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THE WORLD BANK

Washington, D.C.

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30489875

R2002-036 Other #: 51 Box #: 186501B

President Wolfensohn - Briefing Book for President's Meetings - Meeting Material
Ambassador Andrew Young - March 19, 1998

Meeting: Ambassador Andrew Young

Thursday, March 19, 1998

2:30 - 3:00 p.m.

Meeting Room (MC12-755)

Archive Management for the President's Office

Document Log

Reference # : Archive-02102

Edit

Print

A. CLASSIFICATION

☒ Meeting Material
☐ Trips
☐ Speeches

☐ Annual Meetings
☐ Corporate Management
☐ Communications with Staff

☐ Phone Logs
☐ Calendar
☐ Press Clippings/Photos

☐ JDW Transcripts
☐ Social Events
☐ Other

B. SUBJECT: MEETING: AMBASSADOR ANDREW YOUNG (B) (Confirmed)
VENUE: MC 12-755 (MEETING ROOM) TIME: 2:30 - 3:00 P.M. AGENDA: FAX
BEING SENT BY YOUNG'S OFFICE // CONTACT: MAGGIE WOMACK @
404-527-8460 / FAX: 404-527-3827 // IN ATTENDANCE: JDW, MADAVO,
CALARI (IFC), MWACHOFI, LUIGI. EXTERNAL ATTENDEES: AMBASSADOR
ANDREW YOUNG, MR. CARLTON MASTERS, MR. OLIVER LOGAN IDE, MR.
BRIAN OLISAV (ADDED 3/19 - AT SECURITY DESK) NOTE: (2/19) JDW
AGREED TO THIS // ITEM CONFIRMED BY FAX // (B) LP TO FOLLOW UP ON
APPROPRIATE BRIEFING (EMAIL SENT 2/19) WHEN YOUNG'S OFFICE GETS
BACK TO US / LP ADVISED MWACHOFI/MADAVO TO PREPARE BRIEFING //
DUE FRIDAY, MARCH 13 // EXC: JDW // ALI (2/19) / (3/6)

Brief includes:

---Meeting brief
---Bios of Ambassador Andrew Young and Mr. Carlton A. Masters
---Country brief: Angola
---IFC brief

DATE: 03/19/98

C. VPU

Corporate

☐ CTR
☐ EXT
☐ LEG
☐ MPS
☐ OED
☐ SEC/Board
☐ TRE

Regional

☐ AFR
☐ EAP
☐ ECA
☐ LAC
☐ MNA
☐ SAS

Central

☐ CFS
☐ DEC
☐ ESD
☐ FPD
☐ FPR
☐ HRO

Affiliates

☐ GEF
☐ ICSID
☐ IFC
☐ Inspection Panel
☐ Kennedy Center
☐ MIGA

D. EXTERNAL PARTNER

☐ IMF
☐ UN
☐ MDB/Other IO
☐ NGO
☐ Private Sector

☐ Part I
☐ Part II
☐ Other

March 18, 1998

Mr. James D. Wolfensohn

**Re: Meeting with Ambassador Andrew Young
GoodWorks International
March 19, 1998
2:30 p.m.**

In addition to the brief prepared by the Bank (Africa Department), IFC has submitted the attached brief on IFC activities in Africa. It is the same brief you were given for your meeting with Ms. Susan Rice, U.S. Assistant Secretary of State for Africa on March 13, 1998.


Mwaghazi Mwachofi

Attachment



Record Removal Notice

File Title President Wolfensohn - Briefing Book for President's Meetings and Events - Ambassador Andrew Young - March 19, 1998		Barcode No. 30489875		
Document Date March 10, 1998	Document Type Briefing Note			
Correspondents / Participants Udy Wagle				
Subject / Title [IFC activities in Africa]				
Exception(s) Information Provided by Member Countries or Third Parties in Confidence				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by K. Brenner-Delp</td><td>Date July 22, 2025</td></tr></table>	Withdrawn by K. Brenner-Delp	Date July 22, 2025
Withdrawn by K. Brenner-Delp	Date July 22, 2025			

MEETING WITH AMBASSADOR ANDREW YOUNG

THURSDAY, MARCH 19, 2.30-3.00 P.M.; MC12-755

BRIEFING FOR MR. JAMES D. WOLFENSOHN

Meeting participants: Ambassador Andrew Young and Mr. Carlton Masters (GoodWorks International); Callisto Madavo (AFVRP); Cesare Caliri (IFC); Mwaghazi Mwachofi and Luigi Passamonti (EXC).

Personal information:

- Ambassador Young has considerable prestige in Africa, in particular in the Southern Africa Region. As the US Ambassador to the UN (1977-79), he was helpful in the negotiations leading to the creation of Zimbabwe and Namibia. In 1995, he was appointed Chairman of the Southern African Enterprise Development Fund. On a more personal note: he has helped provide educational opportunities for a number of kids from the region.

GoodWorks International.

- Ambassador Young will brief you on his firm. GoodWorks International was created in 1996 as a partnership between Hamilton Jordan, Carlton Masters and Andrew Young.
- Goal: promote economic development and poverty reduction.
- Method: use the partners' knowledge and relationships in the US and emerging markets to facilitate interaction between business and government. Give strategic advice to US firms. Put good teams together for specific projects.

Bank's strategy for Africa.

- Ambassador Young may want to know more about the Bank's strategy for Africa.
- *Suggested response.* Bank is optimistic about Africa. In general, we will increase support to countries that have sound policies and good leadership. Consensus around private-sector led strategy.
 - Good economic growth: 4.5% in 1996 and 1997.
 - Kampala Leaders' Forum. Good indication of new leadership--no nonsense, pragmatic. Dakar Leaders' Forum: June 21, 1998. About 25 leaders from West and Central Africa (plus Madagascar).

- We've put together a briefing book for Ambassador Young with an overview of the Bank Group in Africa, basic facts and figures, some speeches, some selected briefs, and a draft of the Bank Group's strategy for private sector development in Africa.

Infrastructure Investment Project in Angola.

Andrew Young may solicit your views on his firm's engagement in Angola to

- improve regulatory, legal and financial framework; and
- put together a public-private partnership to redevelop the port of Cabinda.
- ***Suggested response.*** Political and economic situation in Angola remains risky. But given enormous potential, high risk investments may be reap large benefits.
 - *Politics.* Slow progress to peace, animosities continue to run high, Savimbi has repeatedly reneged on his end of the bargain. The latest "new" deadline: March 31. You may wish to ask Ambassador Young to work behind the scenes to move the peace process along. (There are still some remnants of "Cold War" thinking among certain conservative US groups.)
 - *Economy.* Unstable macro environment, governance problems, corruption.
- **Improve regulatory, legal and financial framework.**
 - Andrew Young's interest in assisting the Government to establish a better regulatory, legal and financial framework is most welcome.
 - To our knowledge, U.S. has been requested to provide input on foreign investment legislation. Bank and other donors have been supporting various facets of legal reform and it would be important to compare notes.
 - You may wish to suggest follow up with the Country Director, Barbara Kafka.
- **Port of Cabinda and Futila Industrial Park.**
 - Governor of Cabinda Province has shown interest in expanding the port.
 - Bank has done an industrial estate feasibility study for the Futila Industrial Park. The study was prepared under the Bank's Oil and Gas Division "Africa Gas Initiative"--trust fund financed, active in 7 countries in the Gulf of Guinea area. The initiative aims to reduce the flaring of natural gas (the gas is a by-product of oil production), extracting LPGs from the gas and using the gas for power generation.
 - We're now doing the pre-engineering design and the environmental impact assessment.
 - The industries would be using the off-shore gas as their energy input. Park would generate about 10,000 jobs.
 - But one of the necessary conditions for an estate of the size provided for in feasibility study is to redo the port of Cabinda.
 - Suggest to set up a technical meeting between GoodWorks and Bank technical staff to discuss (Barbara Kafka, Country Director, will organize; x39488)

- **Public Private Partnership**

- Mr. Young may be interested to know that Bank is working on a LIL proposal (\$5 m from the Bank, \$5 m from the Government and \$10 m from the private sector) for a public private partnership to form a development corporation which will execute small urban infrastructure projects, training of skilled workers and local entrepreneurs, and capacity-building;
- Cabinda is likely to be one of the first provinces of Angola involved, with oil companies key private sector contributors.
- On April 8, there will be lunch-meeting at the Bank to discuss the proposal. Attending from the private sector, at the invitation of Percy Wilson (VP Coca Cola and President of the US Corporate Council for Africa) and a number of CEOs from interested companies. Invited from the Bank's side: Callisto Madavo, Jean-Francois Rischard and others. Peter Watson (our Infrastructure Director for Africa) will give a presentation on the proposal. You may wish to extend an invitation to Andrew Young to attend.
- You may also wish to ask Andrew Young to use his good offices to urge the US oil companies to support this type of program, which would demonstrate their commitment to Angola's development "outside of the enclave".

Economic Advisement Engagements.

Andrew Young is interested in bridging the gaps in the triangle between governments, capital markets and institutions like the World Bank. He is concerned about the "trade not aid" movement and the tendency for donors to push too hard in tying financial aid and trade incentives to fiscal responsibility. He may solicit your views on these issues.

Suggested response.

- Environment for aid is tough. Tax payers are demanding value for their money. They want to know whether aid has worked or not. Our research shows that aid is indeed wasted in countries that do not pursue sound economic policies, which include fiscal prudence and opening up your economy.
- But aid does indeed work in countries that have good policies. There, aid creates the type of human and physical capital that private investment is attracted to. So it's "aid in support of trade".

Relationship between the Bank and the Churches

- Andrew Young may also mention another need for "bridging the gap": between the Bank and the Churches, in particular in relation to the debt issue.
- ***Suggested response:*** You may wish to solicit his services in support of HIPC with the various Church groups.



March 4, 1998

Mr. James D. Wolfensohn
President
World Bank Group
1818 H St., NW
Washington, DC 20433

Dear Mr. Wolfenson:

I look forward to seeing you on March 19, and I wanted to drop you this brief note to summarize what we hope to accomplish in our meeting.

As you know, I have a long-held interest in contributing to the sustained economic development of countries in Africa and the Caribbean. In 1996 I formed a company, GoodWorks International, LLC, with my partners, Hamilton Jordan and Carl Masters that provides us with a private sector vehicle for working towards this goal. Because we hope that the work of our company will contribute in some way towards achieving the goals of economic development and poverty reduction in the developing markets that are shared by the World Bank, I welcome this chance to have a discussion with you.

If I could propose an agenda describing what we would like to cover in the meeting, it would be as follows:

GoodWorks International

- 1) Give a brief general background of GoodWorks and its principals;
- 2) Explain our goal of being an active participant in the continuing economic development of the countries of Africa and the Caribbean through private sector investment;
- 3) Describe how we provide value: by using our knowledge and relationships in government and business in both the United States and the emerging markets to identify the specific expertise needed for a given project and to facilitate the interactions between business and government;
- 4) Explain our two primary types of engagements: (i) providing strategic advisory services to U.S. corporations engaged in the emerging markets, (ii) building project teams to develop or provide services to specific projects;

March 4, 1998

World Bank - GoodWorks Interaction

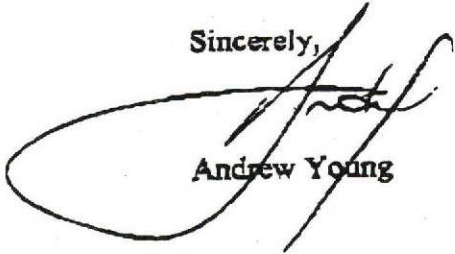
We would like to engage you in a dialogue concerning the ways in which our two organizations could interact in the future to the benefit of both. Clearly, we would like to expand our understanding of the World Bank's initiatives and strategy for Africa and the Caribbean. Further, we would like to create a working relationship with the appropriate staff people for those areas within the IBRD, IDA, IFC, and MIGA. The specific ways that we presently envision interacting with the World Bank are:

- Infrastructure Investment Projects: An illustrative example of the types of projects we are increasingly involved in would be an initiative to create a regulatory, legal, and financial framework for the development of maritime ports in Angola.
- Economic Advisement Engagements: Just as much of our business consists of bridging the gap between businesses and governments, we find that these same gaps exist between governments and the capital markets and the associated financial and monetary institutions. We plan to expand our services to facilitate more efficient and effective interaction between these organizations as well.

Beyond those items, we would like to touch on some other areas, such as the involvement of churches with the World Bank as well as debt forgiveness and creative approaches to that issue.

If I can provide you any further information in advance of our meeting, please let me know. I have also attached some general information concerning GoodWorks International and will look forward to seeing you on March 13th.

Sincerely,


Andrew Young

Andrew Young:
Bio

Andrew Young

Ambassador Andrew Young is Co-Chairman of GoodWorks International, a specialty consulting group based in Atlanta, Georgia that provides strategic services to corporations and governments operating in the global economy. He serves as a member of the Board of Directors of numerous businesses and organizations, including Delta Airlines, Argus, Host Marriott Corporation, Archer Daniels Midland, Cox Communications and Thomas Nelson Publishing.

In 1994, President Bill Clinton appointed him Chairman of the Southern Africa Enterprise Development Fund, a US\$100 million privately managed Fund to provide equity to businesses in 11 countries in southern Africa.

He lives in Atlanta with his wife, Carolyn. He is the father of four children.



Ambassador Young has published two books, *A Way Out of No Way* (Thomas Nelson Publishing) and *An Easy Burden* (Harper Collins). His awards include the Presidential Medal of Freedom, Legion d'Honneur and more than 45 honorary degrees from such Universities as Yale, Notre Dame, Emory and the University of Georgia.

Ambassador Andrew Young is an ordained minister, international businessman, sports enthusiast, human rights activist, published author and former public servant. He was elected to three terms in the United States House of Representatives from the Fifth Congressional District of Georgia; and, in 1977, President Jimmy Carter named him Ambassador to the United Nations. He served two terms as Mayor of Atlanta and was Co-Chairman of the Centennial Olympic Games in 1996.

Ambassador Young was a top aide to Dr. Martin Luther King, Jr. during the civil rights movement, was involved in its inception and served as Vice President of the Southern Christian Leadership Conference. He presently serves on the Board of the Dr. Martin Luther King, Jr. Center for Non-Violent Social Change.

Significant Events in Andrew Young's life and the civil rights movement:

March 1932 - Born to Andrew Young, a dentist, and Daisy Fuller Young, a former schoolteacher, in New Orleans.

June 1951 - Graduates from Howard University and begins the study of ministry at Hartford Theological Seminary.

June 1952 - Sets up a summer Bible school and recreation program at a small church in Marion, Alabama.

Summer 1952 - Meets his wife Jean Childs for the first time.

May 17, 1954 - the Supreme Court decision in *Brown v. Board of Education* overrules *Plessy v. Ferguson* and the doctrine of "separate but equal."

June 7, 1954 - Marries Jean and returns to Hartford.

January 1955 - Graduates from the Hartford Theological Seminary and returns to Thomasville in the black belt of southwestern Georgia as a pastor in two small Congregational churches.

December 1955 - The Montgomery, Alabama bus boycott--sparked by Rosa Parks, an NAACP activist who refused to give up her seat to a white man.

1955 - In Thomasville, the tremors of *Brown v. Board of Education* have yet to be felt in the town's segregated schools. Southern political leaders shout--in editorials, speeches, proclamations, and by their actions--that they will defy the Supreme Court and never desegregate.

February 1957 - Southern Christian Leadership Council is founded by King after his tremendous success in the Montgomery bus boycott.

May 1957 - The civil rights leadership holds a Prayer Pilgrimage in Washington -- then the largest civil rights demonstration in American history.

July 1957 - Young moves to New York City to work as National Council of Churches associate director in their Youth Department.

Fall 1957 - Southern Christian Leadership Conference (SCLC) is founded by King after his tremendous success in the Montgomery, Alabama boycott. Young goes to Little Rock to meet with the Little Rock Council of Churches shortly after President Eisenhower had sent in troops to enforce the Supreme Court's school desegregation decree.

January 1960 - Ella Baker, an NAACP organizer left SCLC to found the Student Non-Violent Coordinating Committee (SNCC).

January 1961 - NBC airs an hour-long program-- "The Nashville Sit-in Story," about 4 students from AT&T College in Greensboro who sat at a Woolworth's lunch counter, where blacks weren't served. The sit-in movement spread like wildfire and by February sit-ins had been staged by black students across the South.

August 1961 - Young moves to Atlanta to work with King and join the senior staff of SCLC.

Winter 1961 - Albany becomes the major focus of SNCC after a group of students take a bus from Atlanta to Albany and what became known as the Albany Movement began, a spin-off from the Freedom Riders, a small interracial group led by the Congress of Racial Equality (CORE).

May 1963 - Desegregation agreement reached in Birmingham, Young is key negotiator.

June 1963 - President Kennedy sends Civil Rights bill to Congress.

November 22, 1963 - President Kennedy is assassinated in Dallas.

August 1964 - Young and King support efforts of grassroots leader Fannie Lou Hamer and Mississippi Freedom Democratic Party.

Spring 1965 - Young involved in Selma to Montgomery March and dramatization of the need for a Voting Rights Act.

April 4, 1968 - Martin Luther King, Jr. is assassinated on the balcony of a hotel in Memphis.

June 5, 1968 - Robert Kennedy is assassinated in Los Angeles during the Democratic Convention.

June 19, 1968 - the Poor People's Campaign culminated in the Solidarity Day Rally for Jobs, Peace and Freedom. More than fifty thousand people gathered in front of the Lincoln Memorial.

1968-1970 - Young continues to work with the ailing SCLC.

1970 - Young wins the Democratic nomination for Georgia's 5th Congressional District, but is defeated in the general election. He is appointed Chairman of Atlanta's Community Relations Commission.

1972 - Young is elected to Congress representing the Fifth Congressional District of Georgia and serves three terms.

1977 - After campaigning for former Georgia Governor Jimmy Carter in his Presidential bid, Young is appointed to serve as United States Ambassador to the United Nations. Under his leadership the U.S. takes an active role in negotiations for the independence of Namibia and Zimbabwe.

1979 - Young resigns as UN Ambassador.

1981 - Is first elected Mayor of Atlanta.

1985 - Reelected as mayor and under his administration over a million jobs were created, and the Metropolitan region attracted more than \$70 billion dollars in investments and construction.

1990 - Young mounts unsuccessful bid for Governor of Georgia. With Young as co-chair of the Atlanta Organizing Committee, Atlanta is awarded the Centennial Olympic Games.

September 1994 - Jean Childs Young, his wife of 40 years dies of cancer.

1995 - President Clinton appoints Young Chairman of the new Southern African Enterprise Development Fund (SAEDF). This \$100 million fund will help establish small and medium size businesses throughout Southern Africa.

1996 - The Centennial Olympic Games held in Atlanta.

ABOUT GOODWORKS INTERNATIONAL, LLC

Introduction

GoodWorks International, LLC was formed to provide strategic services to corporations and governments operating in the global economy. Our unique professional experiences and extensive relationships throughout the world enable us to work on a high level to create effective solutions to difficult problems and to produce dynamic new opportunities.

What We Do

GoodWorks International focuses on providing clients with value in areas where we have specific expertise. We work extensively in the emerging markets, most notably in Africa and the Caribbean. In those arenas, we facilitate new business relationships by bringing together international corporations, national governments, and local businesses. With our experience and knowledge of the business and political landscape, we can find and create opportunities that might otherwise go unrealized.

Another area of expertise for GoodWorks International is assisting companies who wish to develop and implement strategic positioning plans. In times when organizations find themselves in need of direction—whether it is for a specific project or on a larger scale—we have the ability to map out a destination and the path that leads to it.

Our History

GoodWorks International was formed as a limited liability company in Atlanta, Georgia in 1996. As individuals, the three principals of GoodWorks International could each boast of impressive accomplishments spanning the fields of government, finance, communications, international diplomacy, entrepreneurial endeavors, human rights, and politics. By bringing their varied skills and experiences together, they have created a firm with the range and depth to deliver strong results.

Our Principals

The principals of GoodWorks, Co-Chairmen Andrew Young and Hamilton Jordan, and President and CEO Carl Masters, bring together an extraordinary wealth of expertise in international relations, business, and politics.

In his distinguished career, Andrew Young has held a wide range of leadership positions. He was a top aide to Dr. Martin Luther King, Jr. in the civil rights movement before being elected to three terms as Representative for the Fifth Congressional District of Georgia. In 1977, he was appointed as the United States' Ambassador to the United Nations. Mr. Young then served two terms as Mayor of the City of Atlanta and was a Co-Chairman of the Atlanta Committee for the Olympic Games.

Hamilton Jordan served as White House Chief of Staff during the administration of President Jimmy Carter. In the ensuing years, he has worked as a communications strategist. He specializes in helping businesses and governments to realize their full value by helping them better understand their own strengths and weakness and by developing avenues to exploit hidden potential.

Carl Masters is an international banker and entrepreneur. He understands and frequently works with the international investing community. Also, he has facilitated entrepreneurial projects throughout Africa and the Caribbean.

How We Work

GoodWorks is a small firm that carefully selects our engagements and clients. We provide personal attention and hands-on management in each case. Our work is done professionally, ethically, and confidentially.

Our name also suggests another facet to the way we work. All of our principals have backgrounds in human rights and public service. In approaching our business opportunities, we try to find ways in which by serving our clients we can also work towards a greater good.



CARLTON A. MASTERS

SUMMARY

Carl Masters is President and CEO of GoodWorks International, LLC. The other principals of GoodWorks are the Honorable Andrew Young and Hamilton Jordan. Andrew Young, an aide to Dr. Martin Luther King, Jr., was also U.S. Ambassador to the United Nations, Mayor of the City of Atlanta and Member of Congress. Hamilton Jordan was Chief of Staff to the White House for President Jimmy Carter. GoodWorks International is a for-profit consulting firm based in Atlanta, Georgia, providing business development services to emerging nations. Carl Masters has over 17 years experience in senior management of a major international bank. He was responsible for product management, electronic banking, after sales services and staff supervision. Mr. Masters is a United States citizen. He has homes in Atlanta and Florida where he lives with his wife, Berjuhi, two sons and a daughter.

INTERNATIONAL COMMUNITY SERVICE

Carl Masters is actively involved with the economic development of Africa and the Caribbean. He works with the Corporate Council on Africa, Africare and National Summit on Africa. He has headed missions to southern and western Africa and worked recently on a trade mission to Angola.

PROFESSIONAL EXPERIENCE

Trillium International Inc.

President & CEO.

Owner of a high level financial services and consulting company that provides financial and investment advice, sourcing of funds for international trade and capital projects and international agency procurement for an exclusive public and private clientele. Developed joint venture partnerships between US and African companies including Airlines, Food Processing, Farming, Telecommunication and Construction, with a product range from \$2 million to \$20 million.

Province of Ontario, Canada

Agent General to the United States and Deputy Minister.

Oversaw Ontario's interests in the U.S., promoting closer relations between the Province and U.S. corporate, financial and governmental organizations. Instituted the first live broadcast of the Ontario budget to the New York financial community, creating a favorable impression of the Province's fiscal management.

Bank of Montreal, Toronto Canada*Vice President, Corporate Electronic Banking Services*

Responsible for the Bank's electronic payment products. Developed an enhanced payroll product to address the customer's needs resulting in the reacquisition of a number of key clients. Guided the transition of the wire payments product

*Vice President International Operations***EDUCATION**

- Atkinson college, York University, Canada
- McMaster University, Canada
- Queens University, Canada
- Pace University, New York
- University of Miami, Miami
- St. Mary's College, Jamaica
- St. Paul's Catholic Church, Jamaica

Angola - IBRD/IDA Lending Program

Category	Past		Current		Planned ^a		
	1995	1996	1997	1998	1999	2000	2001
Commitments (US\$m)	0.0	24.0	0.0	5.0	111.0	165.0	80.0
Sector (%) ^b							
Agriculture	0.0	0.0	0.0	0.0	0.0	24.2	0.0
Education	0.0	0.0	0.0	0.0	0.0	0.0	37.5
Public Sector Mgmt.	0.0	0.0	0.0	0.0	2.7	9.1	0.0
Soc Protection, etc.	0.0	100.0	0.0	100.0	0.0	36.4	0.0
Transportation	0.0	0.0	0.0	0.0	0.0	0.0	62.5
Urban Development	0.0	0.0	0.0	0.0	0.0	30.3	0.0
Water Supply & Sanitn	0.0	0.0	0.0	0.0	97.3	0.0	0.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Lending instrument (%)							
Adjustment loans ^c	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Specific investment loans and others	0.0	100.0	0.0	100.0	100.0	100.0	100.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Disbursements (US\$m)							
Adjustment loans ^c	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Specific investment loans and others	33.9	37.4	32.3	17.0	14.0	7.6	1.9
Repayments (US\$m)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest (US\$m)	.3	.4	.7	.7	0.0	0.0	0.0

^a Ranges that reflect the base-case (i.e., most likely) Scenario. for IDA countries, planned commitments are not presented by FY but as a three-year-total range; the figures are shown in brackets. A footnote indicates if the pattern of IDA lending has unusual characteristics (e.g., a high degree of frontloading, backloading, or lumpiness). For blend countries, planned IBRD and IDA commitments are presented for each year as a combined total.

