transport</td>
<td>• Restrictive trade policies</td>
<td>• Land policy (increase rented land)</td>
</tr>
<tr>
<td></td>
<td>• Health and education</td>
<td>• Lack of pro-competitive policies to level playing field between public and private actors</td>
<td>• Labour law reform</td>
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<td></td>
<td></td>
<td>• Shortage of labour skills (building industrial workforce)</td>
<td>• Improve access to finance – review of foreign exchange regulations and interest caps on FDI</td>
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<td></td>
<td></td>
<td>• Lack of capacity and coordination in government to support the private sector</td>
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</tbody>
</table>
### Rwanda
- **Agribusiness**
- **Affordable housing (tourism)**

- **Issues**
  - Agribusiness: land holding dominated by small holder farmers, poor water management, poor access to commercial and financial markets
  - Logistics, agricultural inputs, postproduction facilities, transport, electricity, farming techniques
  - Affordable housing: high construction costs (materials, infrastructure and value added tax and import taxes)
- **Solutions**
  - Improve access to land for investment
  - Facilitate access to markets and finance
  - Improve water management, logistics, agricultural inputs, skills, transport, electricity, postproduction facilities
  - Reduce housing construction costs (import taxes and Value-Added Tax (VAT) reforms)
  - Modify housing standards
  - Skills development

### Kenya
- **Finance and Insurance Energy Transport**
- **ICT**
- **Health**
- **Agribusiness**
- **Affordable housing**
- **Manufacturing**

- **Issues**
  - Enhancing the business environment (Doing Business Report (DBR))
  - Strengthening competition policy and removing barriers to market entry
  - Linking formal and informal sectors
- **Solutions**
  - ICT competitive markets
  - PPPs transport and energy (including market reform)
  - Health, ICT, health solutions, reform national hospital insurance, investment in pharmaceuticals, sector improve training for health professionals.
  - Finance Insurance: market reforms (new instruments to strengthen institutional investors and modernise supervisions)
  - Cross-cutting: improve business environment, competition policy and eliminate barriers to formalisation
  - Agribusiness: export promotion, infrastructure, extension services, and ‘good’ farming practices
  - Housing: urban planning, land availability, refining PPP-framework, improve business environment and eliminate barriers

### Burkina Faso
- **Infrastructure** (energy transport, logistics, professional competence)
- **ICT**
- **mining value chains, agriculture, regional integration**

- **Issues**
  - Macroeconomic management, Government and business climate
  - Access to finance
- **Solutions**
  - Infrastructure (transport energy and professional skills)
  - Private sector solutions (PPPs for transport and skills development)
  - Agriculture: diversification, improvement in investment in climate, including access to land, skills development, improvement of standards and certification, infrastructure (PPPs, storage facilities), improve water management and ICT infrastructure
  - Support catalytic sectors: mining and ICT to alleviate bottlenecks (ICT and energy infrastructure)
  - ICT improve competition, infrastructure (PPP) and skills development
  - Mining: promote linkages between mining sector and agri-food sector, and strengthen infrastructure
  - Regional integration: support regional trade and enhance business environment. Improve customs and trade regime
  - Harmonise regional trade agreements and national legislations
  - Develop regional capital markets
## Annex II: CPSD policy recommendations in health and education