^b For future lending, rounded to the nearest 0 or 5%. To convey the thrust of country strategy more clearly, staff may aggregate sectors.

^c Structural adjustment loans, sector adjustment loans, and debt service reduction loans.

Note:

Disbursement data is updated at the end of the first week of the month.

Angola - IFC and MIGA Program, FY95-98

Category	Past			
	1995	1996	1997	1998
IFC approvals (US\$m) ^a	0.00	0.00	6.58	0.00
Sector (%)				
	0.00	0.00	0.00	0.00
Cement & Construction	0.00	0.00	100.00	0.00
TOTAL	100.00	100.00	100.00	100.00
Investment instrument (%)				
Loans	0.00	0.00	88.00	0.00
Equity	0.00	0.00	12.00	0.00
Quasi-Equity ^b	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00
TOTAL	100.00	100.00	100.00	100.00
MIGA guarantees (US\$m)	0.00	0.00	0.00	0.00
MIGA commitments (US\$m)	0.00	0.00	0.00	0.00

^aExcludes AEF projects.

^bIncludes quasi-equity types of both loan and equity instruments.

- ~~good~~ Africa on move

- economy
- participation
- leadership

- fragility / challenge

- civil strife
- poverty / exclusion
- growth has to accelerate
- growth / quality

- Consensus on way forward

- private sector

- macro
- rural
- human develop / capacity etc
- link to global economy - trade

- Debt ^{for investment} ~~over~~ ^{conflict} issue

- other : knowledge
partnerships
Governance

The World Bank Group in Africa:

An Overview

In 1996 economic growth for Sub-Saharan Africa was estimated at around 5% compared to 3.8% in 1995 and 2.6% in 1994. Thirty-seven (out of a total of 48) economies grew faster than their population in 1996. Africa's economic performance is improving, but the encouraging economic opening should be seen in the context of a continent with population growth of nearly 3% per year and with 45% of the population of 580 million people living below \$1 per day. The challenge is to achieve sustainable -- and broad-based -- economic growth of over 6% if poverty is to be reduced significantly.

I. Stimulating growth in Africa

In recent years, consensus has emerged on the essential elements of increasing growth. Accelerated economic growth in Africa requires better use of existing resources as well as increased investment and strengthening of the private sector. Continuing macroeconomic reform is a prime element, in particular efforts to restructure public finance and open economies to trade and private investment. In addition, growth and development will not be sustained in the absence of essential investments in human and social infrastructure -- in particular in the rural areas -- and without enhancing the capacity of African governments to manage their economies effectively. The World Bank is actively involved in all of these areas, which are central to the resurgence of African economic performance emphasized during the Denver G7 Summit.

II. Macroeconomic Policy and Selectivity

The Bank's portfolio in Africa represents an overall commitment value of US\$18 billion. In FY97 the focus was on improving portfolio quality and on reducing the often large undisbursed balances. These efforts have paid off. The disbursement ratio (funds disbursed on investment operations as a percentage of the undisbursed balance at the opening of the fiscal year) is now a full third higher than it was two years ago. We have also critically reviewed our lending strategies and moved out of failed models (official agricultural and industrial credit lines) and into new and more promising approaches which emphasize participation and decentralization in line with the market economy.

We now aim to substantially increase our new lending to Africa, from SDR 1.2 billion in FY97 to SDR 2.0 billion in our current fiscal year. As part of our strategy to increase the role of IDA in accelerating growth in Africa, we are increasing the number of Country Assistance Strategies that target accelerated growth; scaling-up or supplementing successful on-going projects (rather than letting them close and designing new operations), and moving rapidly into new approaches to investment projects and programs (for example, the adaptable lending initiative, high-impact adjustment lending, social funds, sector investment programs).

Commitment to finance Africa's growth needs to be complemented by selectivity. Recent research findings support a growing body of evidence that the impact of aid is positive in countries pursuing sound economic policies but negligible in those lacking a supportive policy framework.

The economic policy framework is therefore the first level at which the concept of selectivity operates. The Region has identified the top performing countries for increased support. In countries that perform better, especially with regard to policies that effectively promote poverty reduction through growth, trade and investment, we plan significant increases in lending provided that this does not jeopardize longer-term financial viability. The Country Assistance Strategies of these countries will then be adjusted to work through the resource implications and feasibility of targeting higher growth rates (over 6%). In such countries, IFC and MIGA are also playing an increasing role.

Second, within the country programs and also in the context of the Country Assistance Strategy, we are also now distinguishing much more carefully among the different instruments for support and raising the thresholds for access to our new High Impact Adjustment Lending instrument.

III. Heavily Indebted Poor Countries Initiative

Removing unsustainable debt overhang is an essential component of restoring macroeconomic stability and investor confidence. We have so far considered 7 countries 5 of which are from Africa (Benin, Burkina Faso, Cote d'Ivoire, Mozambique and Uganda). Another 3 African countries -- Mali, Senegal and Togo -- are expected to be reviewed between now and the next Spring Meetings. Debt relief packages for 6 countries were presented to the Boards of the Fund and the Bank, worth about US\$3 billion in Net Present Value (NPV) terms. This could translate in an estimated US\$5 billion of nominal debt service relief. Decisions have been taken to provide debt relief to Uganda -- US\$338 million (NPV) or US\$700 million (nominal estimate) and Burkina Faso is close to a decision that will grant relief equivalent to US\$106 million (NPV) or US\$200 million (nominal estimate).

We have worked in partnership with the Paris Club and the multilaterals on the basis of proportional burden sharing. The Bank has already transferred US\$500 million to the HIPC Trust Fund and the Bank's Executive Directors have recommended another transfer of US\$250 million from IBRD net income.

IV. Trade

Expanding Africa's trade is a high priority in the Bank's strategy to accelerate growth in Africa. Bank-supported economic adjustment programs support the lowering of African countries' trade barriers. Most of the 14 recent High Impact Adjustment Lending operations have specific components that focus on the tariff and tax reforms needed to create a more level playing field and reduce anti-export bias.

Intensive sector work on a number of countries is focusing on trade expansion and the competitiveness of African countries in the global economy. A Regional Program on trade has been initiated with the objective of providing an up to date assessment of trade policies and performance in Africa and the remaining obstacles to increased trade.

Trade taxes still amount to some 40% of fiscal revenue in a representative African country. The Bank therefore also supports the fiscal reforms needed to make a country less dependent on trade taxes through Public Expenditure Reviews and adjustment operations.

The Bank is also working to lower the trade barriers of the developed countries vis-à-vis Africa's exports. We will this year initiate a regional analysis on trade, which will include an assessment of the existing barriers to agricultural products from Africa. As part of this program, and complementing a program of training seminars, we are also actively assisting a number of countries to prepare for the WTO meeting in October. This meeting will focus on expanding access to world markets for the least-developed countries and on building capacity in these countries to work effectively within the world trading system.

We have discussed the revision of the Lome Convention with staff from the European Union and provided information and analysis to support the recent US initiatives which aim to increase Africa's trade and investment. In addition, we are exploring and developing innovative mechanisms for expanding trade flows. One example is a proposal to support mutual co-insurance of political and policy risk on trade credits for a group of countries.

V. Private Sector Development

The Bank Group is active in private sector development on a number of fronts. Together with the West Africa Enterprise Network (a group of second-generation African entrepreneurs), the Bank and IFC are organizing a seminar at the 1997 Annual Meetings on Opportunities for Asian Investors in Africa. We are assessing the possibility of a major workshop in Europe focusing on developing business in Africa. We are also being proactive with respect to private sector outreach through non-lending services, including analytical pieces for influential publications and presentations to private sector groups.

In the critical area of infrastructure, new public-private partnerships are emerging and Africa is rethinking the role of government. The Bank Group's catalytic role in bringing together the appropriate mix of international advice and financial resources to support these partnerships has been well received.

For example, in the power sector, the IFC will invest US\$20 million in a private power plant in Senegal, which is expected to become a model for private power development in Africa. In telecommunications, France Telecom paid US\$193 million for a 51% stake in Cote d'Ivoire's national telecommunications company, and another US\$107 million for a 33.3% stake in Senegal's telecommunications company, where it will invest another US\$330 million in the next 10 years to install 300,000 new lines.

In transportation, a private company now operates the Abidjan-Ouagadougou rail line. South Africa, Mozambique and a number of private financing and engineering companies are developing the toll road between Johannesburg and Maputo.

To further encourage private investment we are working on additional instruments – including private sector guarantees for IDA countries.

These new infrastructure partnerships are often linked to regional integration. Most local markets are not big enough to attract sufficient private investment. Botswana, Malawi, Mozambique, South Africa, Swaziland, Zambia, and Zimbabwe are working together to create new growth poles for Southern Africa (roads, rails, ports). The Maputo Corridor and the Beira Development Corridor will link these countries closer together. Mali, Mauritania, and Senegal are working together on the Regional Hydropower Development Project.

To further support regional projects we need new lending instruments. We have modified the rules of the Institutional Development Fund to allow grant-funding of regional organizations.

We directly assist export and investment promotion. One example of the several export processing zones and gateway projects supported by the Bank is the \$50 million Ghana Gateway Project. Developed and managed by the private sector, it aims to reduce the cost of doing business and to provide internationally competitive infrastructure.

Active export promotion and the provision of industrial infrastructure, supported by the Bank, made Lesotho into one of the largest garment exporters in Sub-Saharan Africa and generated over 8,000 jobs in less than five years. In Cote d'Ivoire, we are assisting an export promotion agency managed by an association of private enterprises. The agency administers a matching grants scheme designed to promote the private delivery of a variety of export support services to firms that want to export.

We now have thirteen such matching grants projects in Africa. An evaluation of the Mauritanian project after three years showed a success rate of 80% in terms of rejection rates, response times, productivity per unit of labor, etc.

Since 1991, MIGA has issued around \$190 million in coverage for approximately \$1.2 billion of Foreign Direct Investment in 9 African countries. MIGA's Investment Marketing Services Department has assisted over 30 African countries through investment promotion conferences, executive training programs, promotion strategy workshops, investment missions, and creation of a CD-ROM on mining investment. MIGA's electronic network, IPAnet, has extended the reach of African countries into the global marketplace, facilitating the flow of information to potential investors worldwide.

In 1996/97, the IFC doubled its investments to US\$384 million for 72 projects in 24 countries in Sub-Saharan Africa. One of every four new IFC projects is in Africa, the highest proportion of any region. An example is the Mozal project, a greenfield US\$1.3

billion aluminum smelter--the largest private investment ever undertaken in Mozambique, and which includes an IFC investment of US\$120 million. The smelter is expected to boost GDP by more than 7% and triple exports. Complementing the Bank's work to strengthen financial systems, IFC has helped set up stock exchanges, private merchant banks, venture capital, leasing companies, insurance companies and investment funds in numerous countries. IFC will launch the Africa Business Network (ABN) website at the 1997 Annual Meetings.

VI. Rural Development

About 70% of Africa's poor live in rural areas and Africa's rural population will outnumber its urban population for nearly three decades to come. And while agriculture needs to be an engine of growth in the rural areas, national expenditures on agricultural research are typically less than 1% of agricultural GDP.

However, signs of hope are visible after decades of stagnation. Agricultural growth was estimated at 4.7% in 1996; and agricultural exports to OECD countries grew at around 20% in both 1994 and 1995. These positive trends are the result of substantial improvements in macroeconomic and agricultural policies, which in the past taxed African farmers relentlessly. These positive trends are also the result of the introduction of new systems of agricultural extension, which listen, rather than dictate, to the farmer.

The agricultural portfolio of the Bank in Africa has undergone a complete review and consolidation, as a response to past OED ratings, which showed that only 57% of the agricultural projects were considered satisfactory. In the past three years, we have reviewed our portfolio and cut the number of loans under supervision from 144 to 99, closing a large number of problem projects.

The consolidation is now complete and the quality of the current portfolio is starting to improve. But our review of the portfolio has revealed a number of gaps and design problems. For instance, many of our projects are poorly adapted to new decentralized and demand-driven approaches, due to cumbersome procurement and disbursement procedures.

We are currently building a new agricultural portfolio which reflects the movement of Africa to more open market economies. But rather than to design a new crop of Bank *projects*, we want to assist our clients in developing truly country-driven rural development *programs*. These programs are focused not only on production and technology, but also on marketing, rural infrastructure, appropriate finance and credit schemes, and human resources development, with a particular focus on rural women. Under this approach, national task forces will develop strategies and forge consensus. The EU, AfDB, IFAD, FAO and France have agreed to jointly support these task forces. Work will be particularly intensive in 5 focus countries: Guinea, Malawi, Mali, Madagascar, and Uganda.

To efficiently support this locally-driven approach, we intend to work closely with our clients and further decentralize our technical capacities to the field. In line with the Bank-wide decentralization effort, the Africa Region of the Bank is piloting the creation of multi-disciplinary, multi-donor hubs to support the new emphasis on rural development.

Finally, rural development is again attracting the attention it merits among decision makers. For instance, at the Hong Kong Annual Meetings, the African Governors of the Fund and the Bank made a strong call for action in their memorandum to the Bank. Such attention bodes well for our current initiatives to mobilize donor support, help strengthen rural development strategies, and increase the resources going to Africa's villages.

VII. Human Development

In education, Africa faces an alarming deficit: (i) 15 countries (out of 48) still enroll less than half of their children in primary school; (ii) 25 countries have adult literacy rates below 40%; (iii) less than 4% of the relevant age-group has access to higher education; and (iv) more than half of all African women are illiterate. Further, enrollment rates are dropping.

To achieve higher growth, and to sustain it, education needs to improve dramatically to provide the skills needed by market economies. The Bank is working on several fronts to help African countries tackle the educational challenge.

A new program has been designed to focus on countries with low enrollments and help them achieve universal primary education in the minimum possible time. This is part of the UN Special Initiative for Africa. We are also increasing our emphasis on areas where we have so far done relatively little – adult education, literacy (especially for women), and early childhood development. We will step up our support for higher education – through the Partnership for Capacity Building Initiative to help revitalize African Universities, the Africa Virtual University, and EDI's World Links program.

To help Africa succeed, we need to work together with other partners. We are working with UN agencies, donors, and NGOs to develop Education Sector Investment Programs in most African countries (for example in Burkina, Ethiopia, Guinea, Mali, Mozambique, Senegal and Uganda).

African leadership is crucial, because external help can only be effective if the educational reforms are home grown and developed in full consultation with all stakeholders. A good example of an African-led partnership is the Association for the Development of Education in Africa (ADEA) – whose bureau of African ministers has become a leading force in reforming African education.

In health, we are focusing on the decentralized provision of basic health services, and we are increasing the use of participatory approaches in the design of sector wide operations (Zambia, Senegal, Ghana). This will allow to design operations that meet the needs and financial capabilities of local populations. We have increased our capacity to intervene in

areas where we need to do more: population, nutrition, and the impact of AIDS on development.

VIII. Post Conflict Situations

The challenges of African development are compounded in countries emerging from conflict situations. There the Bank is working in close collaboration with other institutions to ensure that post conflict situations are handled in a manner that preserves future economic prospects. Working within the framework provided for post-conflict countries adopted by the Board, we are developing approaches that can help countries reintegrate refugees and promote reconciliation at the community level. In close collaboration with the UN, we have also developed support programs for demobilization (Angola, Chad, Rwanda) and provided emergency relief (Rwanda). We are using non-lending services in cases where lending is not possible (Liberia, Central African Republic, Sierra Leone), and are adapting the existing portfolio to the needs of local populations in other cases (Angola, Burundi and Rwanda). We have reacted swiftly to the evolving situation in the Democratic Republic of Congo. In all cases, we coordinate closely with our partners.

IX. Knowledge

Knowledge is another resource that the Bank is helping to mobilize in support for accelerated growth in Africa. Ideas matter as much as money -- information is one of the most important resources in today's global economy. The World Bank is ready to play a role. The 1998 World Development Report will be the first comprehensive statement by the Bank about knowledge, information and development.

Our knowledge-based activities in Africa are manifold. For instance, very soon, we will be able to share publicly all the data we have compiled on Africa -- the Africa Live Data Base. By connecting to the Bank Web site on the Internet, it will be possible to access 27 years' worth of data (around 1,500 variables) for all countries in Africa. Similarly, we will share information and best practices from all over the world across 30 sectors and thematic areas through our Sector Knowledge Base. Already available on the Internet are poverty, education, gender, aids, participation and Internet connectivity.

The program known as Connectivity for the Poor uses Bank projects and Resident Mission communications facilities to help develop local networks with access to global knowledge sources. In Mozambique, we worked together with other partners in establishing a satellite connection and extending the link to the Eduardo Mondlane University to expand distance learning opportunities. This link was inaugurated successfully during the Global Knowledge Conference in Toronto last June.

InfoDev is a public-private partnership that finances innovation in connectivity. Half of its current projects are in Africa. It has already committed US\$1 million in grants for Africa, and is expecting another US\$2 million to be added in the near future.

The African Virtual University will offer degree programs in science, engineering and continuing education via satellite. This is a partnership between the Bank, InfoDev, and others (currently Belgium, Canada, Ireland and the US). In July, an undergraduate summer course started in Kenya. Soon, courses will also start in Benin, Burkina Faso, Cote d'Ivoire, Ghana, Ethiopia, Senegal, Tanzania, Uganda, and Zimbabwe.

World Links is a school-to-school connectivity program between secondary schools, first piloted between Uganda, Ghana and Senegal, and Wyoming, Toronto and Chicago. In partnership with UNDP, UNESCO, GLOBE, USAID, OXFAM and others, we are now planning to connect 60 African schools with partner schools in the industrialized world by the end of this fiscal year.

But knowledge should not be seen as not the exclusive domain of the technologically advanced world. We need to learn, preserve and share the knowledge embodied in traditional practices, especially in Africa; and give a new meaning to empowering the poor – to assist them in becoming contributors to the global knowledge base, and not simply to treat them as recipients.

X. Partnerships

We are continuing to work closely with the IMF on economic reforms and on implementation of the HIPC initiative.

In the context of the UN system Special Initiative for Africa (UNSI), the Bank is the leading agency in education, health, and water supply; we also cooperate on governance and connectivity with UNDP and the UN Economic Commission for Africa (UN-ECA).

We have launched a closer partnership with the European Commission and are holding high level meetings twice a year. We have identified three countries to pilot joint strategy work (Cote d'Ivoire, Mozambique, and Ethiopia) and three sectors for heightened cooperation (private sector, poverty, and rural development).

As noted above, we are working closely with WTO in their efforts to integrate the least developed countries (many are in Africa) into their global framework.

We are working with the African Development Bank (ADB). We have moved beyond simple co-financing of 33 projects. In the last two years, our partnership has strengthened enormously in terms of exchange of information. For instance, the ADB has received a great deal of technical assistance from practically all units in the Bank to assist it in its internal change program. Now we are gearing up to undertake joint activities across a broad spectrum in three pilot focus countries (Cote d'Ivoire, Mozambique and Senegal).

We are also deepening our partnerships with Africa's regional institutions to put in place the regional policies needed to attract more trade and investment. In particular, we are working with the Union Économique et Monétaire Ouest-Africaine (UEMOA), l'Union Douanière et Économique de l'Afrique Centrale (UDEAC), the Eastern Africa

Cooperation (EAC) and the Southern African Development Community (SADC) on various trade and investment-related issues, including the important cross border initiative (CBI) which aims at lowering trade barriers in Southern Africa.

The United Nations' Economic Commission for Africa (UN-ECA) is another important partner, which we also assisted in its reorganization efforts. Together with UN-ECA, we co-chair the UN Special Initiative on Africa and are working together on the use of information technology for development.

Finally, we will be deepening our partnership with the Organization for African Unity. For instance, we will work together on the Partnership for Capacity-Building. And we frequently support the OAU-led economic fora with technical papers on a wide range of issues, including international trade.

Besides official institutions, we are also strengthening our partnerships with NGOs. We have 26 staff in our resident missions who devote all or a significant part of their time to liaising with NGOs. This has begun to facilitate the launching of joint initiatives that enhance participation in poverty assessments (25 to date in Africa) and help organize beneficiary consultations. Of special importance is the joint review of structural adjustment programs (SAPRI) underway in Ghana, Mali, Uganda, and Zimbabwe.

XI. Capacity-Building

After the Governors' request to the Bank at the Annual Meetings two years ago, the critical importance of this "missing link" is now widely recognized by governments and international development agencies. At the Annual Meetings in Hong Kong, a separate seminar on the Partnership for Capacity Building will be organized to reach out to the private sector.

The Partnership for Capacity-Building is a new, continent-wide initiative. The Bank feels privileged to be part of this partnership, which is entirely led by Africans. Our shared vision is that the Capacity-Building Partnership will be an initiative that helps African countries help themselves. It will be truly African-owned, demand-driven and it will be provide a long-term solution. This initiative will soon get the endorsement from African leadership at the highest level.

The Governors' diagnosis of the problem of capacity is that there are a lot of good and not-so-good activities already on the ground, but that a regional umbrella backed by the African leadership is now needed to make real progress. The Bank stands ready to support this Partnership and immediately assist it financially in getting started. We will provide the support required to help draw up a financing plan, modalities to ensure accountability, and a strategy to approach various types of donors.

In its own operations, the Bank is fully committed to mainstreaming capacity building in the full array of lending and non-lending services that it offers. We will work together with the Partnership in each sector, and we have involved the entire Bank Group. For

instance, the IFC targets capacity-building through the Africa Project Development Facility, the African Management Services Company and the Enterprise Support Services for Africa. We have also established a Capacity Building Technical Group in the Africa Region to serve as a focal point. On the basis of a solid financing plan, we will assist the Partnership in mobilizing resources from donors and the private sector, and in providing support to other partners -- such as the African Capacity Building Foundation (ACBF), and the African Economic Research Consortium (AERC).

XII. Governance

Capacity building activities are part of our on-going agenda to help countries improve governance. Following the 1996 Annual Meetings speech, a number of countries have approached the Bank to help design anti-corruption programs and we are responding. In addition to public finance management, we have provided assistance to reform public procurement and are piloting "no bribery pledges" in Bank-financed contracts in countries which have requested this approach.

XIII. Internal Change

The Bank has changed considerably in the past year and the Africa Region has led the way toward greater client focus and improved responsiveness. The Africa Renewal Program is now in its second year. To lead a more focused dialogue with our clients, we now have 16 Country Directors, three of them in the field (Kenya, Cote d'Ivoire and Ghana). We are stepping up our efforts to provide full connectivity to our Resident Missions. By the end of FY98, all of our existing 28 missions will have been linked to the Bank's network.

We have made progress since the Africa Renewal Program was launched 15 months ago. Early results include an increase in the disbursement ratio from 15% in FY95 to 17% in FY96, and 20% in FY97 and the reduction of management overhead costs by 15%. We are also getting positive feedback in terms of increased responsiveness from client groups, and we are conducting systematic client feedback surveys. This feedback, together with regular staff surveys, will allow us to adapt and to continue the change process.

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Basic Economic Data



President James D. Wolfensohn's Speech to the United Nation's Economic Commission for Africa, Addis Ababa, January 27, 1998



Callisto Madavo, Vice President for Africa, Coleman Lecture, Los Angeles, October 8, 1997



Selected Briefings

Angola Country Brief

Macroeconomic Brief

Private Sector Development Strategy (Draft)

Resource Flows

ANGOLA

Historical Context and Relationship with the World Bank:

- Angola is a potentially wealthy country, with a population of 11 million and substantial natural resources. Oil and diamond production in 1997 are estimated to have a value of over \$4.5 billion, and recent offshore oil finds could raise production from the current level of 750,000 barrels per day to more than 1.2 million bpd within three years. However, despite its tremendous

natural resource endowment, 30 years of war and poor economic management have resulted in a per capita income of only \$410 in 1995.

- Recent regional developments have left Angola as one of the strongest military powers in the region. Government forces were involved in the recent civil wars in the Democratic Republic of the Congo and in Congo, unseating allies of the Angolan opposition rebels, UNITA.
- The Government continues to focus on immediate military and political issues to the detriment of attention to reform and the social sectors. The lack of capacity and budget on all levels of Government have severely slowed progress on the nine Bank-supported projects. Corruption is also an issue which has hindered the country's development and slowed its economic recovery.
- Angola is addressing a number of transitions simultaneously, moving from a centrally planned economy to the market, and from war to peace. Serious macro imbalances continue to stifle the country's development.

Bank Group Portfolio	
IDA/IBRD Commitments by Sector (US\$):	
Infrastructure:	\$154M
Health/Ed/Social Fund:	\$71M
Other:	\$44M
Total	\$269M
IDA Undisbursed:	\$128M
IBRD Undisbursed:	N/A
Number of Projects:	9

The Peace Situation:

- UN Sanctions were imposed on the UNITA rebels at the end of October, 1997. The sanctions call for the closure of UNITA's international offices, a travel ban on UNITA representatives and a ban on flights to UNITA-controlled territory in Angola. Since then, there has been slow progress towards a durable peace. Latest reports indicate that some 80% of territory formerly under UNITA control has now reverted to the Government, including key diamond producing areas. However, the most recent deadline of end February for completion of obligations under the 1994 Lusaka protocol was missed, and new targets have apparently been set for end March.
- Political Situation Remains Uncertain. Though both sides signed on to the 1994 peace accord, the Lusaka Protocol, and despite the formation of a Government of National Unity (GURN) in April 1997, differences between UNITA and the Government remain deep. UNITA is still estimated to have significant men and arms. At the same time, a return to all-out war is considered unlikely, given the recent losses of UNITA's international bases of support.

Status of Bank Program

The Bank has nine projects in Angola; a tenth, a Learning and Innovation Loan (LIL), the Post-Conflict Social Recovery Project, has recently been negotiated. The Bank has prepared a draft assistance strategy for discussion with the Government in early May. In addition, we have proposed to the Government that it make use of a grant under the Development Grant Facility to develop a Transitional Support Strategy, and await government's decision.

Economic Indicators	
Population (1996):	11.1M
Population Growth (1990-96):	3.1%
GNP (1996):	\$3.6Bn
GNP per capita (1996):	\$320
GDP Growth (1996, 1997):	7.1%, 6%
Fiscal Deficit (1995, 1996):	-28.7%, -21.2%
Inflation (1996, 1997):	1,651%, 64%

Social Indicators (1996)	
% of Population Living	
Below 1 US\$/day:	N/A
Literacy Rate:	42%
Female:	
Gross Primary Enrollment:	88%
Female:	
Infant Mortality Rate:	124/1000
Child Malnutrition:	20% under 5 years
Life Expectancy at Birth:	47

Angola at a glance

8/28/97

POVERTY and SOCIAL

	Angola	Sub-Saharan Africa	Low-income
Population mid-1996 (millions)	11.1	600	3,229
GNP per capita 1996 (US\$)	320	490	500
GNP 1996 (billions US\$)	3.6	294	1,601

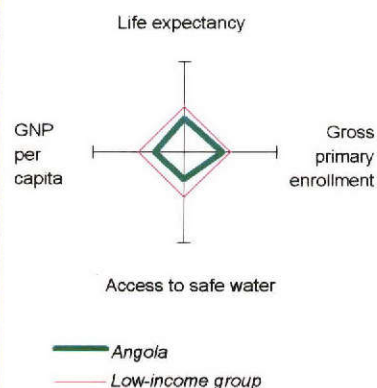
Average annual growth, 1990-96

Population (%)	3.1	2.7	1.7
Labor force (%)	2.8	2.6	1.7

Most recent estimate (latest year available since 1989)

Poverty headcount index (% of population)	..	..	..
Urban population (% of total population)	32	31	29
Life expectancy at birth (years)	47	52	63
Infant mortality (per 1,000 live births)	124	92	69
Child malnutrition (% of children under 5)	20	..	..
Access to safe water (% of population)	32	47	53
Illiteracy (% of population age 15+)	58	43	34
Gross primary enrollment (% of school-age population)	88	72	105
Male	..	78	112
Female	..	65	98

Development diamond*

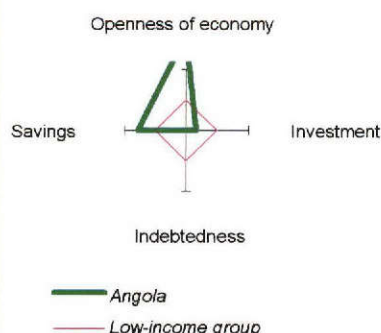


KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1975	1985	1996	1996
GDP (billions US\$)	..	6.8	5.4	6.7
Gross domestic investment/GDP	..	18.0	20.2	11.1
Exports of goods and services/GDP	..	35.7	71.7	77.4
Gross domestic savings/GDP	..	28.3	54.0	48.3
Gross national savings/GDP	..	20.8	7.1	3.8
Current account balance/GDP	..	2.9	-13.1	-7.6
Interest payments/GDP	..	0.6	12.4	11.7
Total debt/GDP	..	26.9	258.8	136.0
Total debt service/exports	..	12.6	50.2	38.4
Present value of debt/GDP	..	..	..	..
Present value of debt/exports	..	..	..	..

	1975-85	1986-96	1996	1996	1997-05
(average annual growth)					
GDP	..	1.5	10.8	7.1	7.5
GNP per capita	..	-1.3	-2.4	0.4	3.0
Exports of goods and services	..	8.3	11.1	12.8	10.0

Economic ratios*

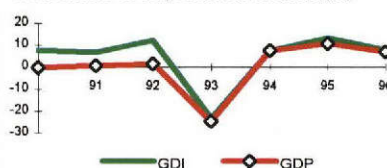


STRUCTURE of the ECONOMY

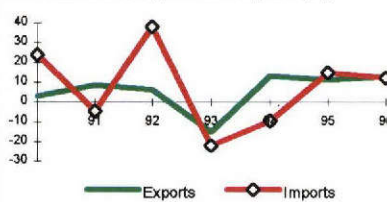
	1975	1985	1996	1996
(% of GDP)				
Agriculture	..	13.5	7.8	7.4
Industry	..	43.3	67.5	69.1
Manufacturing	..	9.7	7.2	6.8
Services	..	43.2	24.7	23.5
Private consumption	..	39.3	9.5	19.0
General government consumption	..	32.4	36.5	32.7
Imports of goods and services	..	25.3	37.9	40.2

	1975-85	1986-96	1996	1996
(average annual growth)				
Agriculture	..	-3.6	37.6	9.0
Industry	..	5.7	12.6	10.4
Manufacturing	..	-3.9	17.5	8.0
Services	..	-2.3	3.6	1.9
Private consumption	..	-0.7	31.9	6.9
General government consumption	..	-1.0	-7.0	0.5
Gross domestic investment	..	0.5	13.5	8.0
Imports of goods and services	..	5.4	14.8	12.1
Gross national product	..	-2.0	0.4	3.3

Growth rates of output and investment (%)



Growth rates of exports and imports (%)



Note: 1996 data are preliminary estimates. Figures in *italics* are for years other than those specified.

* The diamonds show four key indicators in the country (in *bold*) compared with its income-group average. If data are missing, the diamond will be incomplete.

PRICES and GOVERNMENT FINANCE

Domestic prices

(% change)

	1975	1985	1995	1996
Consumer prices	..	..	3,661.4	1,651.3
Implicit GDP deflator	..	..	1,862.0	5,373.6

Government finance

(% of GDP)

Current revenue	..	38.6	30.9	44.0
Current budget balance	..	2.7	-22.9	-17.7
Overall surplus/deficit	..	-1.9	-28.7	-21.2

TRADE

(millions US\$)	1975	1985	1995	1996
Total exports (fob)	..	2,301	3,724	5,077
Commodity 1 - Crude oil	..	2,150	3,522	4,771
Commodity 2 - Diamonds	..	74	168	267
Manufactures	..	..	..	..
Total imports (cif)	..	1,401	1,468	1,983
Food	..	387	205	275
Fuel and energy	..	..	..	..
Capital goods	..	355	376	327
Export price index (1987=100)	..	140	98	118
Import price index (1987=100)	..	94	126	106
Terms of trade (1987=100)	..	149	77	111

BALANCE of PAYMENTS

(millions US\$)	1975	1985	1995	1996
Exports of goods and services	..	2,431	3,836	5,201
Imports of goods and services	..	1,724	2,027	2,702
Resource balance	..	707	1,809	2,499
Net income	..	-532	-2,667	-3,171
Net current transfers	..	21	156	164
Current account balance, before official capital transfers	..	196	-702	-508
Financing items (net)	..	-175	78	686
Changes in net reserves	..	-21	624	-178

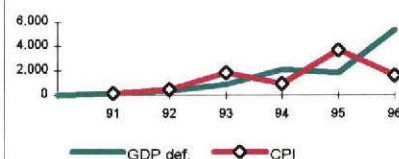
Memo:

Reserves including gold (mill. US\$)	..	..	..	..
Conversion rate (local/US\$)	25.6	29.9	2,728,572	1.27E+08

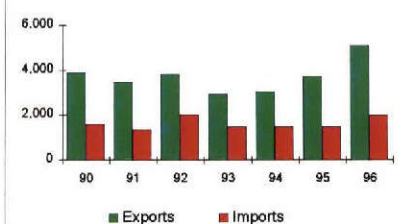
EXTERNAL DEBT and RESOURCE FLOWS

(millions US\$)	1975	1985	1995	1996
Total debt outstanding and disbursed	..	2,993	13,850	9,146
IBRD	..	0	0	0
IDA	..	0	81	115
Total debt service	..	306	1,927	1,997
IBRD	..	0	0	0
IDA	..	0	0	1
Composition of net resource flows	..	..	..	..
Official grants	5	36	197	197
Official creditors	..	157	40	..
Private creditors	..	1,042	123	..
Foreign direct investment	..	278	472	477
Portfolio equity	..	0	0	0
World Bank program	..	..	..	..
Commitments	..	0	0	24
Disbursements	..	0	30	38
Principal repayments	..	0	0	0
Net flows	..	0	30	38
Interest payments	..	0	0	1
Net transfers	..	0	30	37

Inflation (%)



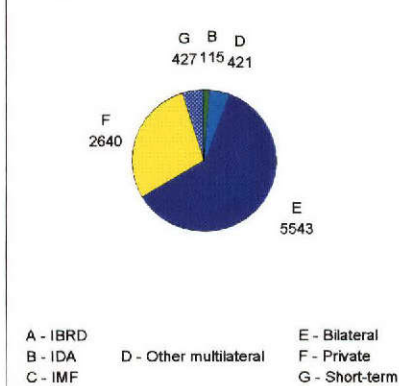
Export and import levels (mill. US\$)



Current account balance to GDP ratio (%)



Composition of total debt, 1996 (mill. US\$)



Status of Bank Group Operations in Angola **IBRD Loans and IDA Credits in the Operations Portfolio**

Project ID	Loan or Credit No.	Fiscal Year	Borrower	Purpose	Original Amount in US\$ Millions				Difference Between expected and actual disbursements a/		Last ARPP Supervision Rating b/	
					IBRD	IDA	Cancellations	Undisbursed	Orig	Frm Rev'd	Dev Obj	Imp Prog
Number of Closed Loans/credits: 0												
<u>Active Loans</u>												
AO-PE-37	IDA 22740	1991	GOVT	ECON FIN MGMT I	0.00	23.00	0.00	4.12	2.73	-1.21	U	S
AO-PE-40	IDA 23850	1992	GOVT OF ANGOLA	POWER SECTOR REHAB.	0.00	33.50	0.00	26.60	26.64	0.00	U	S
AO-PE-42	IDA 23750	1992	GOVERNMENT OF ANGOLA	EDUCATION I	0.00	27.10	0.00	7.25	6.25	0.00	U	S
AO-PE-35	IDA 23260	1992	GOVT OF ANGOLA	LOBITO/BENG.REHAB.	0.00	45.58	0.00	6.80	1.50	0.00	U	S
AO-PE-34	IDA 22890	1992	GOVT OF ANGOLA	INFRASTRUCTURE REHAB	0.00	37.70	3.73	12.09	13.90	10.15	U	S
AO-PE-48	IDA 24900	1993	GOVT OF ANGOLA	HEALTH	0.00	19.90	0.00	12.37	12.02	2.77	U	U
AO-PE-44	IDA 24210	1993	GOVERNMENT	FINANCIAL INSTITUTIO	0.00	21.00	0.00	9.94	5.43	0.00	U	S
AO-PE-50	IDA 24200	1993	GOVT	TRANSPORT RECOVERY	0.00	41.00	0.00	34.74	34.82	0.00	U	S
AO-PE-61	IDA 28020	1996	GOVERNMENT OF ANGOLA	SOCIAL ACTION	0.00	24.00	0.00	10.56	-1.59	0.00	U	S
Total					0.00	272.78	3.73	124.47	101.70	11.71		
				<u>Active Loans</u>	<u>Closed Loans</u>		<u>Total</u>					
Total Disbursed (IBRD and IDA):				148.91	0.00		148.91					
of which has been repaid:				0.00	0.00		0.00					
Total now held by IBRD and IDA:				269.05	0.00		269.05					
Amount sold :				0.00	0.00		0.00					
Of which repaid :				0.00	0.00		0.00					
Total Undisbursed :				124.47	0.00		124.47					

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

b. Following the FY94 Annual Review of Portfolio performance (ARPP), a letter based system was introduced (HS = highly Satisfactory, S = satisfactory, U = unsatisfactory, HU = highly unsatisfactory): see proposed Improvements in Project and Portfolio Performance Rating Methodology (SecM94-901), August 23, 1994.

Note:

Disbursement data is updated at the end of the first week of the month.

Angola
STATEMENT OF IFC's
Committed and Disbursed Portfolio
 As of 31-Jan-98
 (In US Dollar Millions)

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1996	AEF Hotel Conti	1.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total Portfolio:	1.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Approvals Pending Commitment									
		<u>Loan</u>	<u>Equity</u>	<u>Quasi</u>	<u>Partic</u>				
1997	NOVA CIMANGOLA	5.80	.78	0.00	0.00				
	Total Pending Commitment:	5.80	.78	0.00	0.00				

Angola - Selected Indicators of Bank Portfolio Performance and Management

Indicator	1995	1996	1997	1998
<i>Portfolio Assessment</i>				
Number of Projects under implementation ^a	8	9	9	9
Average implementation period (years) ^b	3.17	3.77	4.77	5.47
Percent of problem projects ^{a,c}				
by number	12.50	100.00	100.00	100.00
by amount	13.67	100.00	100.00	100.00
Percent of projects at risk ^{a,d}				
by number	37.50	100.00	100.00	100.00
by amount	39.79	100.00	100.00	100.00
Disbursement ratio (%) ^e	14.70	17.47	17.61	11.65
<i>Portfolio Management</i>				
CPPR during the year (yes/no)				
Supervision resources (total US\$ thousands)	826.80	669.94	891.70	478.82
Average Supervision (US\$/project)	103.35	74.44	99.08	59.85

Memorandum item	Since FY80	Last five FYs
Projects evaluated by OED		
by number		
by amount (US\$ millions)		
Percent rated U or HU		
by number		
by amount		

- a. As shown in the Annual Report on Portfolio Performance (except for current FY)
- b. Average age of projects in the Bank's country portfolio.
- c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
- d. As defined under the Portfolio Improvement Program.
- e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: investment projects only.

Sub-Saharan Africa

Some Basic Facts and Figures

- Number of countries in Sub Saharan Africa: 48
- Average GDP growth rate (simple average, unweighted) in 1997 - 4.5% (preliminary estimate)
 - 1996 - 4.5 percent
 - 1995 - 3.8 percent
 - 1994 - 2.6 percent
- 33 countries have registered positive GDP growth per capital in 1995-1996 (average over 2 years)
- At least 37 countries registered positive GDP growth per capita 1996
- 20 countries had GDP growth of 5 percent or more in 1996
- Population (1996): 600 million (note: an estimated 114 million live in Nigeria alone)
- Population growth rate: 2.8 percent
- Percentage of population living at under \$1 per day: 40 percent
- Primary school enrollment rate (1995): 78 percent (84% for males and 71% for females)
- Secondary school enrollment rate (1994): 18 percent
- Population without access to health services: 200 million (35 percent)
- Population without access to safe water: 54 percent
- Illiteracy rate (1990): 47 percent
- External debt (1996): Approximately \$235 billion
- Private capital inflows: \$11.8 billion, compared with \$244 billion to all developing countries in 1996. That is nearly 5%.
- Foreign direct investment: \$2.6 billion, compared to 109.5 billion to all developing countries in 1996. That is 2.4%
- Merchandise exports: While merchandise exports from developing countries (totaling \$950 billion) now constitute a third of total world trade in goods, more than half of this amount comes from Asia, while only a fraction (totaling less than \$60 billion) comes from Africa.
- World Bank lending to Africa: 49 projects to Board in FY1997. \$1.6 billion IDA; \$56 million IBRD

Sub-Saharan Africa: Quick Overview

High, Medium, and Low Performers

Top 10 Performers

Mauritius
Botswana
South Africa
Namibia
Cote d'Ivoire
Lesotho
Malawi
Uganda
Benin
Cape Verde

Economic Indicators

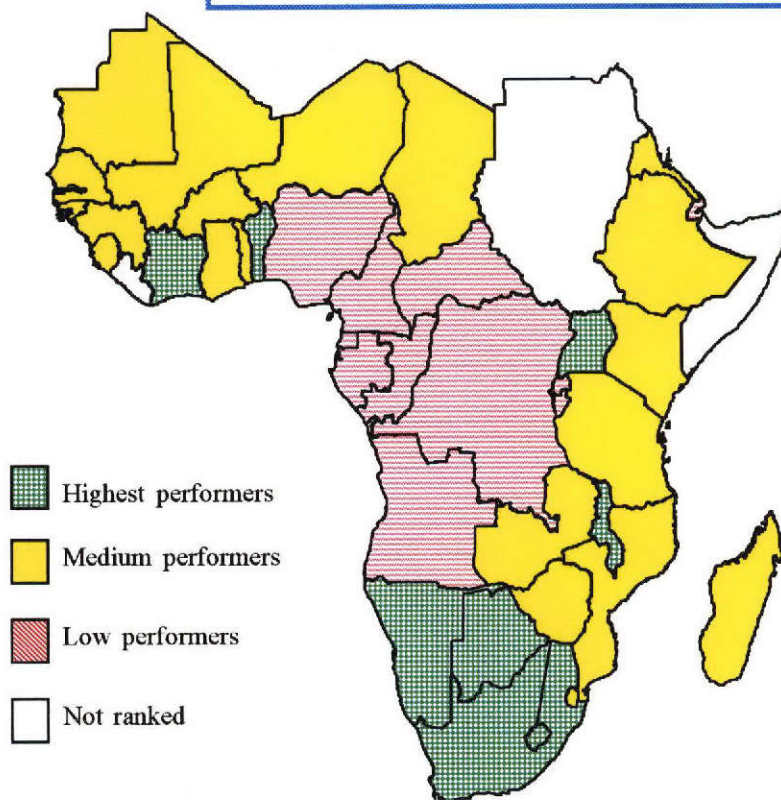
Population: 600 million
Population Growth: 2.8%
GNP per capita (Atlas): \$510
GDP growth: 1994 2.6%
1995: 3.8%
1996: 4.5%
1997: 4.5% (preliminary estimate)
Export growth: 1990-95: 3.9%;
1996: 8.0%
33 of 48 countries positive per capita
GDP growth in 1996 (avg)

Social Indicators

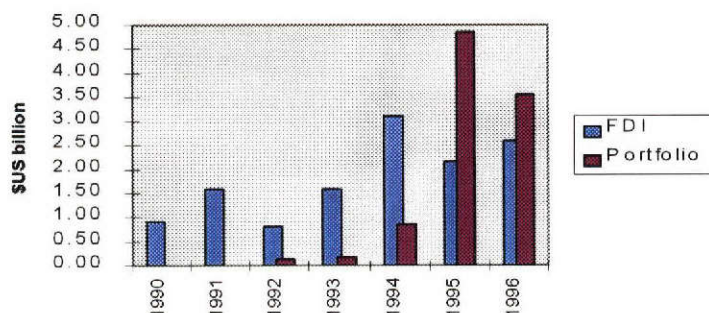
% of pop < \$1/day: 40%
Urban population (% total): 31%
Life expectancy: 53 years
Infant mortality (per 1000): 94
Malnutrition (% < 5 years old): 26%
Access to safe water: 46%
Illiteracy rate: 44%
Male primary enrollment: 84%
Female primary enrollment: 71%

Africa Portfolio - End FY97

491 Projects
Total commitment: \$18 billion
Undisbursed: \$9 billion
49 projects to Board FY97
\$1.7 billion IDA; \$56 million IBRD
IFC investments: 72 projects; 24 countries; \$384 million
MIGA: 31 contracts 1991-1997; \$126 million liability



FDI and Portfolio Flows to SSA



Total Net Resource Flows (1996, \$ billion)

Long term debt	\$8.1 billion
(bilateral 42%, private 26%, multilateral 32%)	
FDI	\$2.6 billion
Portfolio	\$3.6 billion
Grants	\$11.8 billion
Total Net Resource Flows	\$26.1 billion
Net Transfers:	\$17.6 billion
<i>(net resource flows minus interest and profit remittances)</i>	

Net Private Capital Flows (1996)

	\$ billion
FDI	2.6
Portfolio	3.6
Private non guaranteed	5.8
Private creditors	-0.2
Total	\$11.8

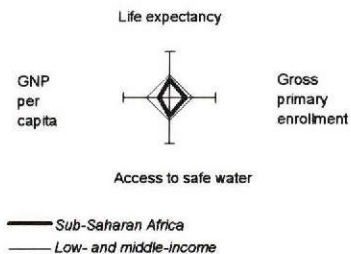
Sub-Saharan Africa

1/12/98

POVERTY and SOCIAL (Most recent estimate)

	Sub-Saharan Africa	Top third performers	Middle third performers	Bottom third performers
Number of countries *	48	15	15	15
Population mid-(millions)	500	166	180	214
Population growth (updated) (%)	2.8	2.5	2.9	2.9
Atlas GNP per capita (1996) **	510	1166	177	276
Poverty: % of pop. living with less than \$1/day (PPP) ***	40	37	40	30
Urban population (updated) (% of total population) **	31	35	23	35
Life expectancy at birth (updated) (years)	53	57	51	53
Infant mortality (updated) (per 1,000 live births)	94	71	105	98
Child malnutrition (updated) (% of children under 5)	26	22	30	27
Access to safe water (updated) (% of population) **	46	58	59	40
Illiteracy (updated) (% of population age 15+) **	44	41	44	45
Gross primary enrolment (% of school-age population)	76	93	86	75
Male (updated)	84	98	72	85
Female (updated)	71	69	54	73

Development diamond*

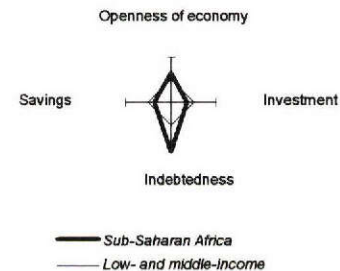


KEY ECONOMIC VARIABLES

1996 estimates except where noted

	Sub-Saharan Africa	Top third performers	Middle third performers	Bottom third performers
GDP (average annual growth)	4.5	6.2	4.4	2.3
Exports of goods and nfs (average annual growth)	8.0	12.4	6.1	5.1
Gross domestic savings/GDP	10.0	14.2	7.2	8.0
Gross domestic investment/GDP	19.1	20.2	19.7	17.3
Private investment/GDP	11.6	13.5	12.0	9.2
Fiscal balance/GDP	-6.9	-4.6	-7.8	-8.6
Current account balance/GDP	-8.7	-4.4	-12.6	-9.3
Inflation rate	13.4	11.1	12.9	16.4
Total debt service/exports (updated 1995)	14.7	12.2	14.5	16.4
Present value of debt/GDP (updated 1995)	78.7	89.7	72.4	93.5
Present value of debt/exports (updated 1995)	256.2	178.1	252.6	289.9

Economic ratios*



LONG-TERM TRENDS: SSA

(average annual growth - updated)

	1980-90	1990-95	1995	1996
GDP	2.9	2.1	3.6	4.5
Exports of goods and nfs	3.2	3.9	6.8	8.0
Terms of trade	-1.2	0.1	5.6	-2.6

* Liberia, Somalia & Sudan excluded in performance classification. ** Weighted averages; *** Weighted averages for 18 countries with 380 million population and SSA estimate is from "Taking Action to Reduce Poverty in Sub-Saharan Africa"

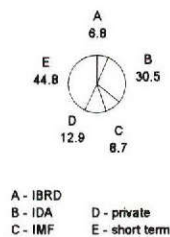
EXTERNAL DEBT and RESOURCE FLOWS: SSA

(millions US\$)

Composition of net resource flows

	1980	1990	1995	1996
Official grants	3,659	12,289	11,405	11,800
Official creditors	3,593	4,692	2,621	2,300
Private creditors	7,873	-679	2,103	-200
Foreign direct investment	33	875	2,187	2,600
Portfolio equity	0	0	4,866	3,600
World Bank program				
Commitments	1,456	3,896	2,471	1,812
Disbursements	824	2,650	2,669	2,900
Principal repayments	117	772	1,175	1,200
Net flows	707	2,076	1,493	1,700
Interest payments	233	746	812	800
Net transfers	474	1,330	681	900

Composition of SSA debt, 1996 (bil. US\$)