<table>
<thead>
<tr>
<th>Country</th>
<th>Education</th>
<th>Health</th>
</tr>
</thead>
</table>
| **Ghana** | 1. Regulatory reforms  
- Formalise unregistered schools  
- Relax affiliation policies for private universities – give university colleges full degree awarding authority like public universities  
- Relax regulations on private college education so that graduates can be placed in public schools  
- Define regulations for distance education  
- Level playing field between public and private institutions  
2. Official Support  
- Secondary education: government to support (i) independent private schools; (ii) government-funded private schools; (iii) privately managed schools; and (iv) voucher schools  
- Increase budget allocations to Technical and Vocational Education and Training (TVET) sector and partner with corporations to improve quality and curriculum  
- Encourage increased investment in low-fee primary and secondary schools  
- Support establishment of new private universities  
- Improve availability of finance for private institutions from the International Finance Corporation (IFC)  
3. PPP  
- Promotion of PPPs in education  
- Improve financing options for higher education students – student loans from private providers and voucher schools  
- Expanding reach through vouchers | 1. Regulatory reforms  
- Formal recognition of private sector in national health system  
- Reforms to licences and certification  
2. Official support  
- Promote regional health tourism  
- Promote Information and Communications Technology (ICT) applications in health to improve access to services and insurance  
- Attract investment of venture capitalists and large pharmaceutical companies and hospitals |
| **Kazakhstan** | Not direct recommendations but government willing to support/ encourage privatisations, PPPs and shows support for private investment |  |
| **Nepal** | 1. Regulatory reforms  
- Develop framework to increase operational autonomy of private colleges and enable market-based decision-making  
- Speed-up course approval procedures for private colleges and courses, including TVET  
- Improve regulation on quality standards  
- Improve market entry for private colleges – relax affiliation guidelines of colleges to universities and licensing requirements of foreign colleges  
2. Official Support  
- Look at TVET and tertiary education to enhance market relevant skills | 1. Regulatory reforms  
- Simplify regulation  
- Improve quality of care systems and policies  
- Improve private sector involvement in public sector healthcare facilities  
- Increase institutional capacity to contract the private sector  
- Develop financial instruments  
2. Official support  
- Incentivise the expansion of private providers into underserved areas.  
- Increase private facilities in the national health insurance programme  
3. PPP  
- Improve dialogue between public and private actors to promote PPPs in areas such as pharmaceuticals  |
| **Ethiopia** | 1. Regulatory reforms  
- Level playing field between public and private actors - accreditation  
- More data collection on the education sector  
- More equity in subsidies for education, less regressive  
2. PPPs | 1. Regulatory reforms  
- Policy and regulatory reforms to enhance private sector participation: streamline bureaucratic procedures tariff reduction and eliminating Non-Tariff Barrier  
- Access to raw materials and improvement of quality standards to support development of pharmaceutical sector  
2. PPPs  
- Expand PPPs through establishing PPP-unit, PPP guidelines operating procedures and tools, PPP legal framework, especially in secondary and tertiary health services. Hospitals, social marketing, non-clinical services and provision of other health services.  |
| **Angola** | 1. Official support  
- Vocational training by private sector to match market demand  
- Government incentives can be used for relief of import tariffs on school books  
- Private general education for middle class for unmet demand  
- Teacher training by private sector to close supply shortage  
2. PPPs  
- Pursue SOE reform  
- Encourage privatisation and PPP in priority sectors, companies in fields such as energy, transport, ICT, education, health/water.  
- Partnership between financial sector and education providers for payment plans (student loans) | 1. Regulatory reforms  
- Relax regulatory environment with reference to licensing, import and export costs  
2. Official support  
- Health and medical training for professionals  
- Increase government investment in health  
3. PPP  
- Pursue SOE reform  
- Privatisation and PPP in priority sectors, companies in fields such as energy, transport, ICT, education, health/water  
- Expand financial products and pharmaceuticals  |
| **Rwanda** | Linked to improving training for key sectors: increase access to financing options for tertiary education |  |

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**Note:** The recommendations are for illustrative purposes only and are not intended to be exhaustive or definitive. They are based on the context and priorities outlined by the Central Policy and Strategy Division (CPSD) of the respective countries.
<table>
<thead>
<tr>
<th>Kenya</th>
<th>1. Regulatory reforms</th>
<th>2. Official Support</th>
<th>3. PPPs</th>
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<tbody>
<tr>
<td></td>
<td>• Relax cumbersome regulations</td>
<td>• Expand E-health solutions</td>
<td>• Prospects for PPPs are favourable in equipment supply, e-health, training and education, health insurance, and the establishment of new private hospitals, medical devices and supply chain management as well as health financing (health insurance).</td>
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<tr>
<td></td>
<td>• National Hospital Insurance Fund reform (policy, governance and efficiency)</td>
<td>• Support Investment in pharmaceutical sector</td>
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<td></td>
<td>• Reform national health insurance fund, introducing private health insurance</td>
<td>• Incentive training among private health care providers</td>
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<tr>
<td>Burkina Faso</td>
<td>1. Digital innovation</td>
<td>2. PPPs</td>
<td>Official support</td>
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<td></td>
<td>• Support the promotion of digital education with the creation of e-learning modules</td>
<td>• Private sector solutions to address gap in technical skills, with PPP-schemes as a solution</td>
<td>• Support the promotion of e-health solutions</td>
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Eurodad

The European Network on Debt and Development (Eurodad) is a network of 50 civil society organisations (CSOs) from 20 European countries, which works for transformative yet specific changes to global and European policies, institutions, rules and structures to ensure a democratically controlled, environmentally sustainable financial and economic system that works to eradicate poverty and ensure human rights for all.