BULLETIN BOARD

	1996	1997	Decision	point
HIPC debt initiative (prelim)	1996	1997	1996	1997
possibly stressed	Ugand	Cd'I	Cameroon	Congo, Madag., Niger, Tanz.
unsustainable	Eth	Guinea-B	Moz	Zambia
Global communications pilots	Cote d'Ivoire, Ethiopia, Mozambique			
Connectivity for the Poor	Ghana, Malawi, Mozambique and Senegal			
Rural development focus countries	Guinea, Madagascar, Malawi, Mali, Mozambique, Uganda			
WTO (needs assessments)	Benin, Cape Verde, Chad, Comoros, Mauritania			
National capacity assessments done	Burkina, Cdi, Com., Gabon, Ghana, Guin.-Bis., Guin., Kenya, Malawi, Tanz., Uganda, Zambia			
Bank-NGO study	Ghana, Uganda, Zimbabwe, Mali			
EU-WB collaboration	Cd'I, Ethiopia, Mozambique, Burkina Faso (cond.)			
World Bank (internal) Country Ranking				
top 10 performers	Mauritius, Botswana, South Africa, Namibia, Cote d'Ivoire, Lesotho, Malawi, Uganda, Benin, Cape Verde			
medium performers	Ghana, Senegal, Mauritania, Zimbabwe, Kenya, Eritrea, Zambia, Mali, Ethiopia, Swaziland, Gambia, Mozambique, Burkina Faso, Niger, Seychelles, Sierra Leone, Togo, Madagascar, Tanzania, Chad, Guinea Bissau, Guinea			
low performers	Cameroon, S.Tome & Principe, Gabon, Congo, Comoros, Djibouti, Nigeria, Rwanda, Burundi, Eq. Guinea, C.A.R., Dem. Rep. of Congo, Angola			

NPV: 16 African BIPCs end-1994	US\$ bil.	share
total	77.1	100
multilateral	17.3	23
IMF	4.4	6
IBRD	2.8	4
IDA	4.5	6
ADB	2.5	3
AfDB	1	1
Others	2.2	3
bilateral	43.6	56
private	10.7	14
short-term	5.4	7

AFRICA

Figure 1: Growth and Performance

(Simple country averages)

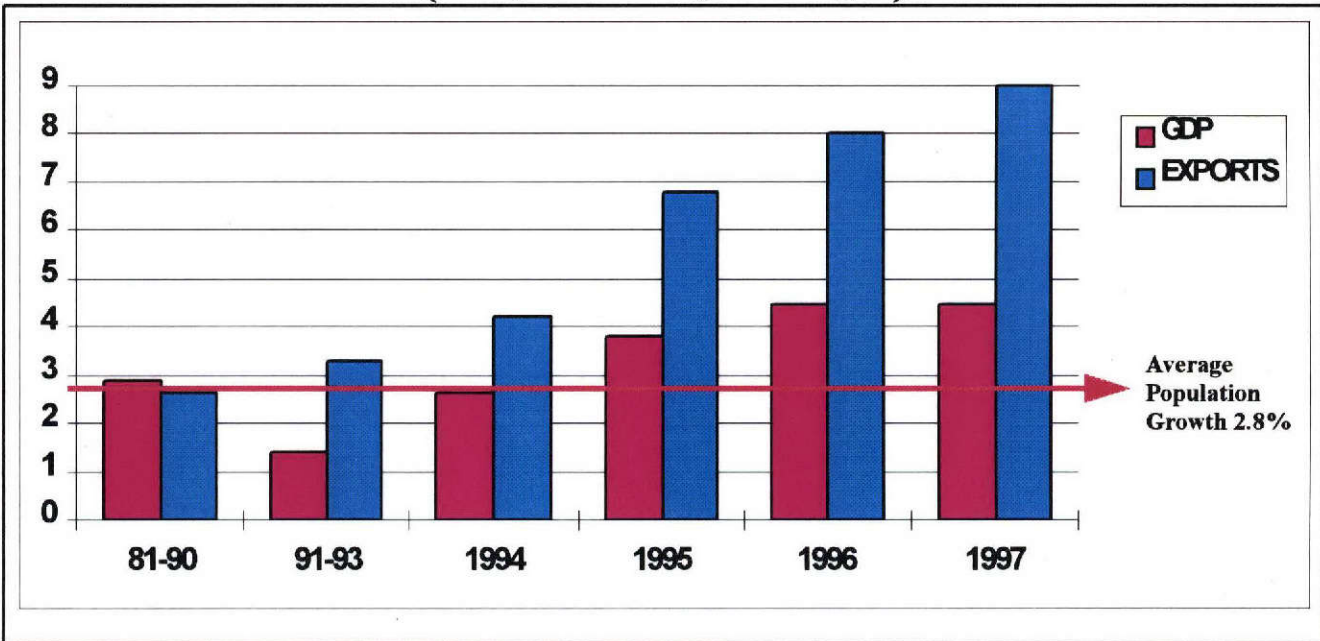
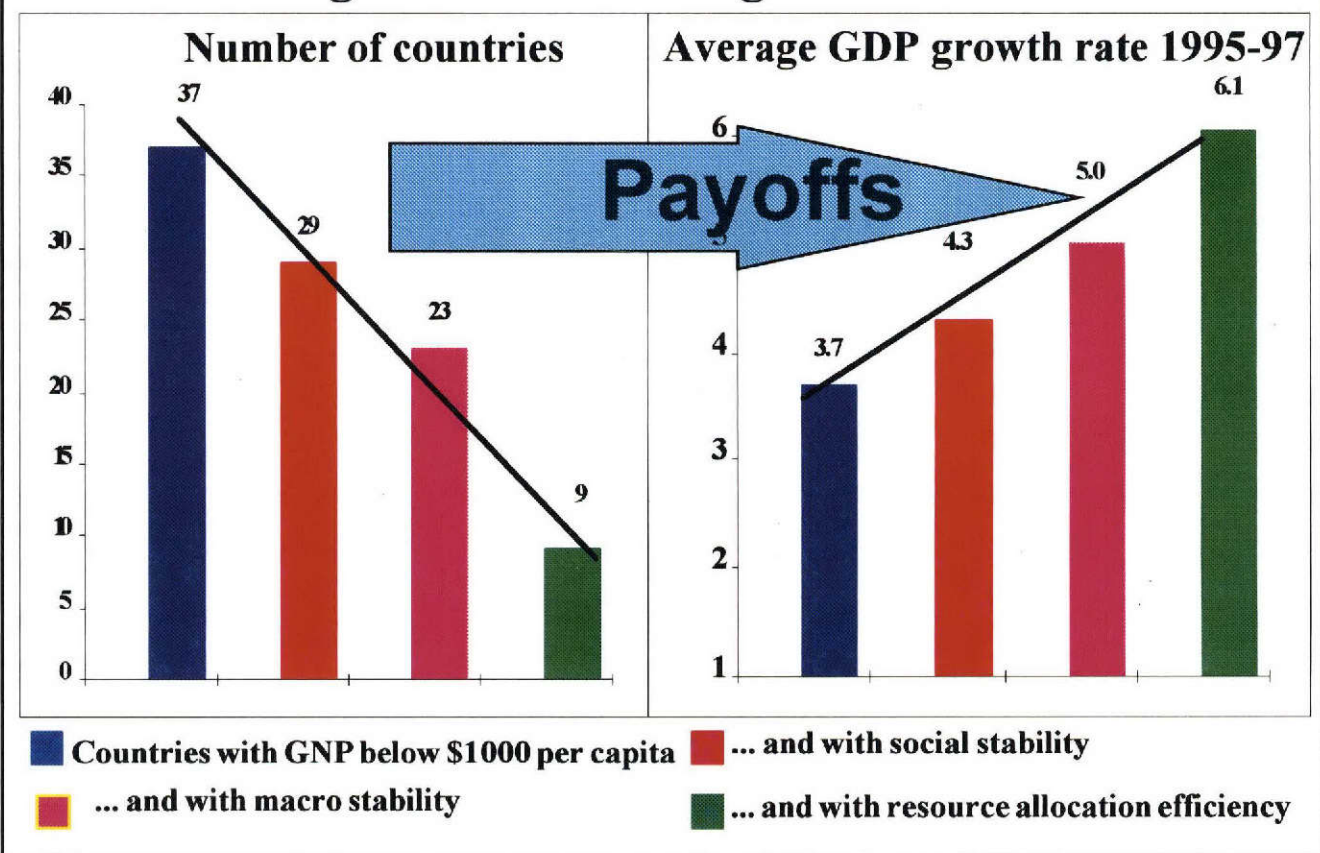


Figure 2: Accounting for Growth



Wolfensohn
Addis Speech

James D. Wolfensohn
Economic Commission for Africa of the United Nations
Africa Hall
Addis Ababa
Tuesday, January 27, 1998

Mr. Chairman, Dr. Salim, Your Excellencies, and Friends:

I want to say at the outset how much I appreciate those very generous words of introduction. They are helping me get over the nerves I feel being in this hall where thirty-five years ago, thirty one of the historic leaders of Africa signed the charter of the Organization of African Unity. Ben-Bella, Houphouet-Boigny, Nkrumah, Nyerere, Senghor, and all the towering figures I see on the beautiful mural which adorns this hall. Their images encourage and stimulate me to try and do more for the development of this great continent.

I have much to learn. The continent of Africa is a very difficult place to describe in a few words. It is a place of enormous contrast; a place on which it is very hard to get a handle. A place where any positive statement is likely to be contradicted somewhere on the continent; a place where any negative statement is likely to be contradicted somewhere else.

Last night, as I was getting ready for these remarks, I started to jot down a few thoughts about my impressions after two-and-a-half years working as President of the World Bank and spending time in Africa. When I speak of Africa in the United States, I, of course, say that economic statistics have shown increases in overall GNP growth and in per-capita GNP growth. That civil society is flourishing. That there is a new spirit of optimism which I share.

But, even as I say that, I know that more people are dying on this continent for reasons that could be avoided than anywhere else. I know that some parts of the continent are wracked by chaos and conflict; that in these parts not only is there no growth, but people are dying of malnutrition.

I know of the new leadership, those with passion, with vision, with integrity, of whom we speak with such honor and with such pride. And yet I also know of those of whom we do not speak with honor and pride; in fact, of whom we do not speak at all.

I know of how proud we are that many countries have reached more than 5% growth. But I also know that population is increasing at close to three percent per year and to make the sort of quantum leaps Africa needs remains a daunting challenge and requires growth rates of 8-10 percent.

I know that we have seen improvements in education - a 78 percent primary school enrollment rate, with an increasing enrollment of girls. But I also know of the 30-

odd countries that are at the same educational level as 15 years ago where progress has stalled.

And I know of the history and culture of Africa. I have personally been enormously moved as I have traveled around the continent. In villages, slums, middle-class areas, I have seen a reflection of the rich and diverse culture of this continent. I have seen the strength of its family values. I have seen people in absolute poverty who do not want a hand-out, who simply want a chance. They have dignity; they have nobility. These people are the core and the strength of Africa.

And, yet, in other parts of Africa, I have seen chaos and irrational killing that does no credit either to those who participate or to the continent.

And against this background of contradictions and contrasts, I am also struck by the remarkable set of cross-currents in the ways in which people deal with each other when it comes to Africa. In the way we deal with each other. When people speak of the World Bank and the Bretton Woods Institutions, they automatically say "Structural adjustment. Massive debt. Messed up economies. Damaged lives." And even when I go to Kampala to meet with 12 African leaders, the headline in the London press before the press conference has even been called, tells the world that the meeting is a failure, when it was, in fact, an enormous success.

There are so many images that we have of each other; set pieces. Stereotypes that box us in and keep partnership and progress out. The way in which NGOs speak of the World Bank. The way in which many multilateral institutions speak of governments. The way in which some speak of the private sector. Relationships have congealed in a way which affects the entire discussion on Africa.

It is time for a new beginning. It is time to stop laying the blame for past mistakes. It is time to stop claiming credit for past achievements. It is time to focus on the future. Africa's future. Last week in this Hall, the Archbishop of Canterbury talked of the "Chains Around Africa". We should not think of the chains of Africa, we should think of the freedom of Africa; the liberation of Africa; the chance to move forward in Africa.

From the confusing picture that I sketched, one very important notion emerges. There is leadership in this continent. There is strength in the people of this continent. There is a humanity here that can allow Africa to break free from the stereotypes of the past and stand proudly and face the future. I see it here in Ethiopia, one of the poorest countries in Africa. A country that was wracked by chaos and conflict, a country that was driven to its knees. But even in their brief six years in power, its dynamic and committed leaders are making a difference. This remarkable group of people is facing up to a set of economic and social indicators which most people would have found extraordinarily daunting. They are doing it with courage, they are doing it with perseverance, they are doing it with transparency. And I would just like to say to the ministers here in the

audience how much I admire what you are doing and how much we at the Bank appreciate our partnership with you.

The Bank has lent over \$50-billion in Africa since our first loan to Ethiopia in the 1950s. We have had a lot of experience, and we are anxious to build on the past. Have we made mistakes? Certainly. But so have we all. Development is a tough business. It is not a business in which there is a text book in which you can look up how to solve every problem. Development takes courage, it takes daring, it takes the risk of failure, and it takes partnership.

I met, this week in Kampala with 12 leaders from Eastern and Southern Africa, including Prime Minister Meles at a meeting convened by President Museveni. After the niceties of the introduction, we got down to the question of "What are we here for?" This was the first time that a group of leaders had ever sat down with the President of the World Bank to discuss the question of "What are the issues facing Africa? What we can do together?" It was also the first time, with or without the President of the World Bank, that the leaders had sat down for that sort of discussion in an informal setting. And what did they talk about? Let me quote from the press release.

"The leaders identified several constraints to Africa's development: inadequate levels of human development as evidenced in particular by education and health indicators, inadequate physical and social infrastructure, poor prioritization of development needs, bureaucracy and ineptitude, low value-adding capacity and unfavorable terms of trade, small and fragmented markets, an under-developed agricultural sector dominated by subsistence farming, limited access to Western markets, a heavy debt burden, low savings and lack of entrepreneurship, lack of research and application of technology, and lack of meaningful partnership between African leaders and donors leading to identifying the wrong development priorities." These are not my words, these are the words of the 12 presidents.

The message coming out of Kampala was a very simple message. It is a message I would like to align myself with today. The simple, positive, and powerful message said: "Let us not look back at what has happened in the past, let us look forward. Let us take a simple, business-like approach to the future. Let us stand up as equals and face the issues. Let us set an agenda for growth and development over the next five or ten years." We came out of that meeting with an enormous sense of forward motion, shared by President Diouf of Senegal, with whom I will be meeting next June with a group of West African and Central African leaders to review these results, and perhaps add to them and move further forward.

What targets did we set? It is worth outlining them because they constitute our agenda for the next few years. But before doing so, let me set one ground rule, one significant and important ground rule. I said to the African leadership, the buck stops with African leaders, the buck stops with Africa. Without strong African leadership, the World Bank, the International Monetary Fund, the multilateral institutions, the bilateral

institutions, the remarkable agencies of the UN, the private sector, NGOs will all be fairly helpless to bring about meaningful and lasting changes.

I told them that I do not want to come to another meeting where we talk about World Bank projects. I reject "World Bank projects". I do not own "World Bank projects". The projects I want to have are Ivorian projects, Senegalese projects, Ethiopian projects. And unless they are owned by African leadership and African people, we are not going to participate. Africa is not dependent on the World Bank -- this is a continent of 48 proud countries. Recognizing it and acting on it is the basis for moving forward. African leadership was the ground rule for the targets set by the meeting in Kampala, and it must be the ground rule for all our work in Africa.

Let me go briefly through the targets.

First, human resource development, education for all with no gender bias. A highly significant starting point for growth. Not just setting up schools but integrated educational development. Why? Because building schools without textbooks or teachers is not education.

But education without health care is also meaningless. You cannot have 25, 30, or 40 percent of your children being damaged nutritionally and physically before they get to school, and expect that you are going to educate them. I have just come back from Bangladesh, where 25 percent of the children are stunted from malnutrition before they are even enrolled in school.

To have a health-care system that works you need to reach out and move to the field, you need nutrition, you need family planning, you need distributive justice. And in Africa, you need vigorously and straight-forwardly to pronounce the word "AIDS" and "AIDS prevention." AIDS can destroy a people and a continent. It needs to be put front and center and we need to emphasize prevention. Even though it is hard to talk about in many societies, and even though it is hard to bring out into the open, it is a fact that we must face.

We then stressed capacity-building at all levels. Capacity-building is crucial in the government and public sector. But it is also crucial in the private sector, it is crucial in farmers' organizations, it is crucial in NGOs, it is crucial in administrative and technical professions. Let me give you an example from my last 24 hours here in Ethiopia. We signed two programs: one of \$300 million for roads, and one of \$200 million for power. Reaping the full benefits of these programs will require the sustained participation of Ethiopians from all walks of life --large and small entrepreneurs, engineers, technicians, local authorities, and village groups.

To avoid the cry of technical assistance which does not build capacity, we must confront the issue of how to get Ethiopian engineers who can build roads when they have not built roads in this country for 50 or 60 years. How to get engineers who will know

about pre-stressed concrete technology when there has been none? We have to bring about technical training and capacity building at all levels.

And so, I discussed with members of the cabinet this morning, how you can advance the country by focusing on capacity building. And we have been talking about capacity building on a range of levels, including teaching, distance learning, using new technology, satellite technology, setting up classrooms so that there can be exchange of ideas over thousands of miles. But also low-tech approaches - wind-up radios that need no batteries, for classrooms on-the-air. We have talked about establishing distance learning facilities here in Addis Ababa and the Bank is prepared to finance them with classes not only for advanced subjects but also for training at local levels, for technical skills and manual trades.

This kind of capacity building is crucial and in Kampala, the leaders strongly endorsed the African-designed initiative, that was completed in 1996, called, "Partnership for Capacity Building in Africa," which they are now going to elevate to their level and push further forward.

We also talked about rural development and rural transformation. In a continent where 40 percent of the population live on less than one dollar a day and where 70 percent of the poor are rural, rural development is essential. But we talked not just about agricultural development, about extension services, about increasing yields. We talked about the fact that rural development means rural roads, it means financing, it means microcredit, it means opportunities for women, it means the opportunity to transform agricultural products, be it into clothing or into food products. We have to look at rural development systematically. So that village infrastructure, rural electrification, communication, empowerment of farmers to make their own decisions, and administrative de-centralization of the type that is going on here in Ethiopia can become a reality.

The leaders then spoke of private-sector development. This is a requirement which is not unique to Africa. The numbers are staggering. Seven years ago, private sector investment in the developing world was of the order of \$30 billion a year, net flows. And the official flows of institutions such as the Bank and multilateral institutions and bilateral institutions were \$60 billion a year to developing countries. Today, official development assistance has dropped from \$60 billion to \$45 billion and private-sector investing has gone from \$30 billion to \$300 billion. From being half the size seven years ago, private sector external investment is now five or six times the size of public-sector net flows of development assistance. And this changes the dynamics. It means the private sector has to take an ever-increasing role in development. And I do not mean just the foreign private sector, I also mean the domestic private sector.

But what do we see when we look at Africa? We see that Africa is missing out. Of \$300 billion in total foreign private capital flows, Sub-Saharan Africa, received about \$12 billion. And of that, only \$2.6 billion in direct investments -- a trivial number in relation to the size and the potential of this continent. But we also have to face facts. It is

not just because the private sector is myopic that less than one percent of direct investment comes to Africa. Africa needs to set itself up to attract private investment and that means a clean regulatory environment, it means a judicial system that works, it means property rights, corporate law, predictability in taxes and in relationships with governments, it means capacity-building, health care and the infrastructure necessary to go along with it. And it means corruption must be stamped out. Without these, private investors simply will not invest.

Infrastructure was the sixth item on the leaders' agenda in Kampala: rural roads to improve access to remote regions, rural water for its health benefits and the time savings for women, rural electricity and also major roads to facilitate national unity or international road links to speed up regional integration. This latter is vital. With 48 states in Africa, markets are too small and fragmented. African countries need to come together in terms of regional development and that, too, was one of the leaders' important areas for target setting. Progress will require reducing imbalances among countries in infrastructure, harmonizing policies – especially on trade matters, and building on SADC, COMESA and the West African Economic and Monetary Union.

And then we talked about conflict prevention and resolution. What the OAU is doing in this area, under the leadership of its Secretary General, Dr. Salim, is remarkable. But you cannot have growth in Africa if people are killing one another. You cannot have growth in Africa if societies are crumbling. You cannot have growth in Africa if people are living frightened, fragile lives. What we have got to do is stop the fighting. And when the fighting stops, we must replace it with economic development, with opportunity, with hope, so that it does not start again. That is as true in Africa, as it is in Bosnia, in Gaza, in Guatemala or across the world. So what we need to do is to develop that sense of justice and expectation on the part of the people of this continent.

And then we talked about public sector reform and good governance. Training, accountability, living wages for the people who work in government.

Two other themes cut across all our discussions: gender and environment. For each priority set in Kampala, the specific needs and contributions of women must be identified and addressed: be it their transport needs, their access to credit or their legal standing to own assets; be it their reproductive health and old age problems, or their education and literacy. And economic statistics need to record and to monitor the progress of both genders.

And Africa's precious environmental resources must be nurtured. Water must be carefully managed and the soil preserved, especially in fragile ecological areas. The rich biodiversity of the continent must be preserved by working in collaboration with the local populations who depend on their environment.

How then to achieve all this? This much we know. We will not succeed unless we put the congealed relationships of the past behind us, and move to a new relationship. In this critical endeavor, four partners are key.

The first and most obvious partner are the governments of the countries that are developing. What can we expect of them? Rigorous, predictable and sustained good economic management; transparency; accountability; and measures to fight corruption -- not just in Africa, but among external partners as well. In those countries where "extraordinary expenditures"--bribes and enticements-- are tax deductible, we also need to follow on the OECD Convention against corruption with early action.

But the issue goes beyond that. My experiences in Africa and in other places have convinced me that corruption is a tough thing to talk about. People will say the boss is not corrupt, but the people around him are. Or, sometimes they will say the boss is corrupt and the people around him wish that he was not. Sometimes they will say they are all corrupt.

We have to be able to talk about corruption. We have to be able to recognize that the biggest obstacle to social equity is corruption, the biggest obstacle to the inclusion of the majority of the people in the benefits of growth, is corruption. Corruption, by definition, is exclusive. It promotes the interests of the few over the many. We have to talk about it, we have to bring it to light, and we have to fight it.

The second of the four partners is the donor community. Not just in terms of giving money, but sharing knowledge and expertise. We all have to do a better job of working together. We cannot fight over whose flag should fly on each and every project. We cannot all send large teams to study every subject. We cannot operate in a manner which is less than cooperative and which does not add value. I am sure that in the past the Bank has not adhered to such rules in every case. I just tell you now that this will not be the case in the future. We will lead when it is appropriate for us to lead. We will follow when it is appropriate to follow, and we will not participate when it is better done by others. I give you a commitment that from hereon this is the way we will operate.

The third partner is, of course, the private sector. They clearly need to participate fully and we have to establish an environment that attracts private investment. But even when such an environment is in place, there is still an enormous selling job to do. Why? Because Africa's image among investors is still much worse than the risks entailed by its economic fundamentals. Let me give you a statistic which stunned me last night when I was reading. I looked at how much money Africans hold abroad as compared with how much money Latin Americans hold abroad or Asians hold abroad as a reflection of what Africans think about the investment climate in their own Continent. You will be staggered to know, as I was, that 37 percent of African private wealth is held outside Africa; whereas in Asia, 3 percent is held outside; and in Latin America, 17 percent is held outside. Africans have to show confidence in Africa if we are going to have foreign investment in this continent.

And finally and most important perhaps, as the fourth partner we have NGOs and the organizations of civil society. NGOs represent an important and critical force. Not all NGOs are created equal. There are good NGOs and, I am hesitant to say it, but there are bad NGOs. But where we can establish partnerships the potential is enormous. Let me give you a striking example from West Africa where we have worked with governments and NGOs in eradicating river blindness. This program is an excellent example of the type of four-way partnership I have in mind: the Governments have been committed; international institutions--WHO, UNDP, FAO, the World Bank-- have collaborated on the basis of what each had to offer; the private sector has donated the drug; and NGOs have played an essential role in delivering it. Their involvement is helping to enlarge the program to the rest of the infected parts of Africa.

Other such partnerships are under way. Last night we announced a 20-year program with SmithKline Beecham and with WHO on elephantiasis, which is another disease which affects the continent. And in 20 years we want to eradicate that disease too. SmithKline is giving us a drug--you take one pill once a year much like the drug that we have in river blindness. Here too, the four-way partnership will be the key to success.

That is the dream and the vision -- to bring the four groups together to tackle issues in the context of long term, nationwide programs that reach the greatest number of people.

To make this vision a reality, we must face other issues. None perhaps as important as debt. His Grace, the Archbishop of Canterbury, when he was here, talked about the chains of debt and colonialism. Yes, debt is a heavy burden indeed and we should be grateful to the Archbishop for his efforts. But we should deal with it not with rhetoric, we should deal with it with strategy, with precision, and with practicality within the framework of the initiative for highly-indebted poor countries (HIPC).

I have seen His Holiness the Pope and members of the Pontifical Council three times in the last year. In February 1998 the Bank is meeting with religious leaders in London. We are talking with NGOs. We now have a chance of resolving the debt problem in Africa. The HIPC initiative is not, perhaps, the total answer, but it is an intelligent and appropriate approach to try to deal with the issue. HIPC's long-term debt is around \$167 billion in net present value terms (with Africa accounting for about \$120 billion). Of that, the World Bank - that is the IBRD and IDA - constitutes 10 percent. So, the problem is not just the Bank and IDA. The major problem lies with the creditor governments. They must be mobilized to do much more.

The Bank is an institution that has \$150 billion of assets, we have \$25 billion of capital, we have borrowed another \$125 billion. So the most that we can forgive is \$25 billion because we have to pay back the \$125 billion. We can forgive \$25 billion of African debt but if we do that there is no Bank left, we can stop business. Clearly there is a limit to what we can do.

And the same is true of IDA. We have \$70 billion for IDA and we are relying for half of IDA's replenishment on what we receive from repayments. If we forgive the debt, we do not get repaid and then we have to halve the size of the program on IDA. If you like that, we will do that and we can close IDA. Again there is a clear, practical limit to what we can do.

The real question does not relate to the World Bank. We are intermediaries. The real question gets back to the governments that own us, the major creditors that make up the other 90 percent. And I think the way to gain their support is not with rhetoric, it is by trying to mobilize and build momentum for the debt-relief program so that they can build on the very constructive steps already taken.

Let me also underline that HIPC is the newest and most innovative, but by no means the only instrument we have to reduce Africa's debt burden. We are using IDA reflows to cover the IBRD debt of IDA countries -- the so called Fifth Dimension. Over one billion of relief has been provided since we started using this instrument in 1988. We have a debt facility for buying back commercial debt. We helped countries buy back \$4.4 billion of their debt in the 1990s -- which is equivalent to 11% of the GDP of the concerned countries. Recently we have approved a significant package that should help Cote d'Ivoire cancel about \$5 billion of its commercial debt, which is equivalent to 45% of its GDP.

Debt is a problem. I am committed to doing something about it and so is Michel Camdessus, at the International Monetary Fund. You have my promise to do everything humanly possible to solve this issue.

So my message is simple: Let us stop taking pre-ordained positions about each other. Let us look forward. Let us analyze the problems and let us adopt the game plan for the future. Let us set ourselves targets of how we, the four partners: governments, multilateral institutions, private sector and civil society, can work together. And let us judge ourselves on our results. When we get things right, let us congratulate ourselves and move forward. When we get things wrong, let us not react with recriminations and anger, let us try and see what went wrong so we do not do it again.

Unless we are united, unless we forget a lot of the pre-set positions, Africa will not move forward. This moment, which should be Africa's, will be lost.

Yesterday, at the museum, I saw a painting by Afework Tekele, who made the beautiful stain glass window outside Africa Hall. It was a wonderful painting. It was a painting with a perimeter about Africa, about Africa's troubles. Out there at the edge, it had a UN symbol. But in the center, it had a sunrise, the sunrise of Africa. Your sunrise. This is Africa's moment. A moment Africa richly deserves. A moment to seize. A moment to build a sunrise that will bathe us all in light.

The Evolving Relationship Between Africa and the World Bank: What We Have Learned Together

JAMES SMOOT COLEMAN

Memorial Lecture

Callisto Madavo

Vice President for Africa

The World Bank

Los Angeles, October 8, 1997

James S. Coleman – an appreciation

Thank you. It is a real pleasure for me to be here. At the end of my graduate school, I was offered an opportunity to become a university teacher in California and of course as a young man I was very excited about the possibility of teaching in California. But that Spring at Notre Dame University, Robert McNamara, who had then taken over as president of the World Bank, gave an outstanding and highly courageous speech on promoting family planning around the world. To have done this at Notre Dame, a Catholic university; to have had that courage and that passion, made me sit up and wonder whether perhaps I should consider joining the World Bank after all. I have never regretted that decision, having chosen to work in international development since then.

Recently I had lunch with Robert McNamara – he's in his late seventies now – and we were reminiscing about Africa. What always struck me about this man, who remains so intellectually sharp and so very present, was the optimism: the optimism then when he was president of the Bank and the optimism now about Africa. This theme of optimism will be the beginning of my talk and it will be the full stop of my talk, this afternoon, in honor and in memory of Dr. James S. Coleman, whose own optimism for Africa in the 1950s and Sixties would have found a real place during my lunch with McNamara.

I believe James Coleman would have found the present a most exciting time to be working on Africa. It was his vision of the significance and challenge of the African

continent which inspired him to found the African Studies Center here in 1959. He was something of a pioneer in having established African studies as a credible discipline in American universities, when it was not yet popular.

But in fact he did more. He went out to Africa; he went out to Nigeria, to Uganda, to Kenya and he went out to the Democratic Republic of the Congo and contributed to African scholarship and the development of universities and institutes. He was a pioneer too because he understood very early on that Africa's long-term development needed long-term solutions designed and implemented by Africans. And he had the wisdom to focus on capacity building and the building of institutions. It is only now that institutions like mine, the World Bank, are in some sense retracing Coleman's steps on some of these key and critical issues of capacity and institutional development.

Today, in the Coleman spirit, I will explore the relationship between Africa and the World Bank. I will also explore whether we are getting better at putting structural solutions to work on structural problems.

First, I will talk about the present context for a new-found optimism in Africa, represented by the expression that my colleagues and I have been using, namely that "Africa is on the move" (Madavo and Sarbib, 1997).

Second, I will address the three decades of development work in Africa and distill from them the lessons that we – the Bank and Africa – have learned together.

Thirdly and finally, I will present a broad strategic framework for the new and most promising phase we are now entering with Africa – the phase of partnership, energized by a sense that this is a new era for Africa and it can also be a new era for institutions like mine, the World Bank. I am told that Coleman was informed by a sense of the possible and that he rejected the standard pessimism about Africa. I hope to describe here the framework of what I believe is a development partnership for a very possible future in Africa – and a hopeful future.

Africa is on the Move – the Context for Optimism

We at the Bank and, I believe, many Africanists like you, are conscious of the unique alignment of forces and factors that make Africa today a continent on the move. In this sense we meet at a time, for Africa, of great hope, opportunity, and challenge ... the challenge to bring about economic progress, the challenge to bring about the reduction of poverty. But you might well ask why I am optimistic. Let me offer three reasons for my optimism about Africa.

Firstly, Africa is on the move because increasingly its citizens are choosing that this be so. We have seen political changes in the 1990s and some of them are very real. Over 40 Sub-Saharan African countries out of 48 are at various stages of political liberalization.

And I am not just talking about the question of Western-style elections, although that might not be unimportant. I am talking about the possibility of opening up these societies, opening them up to the possibility of people participating in their future in terms of economic and political life. This, done on a broad scale in Africa, can provide the political legitimacy and broad-based support for the many tough choices that fundamental reforms will demand in Africa.

The second reason for my optimism is that this wave of political reform has brought with it a new style of African leaders. Today some of them that we look to are remarkable not for their ideology but for their lack of it. We admire some of them for their no-nonsense pragmatism. Some too are grappling with issues of accountability and transparency. Gone are the days of statist doctrine in most places. Although from time to time, some of today's reformed leaders fall back into old habits and rhetoric – and I've even seen this happen on private sector promotion tours.

There is also a willingness on the part of the new leadership to acknowledge the issues of corruption and mismanagement and the need to deal with them. These African leaders care about development; they care about the kinds of programs that are going to make sense for them. They are not willing to be pushed around: I have seen, for example, for the first time in some of these countries, Prime Ministers and Presidents saying to an institution like the World Bank, "no, no we don't want to do that and if you insist then, take your money back to Washington". This ability to say "no", this ability to have the self confidence that they need to *own* these programs, that they need to be the master of their own house, this is an element which gives me tremendous confidence in the future.

And some of these leaders have begun to articulate a vision for us. Take for example the Deputy President of South Africa, Thabo Mbeki, who has called for an African renaissance. To quote him: "... we've had a whole generation which has experimented with many different things ... politicians with one-party states which did not work, military governments which did not work and all kinds of economic policies which did not work. Now I believe there is a new generation on the continent saying we are ready to turn things around." (Friedman, 1997)

It is very much my hope that this spirit Mbeki is trying to articulate and the spirit of people such as Museveni and others who are becoming the new African leaders, will serve as role models for young Africans who are coming up so that they too can be proud of their continent and its possibilities.

But there is a third reason why I am optimistic about Africa: the economic figures are beginning to say so. In 1996, we saw average growth rates of 5 percent compared with 3.4 percent in 1995, compared with barely 1 percent in 1994. Forty one of the 48 Sub-Saharan countries now have positive per capita GDP. We are beginning to see the long-dormant private sector revive and we are beginning to see capital flows trickle back into Africa. Sure, the numbers are still small – \$12-billion – but what is encouraging is that

three years ago it was much less than that so the trend is up and if we can build on this it will be a major contribution to the future.

It is gratifying too that Africa is beginning to get the international attention it did not have three years ago, five years ago. And I believe this is for the good. We saw Africa being featured at the G7 summit in Denver this past summer. We had the amazing event outside Washington DC organized by the Corporate Council on Africa in April: the place was simply oversubscribed by people from the private sector. Further, a friend of mine was telling me that at the ninetieth American Assembly of Columbia University, 70 influential Americans got together to talk about "Africa and U.S. National Interests" (American Assembly, 1997). And of course, some of you are aware, the United States Congress is currently considering legislation that would strengthen trade ties to Africa and offer opportunities to exports from Africa to the United States.

The image of Africa in the public eye is also changing as a result. A number of the serious media publications of the developed world have focused not just on bloody war stories out of Africa but on economic gains and investment potential. These are not reports that gloss over the pitfalls and challenges, but we are all strengthened in our work by the more balanced attention which Africa is receiving. My point is that this all adds up and if we can build on this we will make a difference in Africa.

Now, I do not want to be naïve. There are of course sad footnotes. You and I know that we have intolerable human suffering in places like the Horn of Africa – Somalia, Sudan; in places like the Great Lakes – Burundi, Rwanda, the Democratic Republic of Congo; in places like Sierra Leone where we thought we had begun to make progress but in fact there has been a retrogression. We have been waiting for a long time for improvements in a place like Angola and we are still waiting. So, by my talking optimistically about Africa I am not ignoring these other realities. But it is very important that those of us who know Africa and who are concerned about Africa, not allow some of the civil conflicts to mask the gains that are really taking place in other parts of the continent. In many ways we need to continue to remind those we work with that Africa is not a country; that Africa is a set of countries where some may be making tremendous progress while others are not doing so well; that we need to take a differentiated approach rather than a one-size-fits-all approach.

There is another dose of realism that I want to share with you. The economic and political gains I am talking about are remarkable alright given what was happening in the 1980s into the early 1990s. But I think we also have to concede that these gains remain fragile. These achievements need to be deepened, they need to be broadened, and in many ways they need to be accelerated.

The hard fact of the matter is that some 282 million Sub-Saharan Africans live on less than US\$1 a day. The fact of the matter is that ninety out of every 1,000 babies in Sub-Saharan Africa still die before their first birthday. I was recently in Ethiopia – 60 million people, the second-largest country, population-wise, in Sub-Saharan Africa – and guess

what, only one, I repeat one, in four primary-aged children is in school. What are the implications of this for Ethiopia? What are the implications for Africa?

The point I am trying to dramatize is that 5 percent growth rates, while encouraging, are not enough. We are talking about a continent the population of which is growing at 3 percent a year so the gains per capita are 2 percent. At that rate it would take a generation to double Mozambique's \$90 per capita income. It would take a generation – 35 years – to bring Mozambique's per capita income from \$90 to \$180. We cannot afford that!

Tough economic and social policy choices will, therefore, have to be made in order to raise the growth rates in Africa from 5 percent to 7 to 8 to 10 percent. And these kind of hard choices can only be made if they are commanded and supported by civil society; if indeed Africans as a people *will* their future with determination.

My friends it is also not just a question of getting the growth rates from 5 to 10 percent. It is not just the level but the nature of this growth that will matter. Will it be the kind of growth that will provide a conveyor belt to pull the poor along? Will it be the kind of growth that will enable a child to go to school, a sick child to go to a health clinic, with drugs? Will it be the kind of growth that will enable a man in a township of Johannesburg to get a job? I am saying the quality of growth and its composition matter as much as its level.

Before I share a few ideas about the way I see the future, allow me to reflect a little bit on the past: the World Bank and Africa – where have we been on this journey and what have we learned together.

Three Phases of Development over Three Decades

For convenience allow me to divide this experience into three phases: the period of *the 1960s to the early 1970s*, the first phase, was a period of relative economic tranquillity and, in some sense, real growth. In 1957, the Bank had just two African members. By 1971 there were 40 and today there are 48. The first Bank loan in Africa was in 1950, to Ethiopia for road rehabilitation, and until the early Seventies, the Bank's support in Africa focused on power and transport.

Africa in the Sixties was preoccupied with consolidating political power. There was not much attention paid to long-range economic policy and the building of institutions. Of course the harmful effects of some of these omissions are now recognized both by African leaders and their external partners.

The economic systems of the colonial powers were seen as part of the problem during this period rather than an inheritance that could be adapted. Most African governments, as we all know, opted for state-led economic models which suppressed private initiative and used the state's economic apparatus to consolidate power.

Robert McNamara, in his seminal speech in 1973 in Nairobi (McNamara, 1973), really provided the first major wake-up call on African development. He stressed the need for agriculture, for rural development and he stressed the need to reach what he called the "absolute poor". But what was interesting about the World Bank at that time – and I was a junior officer – was that, fundamentally, Africa was not on the radar screen of the institution. If you look at the people who were the intellectual giants around McNamara, helping formulate the direction the World Bank could and would turn, there were very, very few people who made it their business, on a day-to-day basis, to worry about Africa. They were steeped in Asia or Latin America or some other part of the world and they provided the intellectual underpinning to much of the leadership McNamara gave at that time. By the way, when I talked to him about this during our lunch he admitted it and thus all the more remarkable his own insight at the time and the leadership he alone gave on Africa.

There emerged after 1973 a very interesting cultural struggle in the Bank. There were the young, bright and eager professionals, the kind of people who came through the same program I did, the Young Professionals, who believed in the call by McNamara. On the other side were the core of colonial administrators who were specialists in their fields and who were deeply skeptical. At that time the Bank was dominated by Americans and British for the most part, making up over 40 percent of the staff. And some of my British and American friends, I must say, were highly paternalistic towards Africa. For example, I remember startling my African audience when I went to Zambia in 1974. That was the first mission which I led. There were seven of us and among them I was relatively young. We were all sorts of colors but I was the only black. And so I started to speak and the various facial expressions told the story ... The Zambians just did not believe that I could be the spokesman of the mission. This lack of respect for African capacity in leadership lingered for a long time in the Bank. I am glad to say we are gradually coming out of it and in a sense I am a symbol of that progress.

I make the point because as a result of these attitudes, because of the ways in which people looked at Africa, because of the lack of confidence in the ability of Africans to take care of their own house, we, at the Bank, resorted to technical assistance and to short-term solutions to issues that were essentially long-term. So there was a fundamental mismatch. The foreign technical assistance model was simply inappropriate for the kinds of things we faced. So it is not surprising that in this first phase, the Bank focused on infrastructure and paid limited attention to policy, to institutions and to capacity.

What then happened between *the mid 1970s and the mid 1980s*, what I might call the second phase? During this period we built on McNamara's drive towards poverty reduction, agriculture, rural development and education. We relied in many ways on McNamara's individual leadership and his call to the "moral" case for development assistance. In fact, McNamara had tripled lending to Africa from 1969 to 1973 and by 1981, lending for agriculture and rural development – and these are the social sectors – exceeded a third of Bank lending to Africa.

I think we should place some of these activities by McNamara in this period in another context too. McNamara's Nairobi speech came six years after President Nyerere's Arusha Declaration (Nyerere, 1967) which, you will recall, captured the imagination of everyone by putting the rural poor at the center of development. But political elites in Africa were very slow to recognize the importance of people in the rural sector and indeed we, external supporters of Africa, did not make it easy to make this particular change. We were too inclined to translate potentially sweeping reforms and demanding, long-haul efforts into five-year project schedules and six-month "action plans".

Then of course in the Seventies, the oil crises and especially the 1979 price shock hit Africa particularly hard, coming alongside the collapse in primary commodity prices and the beginning of the burgeoning of the debt burden. In addition, few Africans and few development practitioners had been alert to the institutional decay that had been happening in African economies during the Seventies. The expansion of state enterprises, the close regulation of economic activities, the virtual elimination of the private sector and the bloat of the public sector, made Africa especially vulnerable to external changes. The cumulative effect of this became evident at the beginning of the Eighties.

What did we in the Bank do? We came out with a report in 1981 called Accelerated Development in Sub-Saharan Africa: An Agenda for Action (World Bank, 1981), the famous Berg Report. It offered a remedy for economies caught in a downward spiral, a remedy that lay in sound economic policy. This report was a major shock to Africans because it suggested that the World Bank was losing patience with Africa. For Africans, the easiest way of explaining the problems that were being faced was to point to exogenous economic factors and the colonial inheritance. We at the Bank seemed, suddenly, like a stern schoolmaster: "sound policy, sound policy," we were saying. Interestingly, the cultural struggle I told you about between the young and the old colonials, with the young pushing for change along McNamara's road, became less clear. These young foot soldiers began to lose faith in Africa and they began to join the group which questioned fundamentally whether Africa could turn over a new leaf. In many ways these young people, most of whom were my friends, began to behave like disappointed lovers towards Africa, revising their assessment of countries like Tanzania dramatically where only three years before they had given us glowing pictures – and this despite little change in the objective circumstances of many African economies.

In retrospect I believe it was right that the Berg Report sounded the alarm. The misfortune is that we did not do it very convincingly – the report had a sharp tone to it; as I said, a stern schoolmaster tone. It alienated those around Africa who could have become our allies in reform and we are still living with the consequences of some of that debate in the Eighties on the Berg Report. It is interesting that the 75th anniversary edition of Foreign Affairs that recently came out cited four important books in this century on Africa. They were Lord Lugard's The Dual Mandate in British Tropical Africa (Lugard, 1922), Frantz Fanon's The Wretched of the Earth (Fanon, 1963), René Dumont's False Start in Africa (Dumont, 1962) and the Berg Report. The reviewer's

judgment, though – and this is telling – is that: “Today most countries still await convincing proof that the Bank’s prescriptions will eventually accelerate growth.” (Foreign Affairs, 1997). That takes us back to the point that it was right for us to sound the alarm bell but perhaps we did it in a way about which there still exists skepticism as to whether or not some of our ideas are really eventually going to bear fruit.

Indeed today, in the minds of the African public, the phrase “structural adjustment” is synonymous with the World Bank in Africa. This is an ironic turn of events because when structural adjustment programs were initially granted us we were thinking of places like Korea, Thailand and others. They did in fact structurally adjust in the 1980s and went on to become big successes until of course two or three weeks ago when some turbulence in their currencies emerged which needs to be worked on. Kenya was the first African country to receive a structural adjustment loan and some of the issues we were dealing with there in the early Eighties are still on the table and have not been resolved.

In many ways, Africa was perceived as not having either the economic prospects or the administrative capacity necessary to undertake serious structural adjustment. So in Africa we saw adjustment in the early period turn more towards stabilization rather than real adjustment – leading to the confusion between the roles of the Bank and the IMF on the continent. And of course in this early period of adjustment, we fell prey to another old habit of the Bank which is that we tended to think that if we influenced a small number of decision-makers rather than helping governments establish the conditions for broad-based ownership, that everything would be alright. The fact of the matter is that we have learned the hard way that the Finance Minister signing off on a piece of paper does not mean that things will happen on the ground.

This brings me to the third period, *the mid 1980s to the mid 1990s*. During this time structural adjustment programs really matured and we began to see a greater preoccupation in making sure that we fed issues of growth and poverty into adjustment. We began to grapple with the issue of providing more sophisticated and targeted safety nets than those of the mid 1980s and to pay attention to the social sectors in our programs. The share of loans which included social sector initiatives increased from less than 5 percent in FY 1984 to 1986 to almost 30 percent in FY 1990 to 1992. We began to grapple too with the need for political support and to discuss with governments how one grows political support for some of these difficult adjustment programs. Many reform prescriptions required that governments take hard political knocks and it is probably in this area where the Bank and its African partners have experienced some of the most frustrating aspects of our relationship.

During this period Africans became impatient with the idea of being “dictated to”. The Bank, on the other side, said it was merely sharing the experience of other countries which showed that policy reforms had to be implemented. We were simply trying to point out that it was a world on the move and that if Africa was going to participate in the global economy in a competitive way, it had to change the way in which its economies functioned. And those Young Turks I mentioned, who had been fighting in

the Seventies and then disillusioned, were coming back now, feeling that Africa could do better and should do better. And yet, at the same time, we were in this unfortunate circumstance of watching Africa in an economic free-fall that went well into the early Nineties. With this we saw poverty expanding when the very thing that was really motivating people to work for the Bank was to do something about poverty.

In my interpretation we could have handled the structural adjustment debate much better; we could have anticipated some of the social dimensions much earlier. And we should have appreciated earlier too that we could not just deal with a small group in core economic ministries but that these programs were difficult and needed to be *sold* to the public. We should have appreciated that without public support, things were not really going to work.

I conclude that if we were right in the 1970s to focus on infrastructure – and I think we were – and if we were right in the 1980s, to insist on economic reform, we did a very poor job in the implementation of the latter. Our instruments, our language, our approach were simply wrong. It is only in the early 1990s that we began to change, just as Africa was beginning to turn itself around and ask of us at the Bank, as an international institution, that we provide that which Africa required rather than that which the Bank thought was good for Africa.

The changes that were made in the late 1980s were anticipated in another very important Bank report entitled From Crisis to Sustainable Growth which was issued in 1989. It rung the alarm bells and showed the need to go beyond the issues of structural adjustment to address fundamental questions of human capacity, institutions, governance and the environment. It also began to diagnose what ailed us and to shift our focus from prescriptions to a more humble approach. Let me quote: "Responsibility for Africa's economic crisis is shared. Donor agencies and foreign advisers have been heavily involved in past development efforts along with the African governments themselves. Governments and donors alike must be prepared to change their thinking fundamentally in order to revive Africa's fortunes. However, Africa's future can only be decided by Africans. External agencies can play at most a supportive role." (World Bank, 1989)

So you see, here, a real shift in the way in which we began to look at Africa.

By the mid-1990s, and preparing ourselves for the future I want to address now, we had refined this new perspective further. There could not be talk of a grand-scale solution for Africa any more. We recognized instead a mosaic of different opportunities. And I quote from another Bank report in 1995 entitled A Continent in Transition: Sub-Saharan Africa in the Mid-1990s: "As the conditions, constraints and progress of African countries vary, so do their agendas." (World Bank, 1995). We began to understand, in other words, that "a dynamic partnership between the African people, African governments and donors is needed to realize the potential of Africa in the coming years." We realized here that we could not apply one solution to every situation; we could not treat Africa as if it was one country.

A Partnership for the Future

So what about the future and where is the Bank going with Africa? I would characterize our relations with Africa now in this fourth phase, if I may call it that, as a relationship built around partnership. And this partnership is built around five mutually reinforcing building blocks.

Block One is the need to support the emerging new style of African leadership. We must accept the fact that Africans must lead and take responsibility for their economic future. That means a change in the way in which we deal with Africa: rather than dictate we need to listen, rather than lead we need to support and rather than always imposing conditions we need to arrive at jointly agreed-upon performance targets. I am not suggesting here that the Bank go soft on Africa. I am suggesting though that the Bank proceed on the basis of a compact: here is what needs to be done and within that the Africans have a certain responsibility to do their part and their partners from outside have their responsibility to support them. This way of doing business is going to be much more difficult for my institution as it is for Africans because it means they, the African leaders, are going to have to grow these reform programs on the basis of consensus and participation in countries where this is not always easy. It means they are going to have to be prepared to open up to civil society, to non-governmental organizations and to other players that have tended to be ignored in the past in Africa. And for the Bank, it is not going to be easy because it requires that we let go of control.

Block Two calls for us to assist the African leadership in establishing and deepening the consensus around a strategy to accelerate growth with both internal and external development partners. We are challenged here to examine some of the elements of the way forward. I have said that the challenge is to raise growth rates from 5 to 8 to 10 percent. What will it take to do this? It is very clear we are going to have to talk about private sector-led growth because there are not going to be adequate investments coming from the public sector. It is very clear, too, we are going to have to ensure that the growth addresses rural areas and the social sectors otherwise there is not going to be the political and social underpinning to sustain this sort of progress. It means we have to help Africans develop a growth strategy based on the preposition that development is about inclusion and not exclusion. Africans have to come up with strategies that will bring about growth that raises all the boats with the tide rather than benefiting a few people.

I said I do not see progress in Africa unless the private sector begins to play a strong role. For our **Block Three** this means we must look at trade, at investment and at the mobilization of domestic resources so that ultimately Africa can generate its own development finance. We must create Africa as a good business address which means creating the policy environment that will make the private sector want to go to Africa rather than Asia or Latin America. We have to provide access in international markets to African exports. Fortunately we are beginning to see the trickle back to Africa of private

sector flows although they are still very small. And we are beginning to see the trickle back of foreign direct investment. This needs to be accelerated.

Block Four requires that we continue to support official development assistance (ODA) to Africa. For Africa, ODA is absolutely critical and we must be careful that we are not swept along by the fact that private sector flows have become five times the ODA flows to developing countries. We know that private sector flows are not going to go to countries that do not have infrastructure and an educated work force. They are simply not going to go to Africa unless we significantly improve conditions by doing some of the things that cannot be done by the private sector but need to be done by the public sector. We need to redouble our efforts to support IDA, the International Development Association, the soft window of the Bank which is really the lifeline for Africa and averages an annual commitment of \$2.5 billion. We need further to strongly support the efforts to deal with the debt issue in Africa, the so-called Highly Indebted Poor Countries initiative that is now underway. And I think, in making the case for some of these issues in the United States, we can and should make the point that IDA contributions are not just charity. IDA contributions used well in Africa, can create business opportunities, can create win-win situations in which all of us, Africans and non-Africans alike, can benefit.

Block Five recognizes that African countries and their international and bilateral development partners cannot tackle the development effort alone. There is a need to consult much more closely with beneficiaries of projects that we finance in Africa. There is a need to involve the civil society, the private sector and non-governmental organizations. There is a need, in working together in this way, for people to listen, to learn from each other and to combine efforts and leverage the impact of what we are doing.

There are two other key elements which cut across all five blocks and will remain very important in Africa. One is building capacity. The kind of Africa I am talking about, the kind of ownership of development programs that I am talking about, are not going to be possible if the capacity on the African side is weak. It simply means you do not have the building blocks for a partnership of people. Fortunately the African Finance Ministers have come up with a project that will address some of this. I think their Partnership for Capacity Building (African Governors, 1996) will be a rallying point for external donors to support this great need.

The other key element which will be very important is the diffusion of knowledge. Africa comes late to the information age but is in a position to leapfrog into the latest information technology. In the development game, ideas matter as much as money and perhaps in some cases, more. The access to ideas, to knowledge, to the experience of other parts of the world by Africa is going to be absolutely fundamental to the future. We have begun to take some initiatives as the Bank tries to become a knowledge bank to support Africa. We are involved in a range of knowledge-based development activities like the African Virtual University which will soon be operating in 10 African countries and a school-to-school Internet connectivity program which has been established between

Uganda, Ghana and Senegal on the African side and Wyoming, Toronto and Chicago on the North American side. We must be alert, too, to gathering Africa's experience and contributing *it* to the knowledge bank.

Conclusion

I have suggested that Africa now is a continent on the move; that Africa's people are ready to will their own future. But in many ways those of us who have worked in development should have, a long time ago, taken a longer view of development by building institutions and people very much in the spirit of the pioneering work of James S. Coleman. This is the lesson that we should all take: that Africans should lead us into the future; that we, as their supporters in academia, in civil society and in development agencies, should listen and support. And it is very important in this process that we raise Africa's confidence as much as we raise its output; that we should, in thinking about Africa, think about equipping its young people with the ways and means – not just the hope – for a better day. We must think too about securing its older people the prospect of a more secure twilight to their lives in the heart of their families and communities. And finally, we must ensure that poor people find a path away from their difficulties and isolation.

As World Bank President Wolfensohn said: "This is what the challenge of development is all about -- inclusion. Bringing people into society who have never been part of it before.

"Our goal must be to reduce these disparities across and within countries, to bring more and more people into the mainstream, to promote equitable access to the benefits of development regardless of nationality, race or gender. This – the *Challenge of Inclusion* – is the key to the development challenge of our time." (Wolfensohn, 1997).

All of us, Africans and Africanists, as well as those yet to perceive and learn the special qualities of the continent and its peoples, have a role to play – together – in achieving that.

Thank you.

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ANGOLA

Historical Context and Relationship with the World Bank:

- Angola is a potentially wealthy country, with a population of 11 million and substantial natural resources. Oil and diamond production in 1997 are estimated to have a value of over \$4.5 billion, and recent offshore oil finds could raise production from the current level of 750,000 barrels per day to more than 1.2 million bpd within three years. However, despite its tremendous natural resource endowment, 30 years of war and poor economic management have resulted in a per capita income of only \$410 in 1995.
- Recent regional developments have left Angola as one of the strongest military powers in the region. Government forces were involved in the recent civil wars in the Democratic Republic of the Congo and in Congo, unseating allies of the Angolan opposition rebels, UNITA.
- The Government continues to focus on immediate military and political issues to the detriment of attention to reform and the social sectors. The lack of capacity and budget on all levels of Government have severely slowed progress on the nine Bank-supported projects. Corruption is also an issue which has hindered the country's development and slowed its economic recovery.
- Angola is addressing a number of transitions simultaneously, moving from a centrally planned economy to the market, and from war to peace. Serious macro imbalances continue to stifle the country's development.

Bank Group Portfolio	
IDA/IBRD Commitments by Sector (US\$):	
Infrastructure:	\$154M
Health/Ed/Social Fund:	\$71M
Other:	\$44M
Total	\$269M
IDA Undisbursed:	\$128M
IBRD Undisbursed:	N/A
Number of Projects:	9

The Peace Situation:

- UN Sanctions were imposed on the UNITA rebels at the end of October, 1997. The sanctions call for the closure of UNITA's international offices, a travel ban on UNITA representatives and a ban on flights to UNITA-controlled territory in Angola. Since then, there has been slow progress towards a durable peace. Latest reports indicate that some 80% of territory formerly under UNITA control has now reverted to the Government, including key diamond producing areas. However, the most recent deadline of end February for completion of obligations under the 1994 Lusaka protocol was missed, and new targets have apparently been set for end March.
- Political Situation Remains Uncertain. Though both sides signed on to the 1994 peace accord, the Lusaka Protocol, and despite the formation of a Government of National Unity (GURN) in April 1997, differences between UNITA and the Government remain deep. UNITA is still estimated to have significant men and arms. At the same time, a return to all-out war is considered unlikely, given the recent losses of UNITA's international bases of support.

Status of Bank Program

The Bank has nine projects in Angola; a tenth, a Learning and Innovation Loan (LIL), the Post-Conflict Social Recovery Project, has recently been negotiated. The Bank has prepared a draft assistance strategy for discussion with the Government in early May. In addition, we have proposed to the Government that it make use of a grant under the Development Grant Facility to develop a Transitional Support Strategy, and await government's decision.

Economic Indicators	
Population (1996):	11.1M
Population Growth (1990-96):	3.1%
GNP (1996):	\$3.6Bn
GNP per capita (1996):	\$320
GDP Growth (1996, 1997):	7.1%, 6%
Fiscal Deficit (1995, 1996):	-28.7%, -21.2%
Inflation (1996, 1997):	1,651%, 64%

Social Indicators (1996)	
% of Population Living Below 1 US\$/day:	N/A
Literacy Rate:	42%
Female:	
Gross Primary Enrollment:	88%
Female:	
Infant Mortality Rate:	124/1000
Child Malnutrition:	20% under 5 years
Life Expectancy at Birth:	47

Angola at a glance

8/28/97

POVERTY and SOCIAL

	Angola	Sub-Saharan Africa	Low-income
Population mid-1996 (millions)	11.1	600	3,229
GNP per capita 1996 (US\$)	320	490	500
GNP 1996 (billions US\$)	3.6	294	1,601

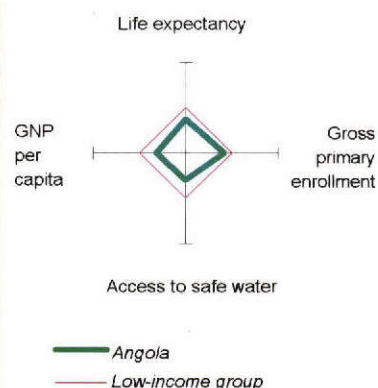
Average annual growth, 1990-96

Population (%)	3.1	2.7	1.7
Labor force (%)	2.8	2.6	1.7

Most recent estimate (latest year available since 1989)

Poverty headcount index (% of population)	..	..	..
Urban population (% of total population)	32	31	29
Life expectancy at birth (years)	47	52	63
Infant mortality (per 1,000 live births)	124	92	69
Child malnutrition (% of children under 5)	20	..	..
Access to safe water (% of population)	32	47	53
Illiteracy (% of population age 15+)	58	43	34
Gross primary enrollment (% of school-age population)	88	72	105
Male	..	78	112
Female	..	65	98

Development diamond*

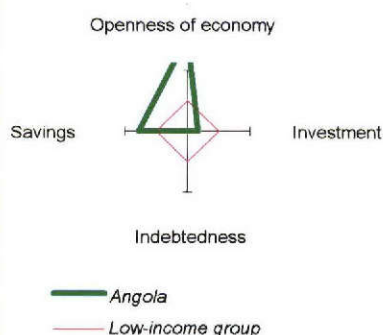


KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1975	1985	1996	1996
GDP (billions US\$)	..	6.8	5.4	6.7
Gross domestic investment/GDP	..	18.0	20.2	11.1
Exports of goods and services/GDP	..	35.7	71.7	77.4
Gross domestic savings/GDP	..	28.3	54.0	48.3
Gross national savings/GDP	..	20.8	7.1	3.6
Current account balance/GDP	..	2.9	-13.1	-7.6
Interest payments/GDP	..	0.6	12.4	11.7
Total debt/GDP	..	26.9	258.8	136.0
Total debt service/exports	..	12.6	50.2	36.4
Present value of debt/GDP	..	..	..	..
Present value of debt/exports	..	..	..	..

	1975-85	1986-96	1996	1996	1997-06
(average annual growth)					
GDP	..	1.5	10.8	7.1	7.5
GNP per capita	..	-1.3	-2.4	0.4	3.0
Exports of goods and services	..	8.3	11.1	12.8	10.0

Economic ratios*

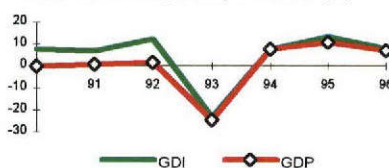


STRUCTURE of the ECONOMY

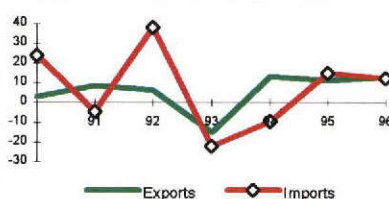
	1975	1985	1995	1996
(% of GDP)				
Agriculture	..	13.5	7.8	7.4
Industry	..	43.3	67.5	69.1
Manufacturing	..	9.7	7.2	6.8
Services	..	43.2	24.7	23.5
Private consumption	..	39.3	9.5	19.0
General government consumption	..	32.4	36.5	32.7
Imports of goods and services	..	25.3	37.9	40.2

	1975-85	1986-96	1996	1996
(average annual growth)				
Agriculture	..	-3.6	37.6	9.0
Industry	..	5.7	12.6	10.4
Manufacturing	..	-3.9	17.5	8.0
Services	..	-2.3	3.6	1.9
Private consumption	..	-0.7	31.9	6.9
General government consumption	..	-1.0	-7.0	0.5
Gross domestic investment	..	0.5	13.5	8.0
Imports of goods and services	..	5.4	14.8	12.1
Gross national product	..	-2.0	0.4	3.3

Growth rates of output and investment (%)



Growth rates of exports and imports (%)

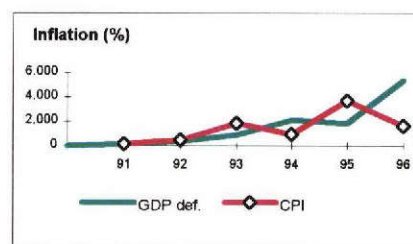


Note: 1996 data are preliminary estimates. Figures in *italics* are for years other than those specified.

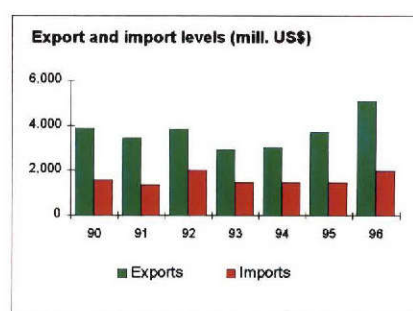
* The diamonds show four key indicators in the country (in **bold**) compared with its income-group average. If data are missing, the diamond will be incomplete.

PRICES and GOVERNMENT FINANCE

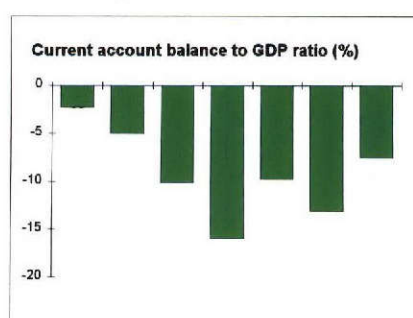
	1975	1985	1995	1996
Domestic prices (% change)				
Consumer prices	..	..	3,661.4	1,651.3
Implicit GDP deflator	..	..	1,862.0	5,373.6
Government finance (% of GDP)				
Current revenue	..	38.6	30.9	44.0
Current budget balance	..	2.7	-22.9	-17.7
Overall surplus/deficit	..	-1.9	-28.7	-21.2


TRADE

	1975	1985	1995	1996
(millions US\$)				
Total exports (fob)	..	2,301	3,724	5,077
Commodity 1 - Crude oil	..	2,150	3,522	4,771
Commodity 2 - Diamonds	..	74	168	267
Manufactures	..	..	..	..
Total imports (cif)	..	1,401	1,468	1,983
Food	..	387	205	275
Fuel and energy	..	..	..	..
Capital goods	..	355	376	327
Export price index (1987=100)	..	140	98	118
Import price index (1987=100)	..	94	126	106
Terms of trade (1987=100)	..	149	77	111


BALANCE of PAYMENTS

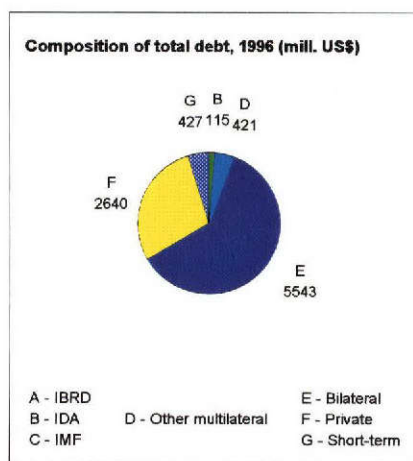
	1975	1985	1995	1996
(millions US\$)				
Exports of goods and services	..	2,431	3,836	5,201
Imports of goods and services	..	1,724	2,027	2,702
Resource balance	..	707	1,809	2,499
Net income	..	-532	-2,667	-3,171
Net current transfers	..	21	156	164
Current account balance, before official capital transfers	..	196	-702	-508
Financing items (net)	..	-175	78	686
Changes in net reserves	..	-21	624	-178


Memo:

Reserves including gold (mill. US\$)	..	..	..	..
Conversion rate (local/US\$)	25.6	29.9	2,728,572	1.27E+08

EXTERNAL DEBT and RESOURCE FLOWS

	1975	1985	1995	1996
(millions US\$)				
Total debt outstanding and disbursed	..	2,993	13,850	9,146
IBRD	..	0	0	0
IDA	..	0	81	115
Total debt service	..	306	1,927	1,997
IBRD	..	0	0	0
IDA	..	0	0	1
Composition of net resource flows				
Official grants	5	36	197	197
Official creditors	..	157	40	..
Private creditors	..	1,042	123	..
Foreign direct investment	..	278	472	477
Portfolio equity	..	0	0	0
World Bank program				
Commitments	..	0	0	24
Disbursements	..	0	30	38
Principal repayments	..	0	0	0
Net flows	..	0	30	38
Interest payments	..	0	0	1
Net transfers	..	0	30	37



Status of Bank Group Operations in Angola **IBRD Loans and IDA Credits in the Operations Portfolio**

Project ID	Loan or Credit No.	Fiscal Year	Borrower	Purpose	Original Amount in US\$ Millions				Difference Between expected and actual disbursements a/			Last ARPP Supervision Rating b/	
					IBRD	IDA	Cancellations	Undisbursed	Orig	Frm	Rev'd	Dev	Obj
Number of Closed Loans/credits: 0													
Active Loans													
AO-PE-37	IDA 22740	1991	GOVT	ECON FIN MGMT I	0.00	23.00	0.00	4.12	2.73	-1.21		U	S
AO-PE-40	IDA 23850	1992	GOVT OF ANGOLA	POWER SECTOR REHAB.	0.00	33.50	0.00	26.60	26.64	0.00		U	S
AO-PE-42	IDA 23750	1992	GOVERNMENT OF ANGOLA	EDUCATION I	0.00	27.10	0.00	7.25	6.25	0.00		U	S
AO-PE-35	IDA 23260	1992	GOVT OF ANGOLA	LOBITO/BENG.REHAB.	0.00	45.58	0.00	6.80	1.50	0.00		U	S
AO-PE-34	IDA 22890	1992	GOVT OF ANGOLA	INFRASTRUCTURE REHAB	0.00	37.70	3.73	12.09	13.90	10.15		U	S
AO-PE-48	IDA 24900	1993	GOVT OF ANGOLA	HEALTH	0.00	19.90	0.00	12.37	12.02	2.77		U	U
AO-PE-44	IDA 24210	1993	GOVERNMENT	FINANCIAL INSTITUTIO	0.00	21.00	0.00	9.94	5.43	0.00		U	S
AO-PE-50	IDA 24200	1993	GOVT	TRANSPORT RECOVERY	0.00	41.00	0.00	34.74	34.82	0.00		U	S
AO-PE-61	IDA 28020	1996	GOVERNMENT OF ANGOLA	SOCIAL ACTION	0.00	24.00	0.00	10.56	-1.59	0.00		U	S
Total					0.00	272.78	3.73	124.47	101.70	11.71			
Total Disbursed (IBRD and IDA):					148.91	0.00		148.91					
of which has been repaid:					0.00	0.00		0.00					
Total now held by IBRD and IDA:					269.05	0.00		269.05					
Amount sold :					0.00	0.00		0.00					
Of which repaid :					0.00	0.00		0.00					
Total Undisbursed :					124.47	0.00		124.47					

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

b. Following the FY94 Annual Review of Portfolio performance (ARPP), a letter based system was introduced (HS = highly Satisfactory, S = satisfactory, U = unsatisfactory, HU = highly unsatisfactory): see proposed Improvements in Project and Portfolio Performance Rating Methodology (SecM94-901), August 23, 1994.

Note:
Disbursement data is updated at the end of the first week of the month.

Angola
STATEMENT OF IFC's
Committed and Disbursed Portfolio
 As of 31-Jan-98
 (In US Dollar Millions)

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1996	AEF Hotel Conti	1.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Portfolio:		1.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Approvals Pending Commitment									
		<u>Loan</u>	<u>Equity</u>	<u>Quasi</u>	<u>Partic</u>				
1997	NOVA CIMANGOLA	5.80	.78	0.00	0.00				
Total Pending Commitment:		5.80	.78	0.00	0.00				

Angola - Selected Indicators of Bank Portfolio Performance and Management

Indicator	1995	1996	1997	1998
<i>Portfolio Assessment</i>				
Number of Projects under implementation ^a	8	9	9	9
Average implementation period (years) ^b	3.17	3.77	4.77	5.47
Percent of problem projects ^{a,c}				
by number	12.50	100.00	100.00	100.00
by amount	13.67	100.00	100.00	100.00
Percent of projects at risk ^{a,d}				
by number	37.50	100.00	100.00	100.00
by amount	39.79	100.00	100.00	100.00
Disbursement ratio (%) ^e	14.70	17.47	17.61	11.65
<i>Portfolio Management</i>				
CPPR during the year (yes/no)				
Supervision resources (total US\$ thousands)	826.80	669.94	891.70	478.82
Average Supervision (US\$/project)	103.35	74.44	99.08	59.85

Memorandum item	Since FY80	Last five FYs
Projects evaluated by OED		
by number		
by amount (US\$ millions)		
Percent rated U or HU		
by number		
by amount		

- a. As shown in the Annual Report on Portfolio Performance (except for current FY)
- b. Average age of projects in the Bank's country portfolio.
- c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
- d. As defined under the Portfolio Improvement Program.
- e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: investment projects only.

Angola - IFC and MIGA Program, FY95-98

Category	Past			
	1995	1996	1997	1998
IFC approvals (US\$m) ^a	0.00	0.00	6.58	0.00
Sector (%)				
	0.00	0.00	0.00	0.00
Cement & Construction	0.00	0.00	100.00	0.00
TOTAL	100.00	100.00	100.00	100.00
Investment instrument (%)				
Loans	0.00	0.00	88.00	0.00
Equity	0.00	0.00	12.00	0.00
Quasi-Equity ^b	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00
TOTAL	100.00	100.00	100.00	100.00
MIGA guarantees (US\$m)	0.00	0.00	0.00	0.00
MIGA commitments (US\$m)	0.00	0.00	0.00	0.00

^aExcludes AEF projects.

^bIncludes quasi-equity types of both loan and equity instruments.

Angola - IBRD/IDA Lending Program

Category	Past		Current		Planned ^a		
	1995	1996	1997	1998	1999	2000	2001
Commitments (US\$m)	0.0	24.0	0.0	5.0	111.0	165.0	80.0
Sector (%) ^b							
Agriculture	0.0	0.0	0.0	0.0	0.0	24.2	0.0
Education	0.0	0.0	0.0	0.0	0.0	0.0	37.5
Public Sector Mgmt.	0.0	0.0	0.0	0.0	2.7	9.1	0.0
Soc Protection, etc.	0.0	100.0	0.0	100.0	0.0	36.4	0.0
Transportation	0.0	0.0	0.0	0.0	0.0	0.0	62.5
Urban Development	0.0	0.0	0.0	0.0	0.0	30.3	0.0
Water Supply & Sanitn	0.0	0.0	0.0	0.0	97.3	0.0	0.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Lending instrument (%)							
Adjustment loans ^c	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Specific investment loans and others	0.0	100.0	0.0	100.0	100.0	100.0	100.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Disbursements (US\$m)							
Adjustment loans ^c	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Specific investment loans and others	33.9	37.4	32.3	17.0	14.0	7.6	1.9
Repayments (US\$m)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest (US\$m)	.3	.4	.7	.7	0.0	0.0	0.0

^a Ranges that reflect the base-case (i.e., most likely) Scenario. for IDA countries, planned commitments are not presented by FY but as a three-year-total range; the figures are shown in brackets. A footnote indicates if the pattern of IDA lending has unusual characteristics (e.g., a high degree of frontloading, backloading, or lumpiness). For blend countries, planned IBRD and IDA commitments are presented for each year as a combined total.

^b For future lending, rounded to the nearest 0 or 5%. To convey the thrust of country strategy more clearly, staff may aggregate sectors.

^c Structural adjustment loans, sector adjustment loans, and debt service reduction loans.

Note:

Disbursement data is updated at the end of the first week of the month.

**Sub-Saharan Africa:
Recent Economic Performance and the Challenges Ahead**

Economic performance in many countries of SSA has improved markedly. While some countries are still locked in civil conflict, others are beginning to see the payoff to sound economic management.

But Africa has a long way to go. Performance falls short of levels needed to substantially reduce poverty as well as furthering peace.

Policy improvements need to be sustained to reduce perceptions of high risk that deter savings and investments. Reforms need to be deepened to include "second generation" issues including those that strengthen social cohesion.

Current developments in East and South Asia show just how vital is a sound regulatory role for the state.

Economic performance in Sub-Saharan Africa (SSA) has improved markedly since 1993 (Figure I).

In 1994-96 the average country grew at 3.5%. Thirty seven countries out of 48 saw income per head increase in 1996, a major achievement. Exports have expanded roughly twice as fast as GDP in recent years. Preliminary estimates for 1997 suggest that growth of the average country will be close to 4.5 percent, despite a slowdown in agriculture as a result of localized drought. Improved performance has been accompanied by lower fiscal deficits and inflation.

Performance within the region has shown divergent trends -- but it is clear that African economies respond to social stability and sound policies.

The growth of countries in the top third of policy performers (as judged by the Bank's 1997 ratings) averaged 5.2% in 1994-96 while those in the lowest third grew at only 2.2%. Countries that maintained social stability, macroeconomic stability and efficient resource allocation have been growing far more rapidly than those that have not (Figure 2). Foreign direct investment has increased though less rapidly than in some other regions (Figure 3). Net private capital inflows (which include foreign direct investment, portfolio investment, commercial bank lending and other private capital flows) are estimated to have risen from \$5 billion in 1994 to \$12 billion in 1996. Interest in Africa as a place to invest in has been rising.

This positive assessment needs to be put in perspective. SSA has a very long way to go.

With population growth close to 3%, income per head has increased at barely 1% per year in SSA as a whole over the last four years. In 1997 some 20 countries still had income levels lower than in 1990. Economic performance is severely affected by civil strife or discord in some eight countries. Poverty is a major cause of civil strife.

FDI is still heavily concentrated in oil and gold exporting countries which account for 62% of the total (Figure 4). Current account deficits averaged 8.4% of GDP in 1994-96 and, in contrast to those of fast-growing regions, were mostly financed by concessional aid rather than private capital. This implies that countries have been able to fund only about two thirds of their investment themselves.

On average, growth still falls short of the level (about 5.5%) needed for the absolute number of poor to decline, and the projected growth rate of 4.1% (Global Economic Prospects 1997) would result in regional income per head in 2006 still 5% lower than in 1974.

There are also concerns over the quality and inclusiveness of growth in some countries. In Angola, for example, oil-led growth at about 8% has not translated into higher resource allocation for basic services or a higher living standard for the population at large.

Prospects for maintaining and accelerating growth are, however, better than in the past. Effective African leadership is essential.

Recent experience has demonstrated to scholars and policy-makers alike that the fortunes of Africa's economies can be turned around, and that the keys to success are largely in the hands of African governments themselves. There is now far more consensus on what needs to be done, and more ownership.

Further, while there is always risk of policy reversals, some of the structural reforms that have been implemented, such as privatizations and liquidations of loss-making entities, will be hard to reverse.

Increasing growth will require both raising investment levels and increasing the efficiency with which resources are used. Recent experience in SSA suggests that sound policies, sustained over a period of time, are essential in reaching these objectives--but that they are achievable.

While investment levels have risen slightly in SSA, their current levels of 19-20% of GDP are lower than those of South Asia (23%) or East Asia (29%). Moreover, the productivity of investment (as measured by the incremental output/capital ratio or IOCR) has been below that of East Asia and well below that of South Asia (Table 1). The

productivity of labor, and that of all factors together (total factor productivity) have stagnated in Africa over the last 25 years, in contrast to a steady increase in rapidly growing regions.

The top third of the policy performers in SSA have both sustained the highest investment levels and the highest IOCRs. Their performance on these counts has approached the average levels of East and South Asia in the last few years.

Maintaining growth and reducing poverty requires consistent management that strengthens expectations of a sound economic environment. Reforms now need to be "locked in" and deepened to include "second generation" issues.

The leading countries in SSA have now passed through the first stages of macroeconomic stabilization and structural reforms. These need to be sustained while reforms address "second generation" reform issues. The latter now include reshaping the role of the state and improving its capacity to manage public resources, to deliver essential social services and infrastructure to the broad population and to create an a safe and attractive environment for private savings, investment and business activities. Africa needs "centers of economic excellence". It is up to the countries themselves to show the way.

Current developments in East and South Asia show just how vital is a sound regulatory role for the state.

The impact of the Asian crisis may be felt in the form of lower global growth and greater competition in some export markets with producers in countries with newly-devalued currencies. Few African countries are deeply integrated into world capital markets, and this will limit the scope of direct contagion effects. But Asia has important lessons for Africa. It shows the need to avoid overvalued exchange rates and excessive reliance on short-term capital inflows. It also demonstrates how important it is for countries to ensure sound financial infrastructure as they liberalize their economies and move towards the global economy. Strengthening weak financial sectors is now a high priority.

	Averages												
Country group	1972-93	1994-96											
SSA: Simple average	0.95	1.44											
SSA: weighted average	0.53	0.97											
Other developing: Simple average	0.94	2.44											
Other developing: SSA weighted average 1	0.46	1.82											

Figure 3: FDI Flows to Sub-Saharan Africa And Other Developing Countries, 1972-93 & 1994-96

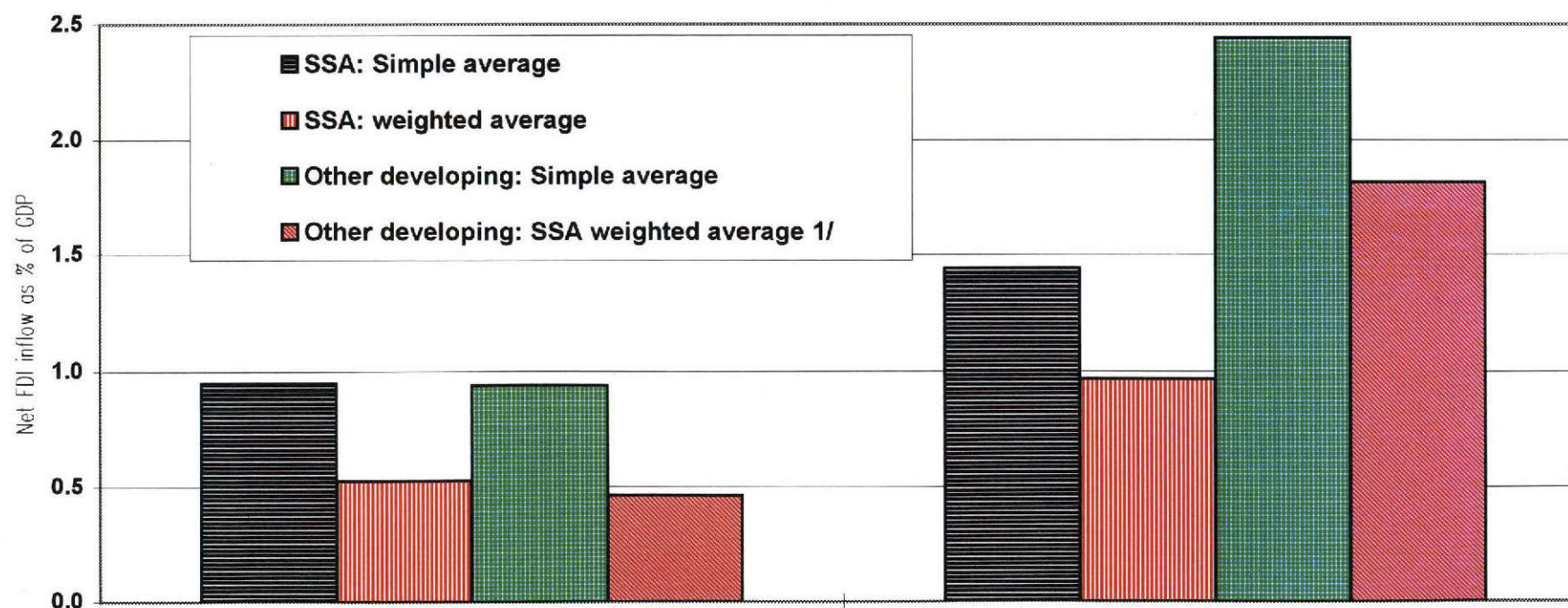
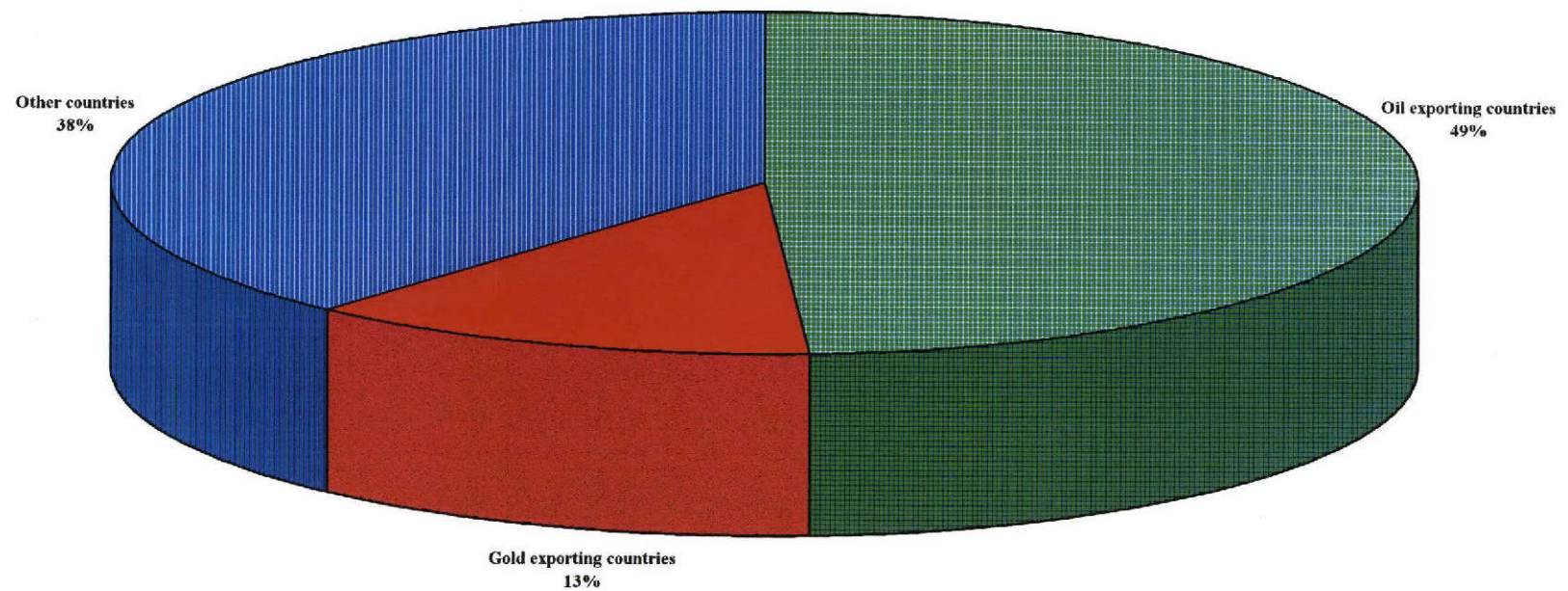


Figure 4
Sub-Saharan Africa: Share of Foreign Direct Investment 1994-96



AFRICA

Figure 1: Growth and Performance

(Simple country averages)

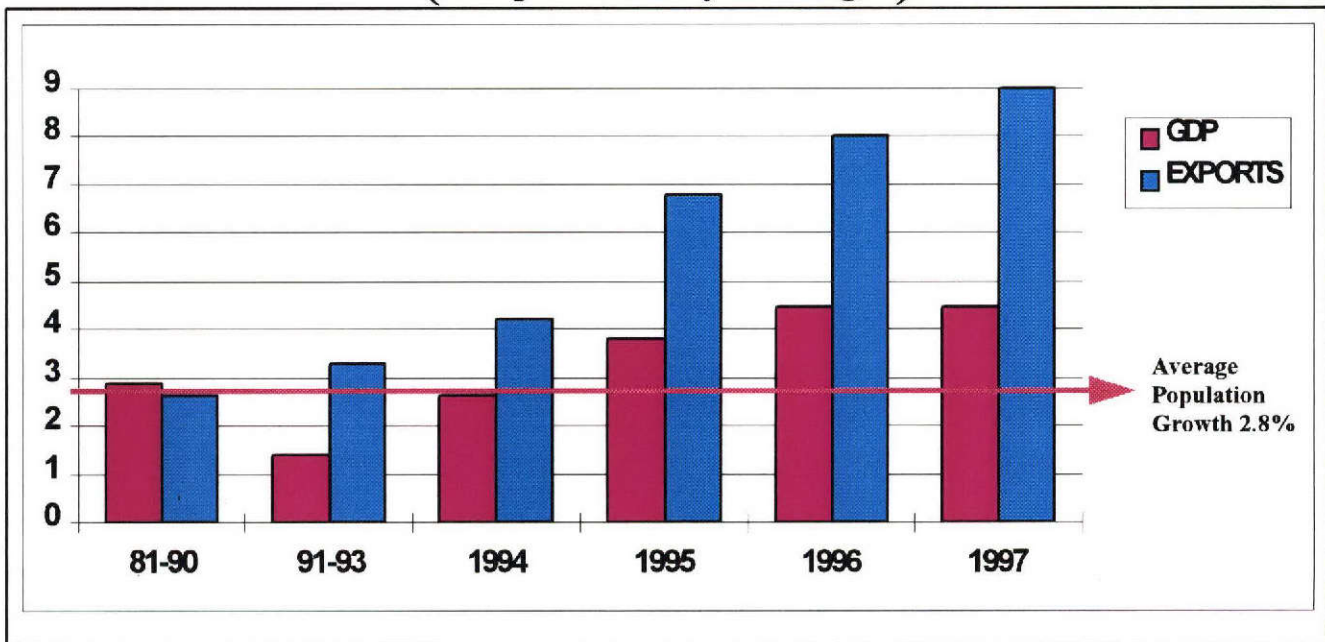


Figure 2: Accounting for Growth

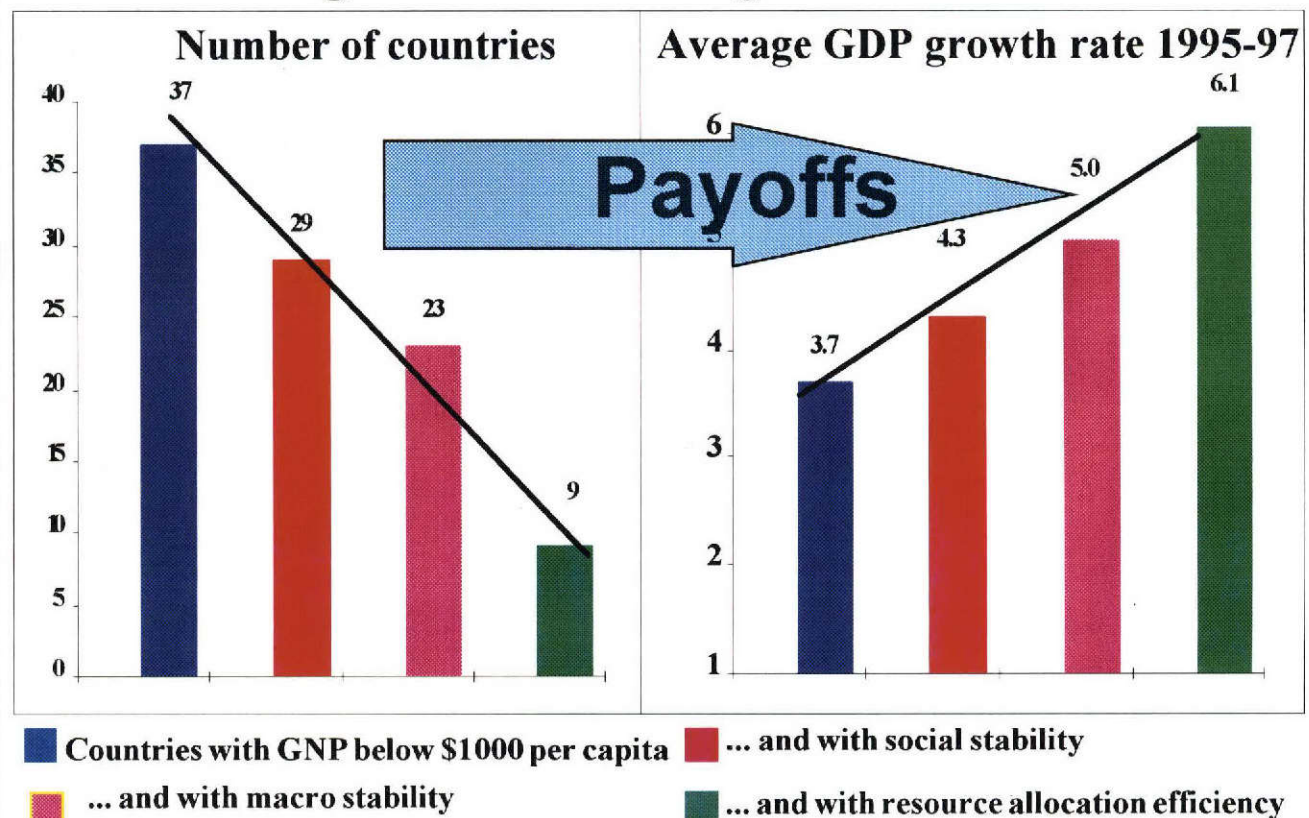


Table 1
Sub-Saharan Africa: Comparative Economic Performance 1/
(Unweighted country averages)

Country Group	Annual GDP Growth (%)			Country Group	Annual Inflation (%) *		
	1980-93	1994-96	1997		1980-93	1994-96	1997
Sub-Saharan Africa	2.7	3.5	4.4	Sub-Saharan Africa	17.5	18.6	9.2
Top-third performers	3.5	5.2	4.9	Top-third performers	19.1	13.0	10.0
Middle-third performers	2.4	3.0	4.6	Middle-third performers	19.0	19.3	5.4
Bottom-third performers	2.0	2.2	4.0	Bottom-third performers	14.1	24.2	12.9
LAC	2.8	3.1		LAC	82.7	26.3	
East Asia	4.4	5.5		East Asia	7.4	5.8	
South Asia	5.8	5.5		South Asia	12.0	8.1	
Country Group	Annual Exports Growth (%)			Country Group	Annual Investment/GDP (%)		
	1980-93	1994-96	1997		1980-93	1994-96	1997
Sub-Saharan Africa	2.7	6.3	9.0	Sub-Saharan Africa	20.0	19.0	19.6
Top-third performers	3.2	9.4	5.4	Top-third performers	21.0	20.0	20.3
Middle-third performers	1.6	4.3	11.7	Middle-third performers	18.7	18.9	20.8
Bottom-third performers	3.2	4.6	10.5	Bottom-third performers	20.0	17.7	17.1
LAC	4.4	7.7		LAC	20.5	19.1	
East Asia	8.7	8.9		East Asia	25.1	29.3	
South Asia	8.1	13.0		South Asia	22.5	23.4	
Country Group	IOCR **			Country Group	Current Account Deficit/GDP (%) ***		
		1980-95			1980-93	1994-96	1997
Sub-Saharan Africa		0.11		Sub-Saharan Africa	-7.4	-8.4	-6.8
Top-third performers		0.16		Top-third performers	-3.9	-4.7	-4.8
Middle-third performers		0.10		Middle-third performers	-7.7	-11.3	-9.8
Bottom-third performers		0.06		Bottom-third performers	-11.1	-9.5	-5.8
LAC		0.10		LAC	-7.6	-5.6	
East Asia		0.18		East Asia	-6.6	-4.4	
South Asia		0.21		South Asia	-6.0	-4.3	

Notes: 1/ Except for Annual Inflation, Data for non-African regions under the head '1994-96' relate to 1994-95.

* Change in consumer price index.

** Incremental Output-Capital Ratio.

*** Excluding net official transfers.

DRAFT
2/19/98

AFRICA CAN COMPETE!

**A FRAMEWORK FOR
WORLD BANK GROUP SUPPORT FOR
PRIVATE SECTOR DEVELOPMENT
IN SUB-SAHARAN AFRICA**

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AFRICA CAN COMPETE!

A FRAMEWORK FOR WORLD BANK GROUP SUPPORT FOR PRIVATE SECTOR DEVELOPMENT IN SUB-SAHARAN AFRICA

I. INTRODUCTION

As the world moves into the twenty-first century, the consensus is greater than ever that markets, private initiative and integration into the global marketplace are the cornerstones of economic success. And for all the gloom that characterizes popular and media perceptions of Africa, over the past decade many countries on the African continent have taken important steps to make it easier to participate in a globalized world economy. The challenge for the World Bank Group (WBG) is how best to support this process and help ensure that committed African countries achieve accelerated development as the fruit of their efforts. The framework presented here, which is based on extensive analytical work and discussions within the WBG and with the private sector, aims to meet this challenge.

The basic objective is to help African countries foster private sector development (PSD), which is critical for economic development. Some countries are on the threshold of sustainable growth: in 1996 continent-wide GNP growth averaged 5 percent and foreign investment in Africa bounced back from zero in 1993 to about US\$12 billion in 1996. In addition, privatization and concessioning to private firms are gaining momentum. Yet fragilities remain. Some governments continue to pursue erratic macroeconomic policies and to impose microeconomic controls which block the functioning of markets. Even where major reform has taken place, many private firms continue to perceive the risks of doing business in Africa to be high and consequently refrain from investing. The indigenous private sector in many African countries remains underdeveloped. For these reasons, even countries which have pursued reforms have enjoyed only a limited supply response. Building on the 1995 Bank report *Private Sector Development in Low-income Countries*, the present framework is intended to spur action to overcome these obstacles.

With the above fundamental purpose, this framework is designed to enable the re-organized WBG—including the Bank (IBRD and IDA), IFC, MIGA, FIAS and EDI—to promote and support PSD in Africa more effectively,* and also to build understanding among staff as to

* Each of these institutions has separately detailed a strategy for its operations in sub-Saharan Africa within the context of this framework.

how we can enhance the effectiveness of our PSD work. The framework should help attain this objective in three distinct ways:

- It advocates greater organization of PSD country work around tangible (concrete, visible) initiatives not as a substitute for broader policy and institutional reform but as an “entry point” from which systematic constraints can be identified and reform initiatives can be undertaken as logical and necessary corollaries;
- It provides a basis for preparing strategies of assistance for PSD at the country level that better suit the circumstances of individual countries; and
- It highlights the set of core competencies needed within the WBG to deal with PSD issues in Africa.

II. TAKING STOCK: THE BUILDING BLOCKS OF PSD IN AFRICA

The challenge of PSD is multifaceted. Successful PSD in Africa depends on the following four facets:

- Sound economic incentives and functioning physical infrastructure;
- Sound institutional underpinnings of markets;
- Private firms willing and able to respond to market opportunities; and
- Robust financial systems and access to both short- and long-term finance.

For more than a decade, the World Bank has placed most emphasis on economic and infrastructural foundations. While recognizing their importance, this framework puts equal emphasis on mobilizing the expertise and tools to help strengthen the other three facets and—as outlined in Section III—to deploy them through appropriate “entry points” so as to capture the potential synergies of PSD.

Securing the economic and infrastructural foundations

Successful development experiences over recent decades consistently confirm that a sound economic incentive environment and well-functioning physical infrastructure are essential for private-sector-led growth. Yet in many African countries the economic incentives and infrastructural foundation needed for PSD are weak; when either or both of these are lacking, it may not be worth expending much effort on a broader PSD agenda.

Thus, to provide an appropriate economic incentive environment, the goal of macroeconomic stability together with liberalized markets for trade and investment will continue to be a central platform of WBG assistance strategies for African countries. And dealing with the infrastructural constraints (power, water, telecommunications, roads, rail, ports) that hamper business activity will continue to need priority in government and WBG programs.

An approach which focuses principally on these foundations presumes too much, however; it suffers from the "get the prices right and all will be well" syndrome—an unrealistic view that putting better fundamentals in place will suffice to initiate and sustain economic growth. Key assumptions of this approach have proved inadequate for many African countries (and countries elsewhere), as can be seen from the following examples.

- The institutional foundations of private markets are adequate and, hence, with "distortions" removed, growth will accelerate. In practice, building market-friendly institutions has proved a formidable task, both in Africa and worldwide.
- The public sector could provide the requisite physical infrastructure reasonably efficiently and effectively. In practice, in many African countries public institutions have become so dysfunctional (and public resources so scarce) that they are incapable of providing infrastructure. As examined further below, new approaches that will foster increased private participation in infrastructure are needed.
- Private firms in Africa are well positioned to respond rapidly and efficiently to new market-based incentives. This is far from the case: most enterprises lack the management and technical capabilities required for production and market in a competitive environment.
- The flow of financial resources to the private sector would be unimpeded. In practice, inefficient public enterprises and privileged firms have cornered a large part of the resources, crowding out the private sector. Weak financial systems have meant low local savings mobilization and lack of funding for the more dynamic parts of the economies.

While the framework described here recognizes that workable economic incentives and infrastructure are necessary for PSD, it goes beyond these foundations and focuses explicitly on how to actively foster private sector growth by strengthening the institutional underpinnings of markets, building business capacity, and developing robust financial systems.

Focusing on institutions: strengthening the institutional underpinnings of markets

Markets cannot develop unless an adequate foundation of institutional infrastructure—including property rights and the rule of law—is in place. Such a foundation encompasses protection from theft and violence; fair and predictable mechanisms for resolving private disputes; regulatory mechanisms for balancing private and social interests; protection from arbitrary actions by public officials; and provision of business services. Although collective

Africa Can Compete!

A Framework for WBG support for PSD in Africa

private institutions can be important, in most countries government plays a central role in underpinning each of these institutional foundations.

Public institutions influence private performance via their impact on non-commercial risk, and on transactions costs (associated with dysfunctional institutional and regulatory arrangements) and the cost of doing business (associated with the high costs of inefficient infrastructure). Where public institutions are weak—and the risks of arbitrary political action are commensurately high—the private sector will limit its investment to quick turnaround activities. Well-functioning public institutions can help reduce risk, and thereby help foster investment, by:

- Imparting confidence that the policy regime will remain stable over time by maintaining both predictable economic policies and social legitimacy;
- Defining the rules of the game for public-private interactions in ways that restrain arbitrary action by public officials; and
- Providing a judicial framework for monitoring and enforcing private-to-private contracts, often as a complement to private mechanisms for conflict resolution.

Where public institutions enmesh firms with much red tape, the transactions costs of doing business will be high, production will be less competitive globally, and firms will refrain from initiating non-routine activities. Corruption is also enhanced. Public institutions that function well can reduce transactions costs by:

- Ensuring that the rules for public-private interactions and for enforcing private contracts do not impose cumbersome bureaucratic demands on firms and that they therefore keep regulatory red-tape to a minimum;
- Increasing transparency and thus reducing the scope for corruption; and
- Actively working to improve the operation of markets, including the flow of market information.

Unhappily, as the 1997 *World Development Report* has shown, many states—including many in Africa—fail to reduce risk and transactions costs. In some countries the bureaucratic hand raises the transactions costs of doing business even as the risks associated with arbitrary government action are low. In other countries the risks are high because power is concentrated in the hands of an unpredictable leadership; but once the leadership gives its support, transactions costs are low because bureaucracy is swept aside. Still other countries suffer the worst of both worlds: authority is fragmented and decision-making is arbitrary among both bureaucrats and political leaders, so that wealth-creating entrepreneurial initiative and investment cannot proceed—a situation that exists in a number of African countries. The high level of corruption in many African countries is a symptom of these dysfunctional state institutions. Bureaucratic overload

Africa Can Compete!

A Framework for WBG support for PSD in Africa

fuels corruption as firms pay their way through the inevitable red-tape. Arbitrariness fuels corruption as firms bribe officials and politicians in an effort to tilt discretionary decision-making in their favor. Indeed, the challenges of strengthening the institutional underpinnings of PSD and of fighting corruption are one and the same: to refocus public institutions away from heavy-handed (and often corrupt) controls and toward an approach that aids and supports PSD.

The WBG has at its disposal four sets of tools that can help refocus public institutions so that they become supportive of PSD:

- Tools for rolling back overextended governments;
- Tools for strengthening the legal, regulatory and judicial underpinnings of the business environment;
- Tools for transforming public perceptions and enhancing the legitimacy of the role of the private sector in the development process; and
- Tools for mitigating risk.

Deploying these tools—determining the priorities and how they should be implemented—must be tailored to the specific circumstances of individual countries. Box 1 shows how these four sets of tools might most effectively be made responsive to the four categories of institutional conditions prevailing across African countries. The discussion which follows elaborates options for strategically deploying each set of tools.

Box 1: Matching PSD tools with country institutional environments

PROFILE OF INSTITUTIONAL ENVIRONMENT	TOOL SETS FOR STRENGTHENING INSTITUTIONS			
	Rollback overextended governments	Strengthen legal, judicial and regulatory underpinnings	Transform domestic perceptions	Mitigate risk
Excessive bureaucracy	***	*	**	
Excessive arbitrariness (and associated non-commercial risk)	*	***	**	***
Dysfunctional bureaucracy and high non-commercial risk	*	*	***	**
Benign business environment		**	*	

*** = highest priority; ** = moderate priority; * = include on agenda, if feasible

(i) Rolling back overextended governments

Figure 1 summarizes the array of tools available to the WBG to help roll back overextended governments. Reform priorities focus on:

- Public enterprise reform, including exposure to competition through removing monopoly rights, adopting private sector best practices for corporate governance, and undertaking appropriate business restructuring;
- Privatization, through transparent procedures;
- Private participation in infrastructure, in which necessary infrastructure developments are managed by and partly financed by the private sector;
- Deregulation, to remove restrictions on market operations (for example, price controls, import quotas and other types of rationing and forced allocation, cumbersome tax regimes); and
- Institutional capacity building to sharpen the focus and skills of the public sector to efficiently carry out its tasks in the reformed environment.

Figure 1 : Rolling back overextended governments

	BANK	IFC	MIGA	FIAS	EDI
A. Bureaucratic Reforms					
1. civil service	YES	YES			
2. public enterprise	YES	YES			
B. Privatization					
1. policy	YES				
2. market structure	YES				
3. regulation	YES				
4. transactions	YES	YES	YES		
5. post-privatization support	YES	YES	YES		
C. Private Participation in Infrastructure	YES	YES	YES	YES	
D. Private Participation in Social Sectors	YES	YES		YES	
E. Deregulation	YES	YES		YES	
F. Institutional Capacity Building	YES	YES		YES	YES

Clients:

governments
public sector agencies & authorities
private sector enterprises and financial institutions

Partners:

governments
public sector agencies & authorities
private businesses and business associations
multilateral and bilateral development organizations

How are we doing?

The Bank and IFC have both been working intensively to help roll back overextended governments in Africa. Privatization has been off and government involvement in commercial activity is steadily decreasing. We have helped create a growing awareness of desirability of private participation in infrastructure and have much more limited success in social sectors. IFC's working programs will monitor and support public institutional capacity building within most countries.

The significant impact of enterprise reform and privatization is the reduction of budget outlays on public enterprises and the stoppage of leakages from the banking system. This in turn creates the necessary fiscal space for targeted public expenditure, especially in the social sectors, and for decreased rationing of bank credit to the private sector.

Public enterprise reform, privatization and deregulation have long been part of the WBG's arsenal of economic reforms and we have learned much about deploying them more effectively. An important lesson has been the virtue of investing early in the process of reform in order to learn about the specific ways in which dysfunctional public policies and institutions contribute to arbitrariness and high transactions costs in individual countries. Surveys of firms—for example the surveys undertaken by the Regional Program on Enterprise Development in Africa (RPED), or those conducted as part of private sector assessments—are a useful tool for identifying policies and institutions that constrain firms, and should thus become priorities for reform.

(ii) Strengthening legal, regulatory and judicial underpinnings

In some African countries the legacy to be overcome may be less a problem of overextended government but more a question of a tendency toward arbitrariness on the part of political leaders and other public officials. To be sure, deregulation and privatization help reduce this arbitrary tendency by removing some key sources of discretionary authority from the hands of public officials. Yet, despite the overlap, arbitrariness differs from problems associated with an excess of government and in some ways is more deep-seated.

At root, arbitrariness may arise because a country's institutional mechanisms for holding political leaders and public officials accountable for their actions, and for restraining the corrupt use of their authority, may be weak. Political change, constitutional reform, and civil service reform may be the key remedies to these problems (although the former two are outside the scope of the agenda of WBG). But, as Box 1 suggests, regulatory and legal reform (as distinct from deregulation), and risk mitigation can also help.

Figure 2 summarizes the array of tools that the WBG can employ to promote legal, regulatory and judicial reform. These tools span a continuum from the simplest (for example, asset registries), to the less simple (land titling, and collateralization of moveable property), to the highly complex (for example, protection of intellectual property, participatory approaches to regulation, consumer protection and antitrust). The specific elements of a reform package are likely to be quite divergent across countries. In some African countries the immediate challenge is to ensure that the basic legal and judicial rudiments are in place. In other countries more complex regulatory challenges may already be on the agenda.

Figure 2: Strengthening legal, regulatory and judicial underpinnings

	BANK	IFC	MIGA	FIAS	EDI	Clients:
A. Legal and Regulatory Reform						public sector agencies & authorities
1. property rights, incl. intellectual	YES					private sector enterprises &
2. commercial and corporate	YES					financial institutions and
3. competition enhancement	YES	YES				associations
4. trade	YES					
5. labor market	YES					Partners:
6. business taxation	YES			YES		multilateral development
7. foreign investment and technology	YES			YES	YES	organizations
8. accounting and auditing standards	YES	YES				national development agencies
9. legal institutions	YES					government/business consultative
10. infrastructure regulation	YES			YES		groups
11. administration	YES			YES		
B. Judicial Reform	YES					How well are we doing?
C. Private Regulatory Mechanisms	YES					How well are we doing?

Much has been done to strengthen the legal and regulatory systems in a number of African countries, particularly with regard to those components involving the liberalization of trade and investment. A key lesson emerging from the WBG's work in these areas is that focusing solely on the specific substantive content of regulation (the details of good law, the economic analysis of its consequences) is not enough. It is important to examine the following more broadly:

- The rules of the regulatory process (fostering transparency, reducing the scope for discretionary decision-making by regulators, and providing for regulatory independence from political interference);
- The judicial and other mechanisms for monitoring and enforcing regulation and contracts more broadly; and
- The extent to which there exist private stakeholders with a stake in a well-functioning legal framework for their activities.

Recognizing these broader considerations increases the strategic options for legal, regulatory and judicial reform. One approach is to focus on the supply side—working directly with governments to prepare good laws and regulations, and directly with regulatory agencies and judiciaries to build their capabilities. Mechanisms to deal with corruption also need to be addressed. In some settings these technocratic inputs are adequate to achieve the desired goals. In other settings, however, the root of regulatory, legal and judicial dysfunction may lie not in technocratic shortfalls on the supply side, but in a lack of organizational incentive and political will to proceed.

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A demand-side approach recognizes that it cannot be taken for granted that governments will automatically promulgate (and that judiciaries and regulatory agencies will monitor and enforce) good laws and regulations. On the contrary, since the purpose of legal and regulatory change is often to restrain the arbitrary use of public authority, the strong support of non-governmental actors may be needed to ensure the passage of reform. For this reason, it may often be more effective to "piggyback" broader judicial reforms on specific initiatives—the titling of urban land, for example—which can move forward on the basis of strong support from constituencies within the civil society.

Both the demand side and supply side approaches aim to build capability. A third option is to "match role and capability" – to recognize, and work within the constraints of, institutional shortcomings. As one example, if the judicial system is cumbersome and unreliable, focus on complementary, parallel mechanisms such as credit information bureaus or standards certification agencies that support private transactions. Alternatively, if judicial enforcement remains crucial—as in the legal and regulatory arrangements that underpin private participation in infrastructure and utilities—countries may fare better with simple, precisely specified rules that offer limited scope for regulatory and judicial discretion and are enforced offshore.

It is important to keep in mind that state mechanisms for enforcing contracts and property rights are often costly and impractical for private firms to utilize. As a consequence, even where public institutions are well developed, private mechanisms can play an important role in reducing transactions costs and facilitating economic activity.

Many business transactions can be self-policing. In any situation in which repeated transactions occur, welching on commitments could tarnish a businessperson's reputation, putting future transactions, and profits in jeopardy. Good business conduct is thus encouraged by "private" means as economic partners punish cheaters by withholding their own favors—business, money or cooperation. Business associations and other social networks strengthen these private reputation mechanisms.

Good business conduct is also encouraged, and transactions costs are reduced, by the presence of many private transaction service providers working for a fee. Accountants, lawyers and investment bankers earn fees largely by providing grounds for trust between investors and firms in need of capital. Middlemen, such as trade and marketing intermediaries, earn fees by bridging the trust gap between two parties to a transaction. Credit bureaus earn their monthly subscription rates by gathering and disseminating information on borrower reputations. Standards agencies collect certification fees by verifying quality. And employment companies collect fees for searching out, screening and often monitoring the behavior of prospective employees. In principle, WBG programs could include components that would help strengthen these private mechanisms for reducing risk and transactions costs.

(iii) Transforming domestic perceptions

A central lesson gained from international experience is that acceptance (if not unequivocal support) by citizens of the reform agenda is key to sustaining changes in the "rules of the game" for PSD over the long run. Citizen acceptance requires in turn that PSD programs to take into account sensitive domestic political concerns -- and that the goals and potential benefits of the programs are communicated widely. Figure 3 sets out some of the tools currently used by the WBG in managing domestic perceptions.

Public perceptions of reforms may be influenced by the impact of these reforms on such factors as ethnicity, nationality, and social and economic class. When the public perceives pro-PSD reforms as benefiting only foreigners or the domestic elite, politicians may be reluctant to support such reforms. One means the WBG could use to address these concerns would be to advise governments on the design of programs that would take account of the legitimate concerns of various groups within the population. Such concerns could be addressed principally through programs that would encourage domestic participants in business activities which do not hinder efforts to attract desirable foreign investment. This would include designing privatization programs that would spread ownership broadly across the population--including non-elite groups that might be excluded when more traditional methods are used. These "broad-based ownership" methods include collective investment schemes (such as mutual funds), voucher programs and initial public offerings. In addition to addressing political constraints, these methods create opportunities for the redistribution of wealth and can also spur capital market development. However, such programs can be institutionally more demanding to implement than traditional privatization methods. Support for small-scale industry development would be another principal means for broadening domestic participation.

Communication is also vital to transforming domestic perceptions. Without an understanding on the part of citizens, without a continuing flow of information from firms as to the ways in which government inhibits business activity, and without any explanation from government as to why specific regulations are removed (some of these regulations sheltered incumbent firms from competition), reform will bog down in the face of opposition from vested private, bureaucratic and ideological interests.

In recent years the WBG has been experimenting with a variety of approaches (consultative forums, and regulatory complaint offices, for example) designed to foster ongoing public-private dialogue on the objectives, scope and details of reform. Private Sector Foundations (in Senegal, Ghana and Uganda), Competitiveness Review Commissions (in Côte d'Ivoire and Cameroon), and simpler networking activities have helped to harmonize the activities of diverse PSD groups and focus the agenda for public-private debate in a variety of African countries. Not only can such efforts as these help build a constituency for reform, but consultative forums and other dialogue mechanisms provide the civil society with checks and balances in the activities of public officials, thereby further reinforcing both the credibility of economic policy and social legitimacy.

Figure 3: Transforming domestic perceptions

	Bank	IFC	MIGA	FIAS	EDI	
A. Communications						Clients:
1. PSD and privatization impact studies	YES	YES				governments
2. public information campaigns	YES					public sector agencies & authorities
3. private and public consultative groups	YES	YES				private sector enterprises and financial institutions
4. seminars, workshops, & media programs	YES				YES	entrepreneurs
5. country and market data	YES					
6. training courses	YES				YES	
B. Domestic Participation						Partners:
1. broad-based privatization	YES	YES				governments
2. support for SMEs	YES	YES				public sector agencies & authorities
3. indigenization programs	YES	YES				private businesses and supporting agencies
C. Mechanisms for Handling Complaints						OK on diagnosis
1. competitive review commissions	YES					organizations
2. consumer affairs bureaus	YES					
						How well are we doing?
						WBG is currently preparing needs assessment studies in this area
						significant efforts have been made to increase WBG's outreach to the private sector and to promote its progress in PSD through participation in seminars, business forums, and media programs
						emphasis on promoting African business networks and forums for public-private dialogue
						show some results, though with still a long way to go

(iv) Mitigating actual and perceived risks

Once a country embarks on reform, it may take time before confidence grows that the new path of economic policy will be maintained. Even if a business venture looks promising, private firms may wonder whether the business environment will remain supportive. There is considerable evidence that in Africa returns as well as risks are higher than in the rest of the world, and this is creating opportunities for portfolio investors (witness the recent spate of Africa-oriented funds). Direct investment is rebounding in a few countries, and there are stirrings of interest in others. At the same time, firms worry about making irreversible investments, in case the rules of the game should suddenly change: price and taxation agreements might be revoked; state-owned customers might fail to pay; a regime hostile to foreign private investors could come to power. Therefore, African governments need to focus on how domestic and foreign investors perceive risks and how to better manage the factors affecting those perceptions. Professionally managed investment promotion is crucial. If the WBG's unique knowledge of Africa's problems and opportunities can be brought to bear effectively in these areas, there is considerable scope to help manage risks and enhance confidence in investment.

The risks are both perceived and real. Where perceptions are concerned, Africa suffers from the image fostered by the international media of a continent doomed to failure. A country's reputation in the global marketplace may be shaped by the profile of Africa as a whole as much as by its own track record. Africa's success stories need to be highlighted. Actions such as the

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G7 meetings in Denver, the Corporate Council for Africa summit and the recent West Africa Enterprise Network (WAEN) trade mission to Asia are helping to put Africa on the map. The WBG is playing a key role in improving Africa's image by providing investment and related information through forums, publications and the internet, and this role will continue more rigorous and with greater direction in the future. In this respect, a special focus on the groups of countries that have had good performance—a focus that would create an image for these countries that would separate them from the "trouble spots" of Africa—could have a high payoff.

As far as real risks are concerned, there is no denying that they remain high in Africa. Here, too, the WBG can play a key role by creatively using the tools highlighted in Figure 4 to mitigate risk at the project level. These instruments are transitional mechanisms to be used where political leadership is committed to reform but the supporting regulatory environment is weak and thus the risks of arbitrariness are perceived as high. Generally, the IFC will take the lead through its financial participation in individual transactions. In addition, guarantee instruments (for which MIGA will often be the lead player) can provide the comfort to convert interest into investment in a broad variety of sectors.

No one understands the risks of doing business in Africa better than Africans themselves. Hence, another challenge is to encourage Africans who have placed savings outside their country that it would be worth investing back home. A significant repatriation of capital would make an enormous difference, both economically and psychologically, to PSD in Africa.

Figure 4: Mitigating risk

	BANK 1/2/3/4/	IFC 5/	MIGA 6/	FIAS	EDI
A. Risk Perception					
1. risk assessment and management	YES	YES	YES		
2. business information	YES	YES	YES		
3. communications campaign for high performers	YES				
B. Project Risk Mitigation					
1. sovereign	YES	YES	YES		
2. commercial		YES			

1/ Sovereign counter guarantee required.

2/ IFRD has a partial risk and partial credit guarantee; IDA recently approved: a) a partial risk guarantee, and also has b) a partial credit risk guarantee similar to IFRD's limited to enclave projects.

3/ IFRD is also working on a sub-sovereign guarantee for eligible local governments which could cover breach of contract and other defined public sector performance activities.

4/ The partial credit guarantee covers only later maturities but extends by its nature to non-commercial risk coverage.

5/ IFC syndication (B loan).

6/ MIGA insurance covers debt and equity, but scale is limited.

Stakeholders:

Government
Private firms and financial institutions

Partners:

Regional development banks
Multilateral and bilateral donors
Export credit agencies, commercial
and investment banks, private investors

Investment Instruments:

IFC's trade promotion services and services
MIGA has issued (to date Oct. 1993) a number of
guarantee contracts (25) in Africa (12 countries)

IDA's recently approved partial risk guarantee
extending interest rate approvals (see para. 10)

No IFRD/IDA guarantees constituted in
1993 to end 1997

Focusing on firms: building business capacity

Up to this point, the framework has focused on tools intended to improve the business environment within which firms operate. We now turn to the firms themselves.

In policy discussions on the private sector, the business environment is often viewed as wholly determining: it shapes the actions that are most profitable, and profit maximizing entrepreneurs are presumed to respond with appropriate levels of investment. The central policy concern is to get the environment "right" to induce higher investment rates. The real world is more complicated. The business environment certainly shapes and influences firm behavior, but firms have a considerable range of freedom in whether to, or how to, take advantage of the profitable opportunities placed before them. Indeed, often it is not obvious which strategic and technological choices open to firms are the best ones. Even in mature markets, firms can choose among multiple technologies, each with proven viability in the marketplace. More fundamentally, uncertainty, differences in opinion, and differences in perceptions about feasible paths are pervasive. In practice, therefore, strategic and technological choices involve a process that is reactive rather than fully informed, with a good deal of learning through trial and error. We thus observe an evolutionary process of technology diffusion within industries, with different firms adopting new technologies at very different paces, and with constant innovation, learning, and tinkering going on, which, in turn, further changes the efficiency of technologies and organizational structures.

Recognizing the importance of discretionary firm behavior fundamentally broadens the central policy problem. Even if we were to get prices and institutions "right" and strip away the bureaucratic red tape, we would still need firms capable of responding to the new profitable opportunities, of formulating effective strategies, developing efficient organizational structures to support these new strategies, and meeting the technical requirements of production and marketing. Along with reforming the business environment, it is also necessary to support the entrepreneurship, learning and innovation which facilitate new investment and which make it effective. In short, the nature and character of the supply response will depend on both the investment rate and the learning rate of firms.

The challenge of developing effective strategies and organizational structures, and building core technical capabilities, is especially formidable for many firms in Africa, for several reasons:

- To achieve the growth targets necessary to alleviate poverty, much of the burden will fall on the indigenous business sector. Currently, most African countries lack a "middle class" of businesses, which will have to emerge largely through indigenous enterprises, many of which are now operating at the smaller end of the business spectrum.

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- The markets in which African firms in a liberalized business environment will have to compete, and the technologies that they will have to master, are areas in which they have little experience.
- African economies are not well diversified and are therefore more sensitive to weather and policy shocks. Thus, the profitability of firm investment decisions is more than normally uncertain. In addition, it is more difficult to devise the “best” business strategies and organizational structures. Volatility requires flexibility and, often, a shift away from specialization, and this can reduce competitiveness.
- Many investors in Africa are forced to be “greenfield” investors, entering business where no ancillary services or other firms exist. Therefore, African investors must build up capabilities in areas which in other countries can be bought in local markets. Greater isolation also means that African firms are not likely to benefit from learning “spillovers” generated by the proximity of other firms.
- A large part of technology transfer involves uncodified knowledge (rules of thumb), thus learning a technology requires sustained interaction with experienced users. Accordingly, time-consuming efforts must be made by firms to transfer new process and product. In Africa, these costs of transfer are high because of the region’s isolation from the normal business traffic of suppliers and buyers, because of the absence of other experienced users, and because of the policy-imposed difficulties in many countries of bringing in experienced expatriate staff.

These features of African economies point to two areas in which direct WBG assistance can stimulate private sector dynamism: fostering learning, and attracting “catalytic” investors (including foreign investors) to provide greater opportunities for business.

(i) Fostering enterprise learning

National education attainment directly affects the operational efficiency of all enterprises and the task-level efficiency of workers. Thus, WBG support in each country for an appropriate national education policy, which encompasses vocational and technical training (perhaps privately run, but with contributions from public funds), is a high priority. At the firm level, however, the key element influencing efficiency is an “information rich” learning environment. Firms learn about new strategies and organizational structures, as well as new process and product technologies via a variety of mechanisms. These mechanisms are listed in Box 2.

Box 2: Learning mechanisms in technology transfer

Private Learning Mechanisms	Internal	External
	In-house training	Foreign investors
	R & D	Foreign buyers and suppliers
	Hiring expatriates	Interaction with other firms (e.g., subcontracting) or networks
		Courses
		Hiring local or foreign consultants
Collective Technical Support Services (NGOs, government, business associations, donors)	Broad-based	High-intensity
	Cost sharing technical assistance	Direct technical support to specific firms
	Building up local TA services	
	Training courses (companies or intermediaries)	
	Information services	

In all countries, the leading source of technical learning in firms is via private mechanisms — from internal technical efforts of firms themselves, from sustained interactions with buyers and suppliers, from interactions with other firms in the same industry, and from the hiring of consultants and other technical experts. When firms cannot meet all their learning needs internally, there is a demand for collective technical support services from government, NGOs and donor agencies.

Studies by the RPED have found that private as well as public learning mechanisms are weak or missing in Africa. Enterprise training schemes are few and far between, buyers and suppliers do not travel to Africa in great numbers, the availability of local expert consultants is very limited, and few foreign investors or experienced local firms exist. Good public or private business training sources are also quite limited, and government support services are either nonexistent or are under-financed and poorly managed. The NGOs, business associations and donor-supported programs to support enterprise learning are also limited, although they are making a positive contribution where they exist.

Given the reality that collective and government institutions in Africa are weak, how can this void of learning mechanisms be filled? A relatively straightforward task is to remove unnecessary obstacles to learning. African countries can ill afford restrictive regulatory practices that inhibit the flow of information and skills from the rest of the world. Restrictions on the recruitment of experienced expatriate personnel; strict conditions governing the terms under which foreign firms can invest; obstacles to technology transfer—all are manifestations of Africa's overextended governments. As discussed earlier, overextended governments need to be rolled back and replaced with less costly—and less institutionally demanding—means of fostering local capability.

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A more challenging task is to put in place activist initiatives capable of supporting enterprise learning even in settings where public institutions are weak. Some new approaches are showing promising results in several African countries. As a common starting point, these approaches recognize that entrepreneurs learn best from the experience of other firms. Consequently, public money is used to catalyze private-to-private learning, not to deliver training programs directly. Mauritius, Uganda, South Africa, Zambia and Zimbabwe have each put in place matching grant programs to foster learning by individual firms. Common features of these programs include:

- A focus on inducing firms to learn from other firms, by drawing on domestic and international specialist private management and engineering consulting services, and by encouraging travel (including participation in trade fairs);
- Some grant support from government and donors, in recognition that the social returns from private-to-private learning are greater than the private returns;
- Cost-sharing on a 50:50 basis as a way of ensuring that the supported services genuinely are demanded by the recipient firms; and
- Appointment for a fixed term of a specialist, internationally recognized, private management unit to play a central role in managing the scheme—as a way of keeping operations at arm's length from government, of helping firms to develop programs that could qualify for support and of injecting new market knowledge into the domestic environment.

Matching grant schemes developed along these lines are very flexible and potentially can be used to support a variety of learning mechanisms. In addition to fostering learning at the level of individual firms, they can be used to foster collective learning – as in Zimbabwe, where matching grants are enabling business associations and other groupings to strengthen the provision of technical and other productivity-enhancing services to their members. Matching grant schemes can be used to promote R&D activities as in Mauritius and South Africa. And they can support in-house training of workers.

In recent years, heightened attention has been given in Africa to the types of firms that respond to new economic opportunities (their size, their ownership). For reasons of both equity and political economy, there are special advantages to having indigenous, small and medium enterprises (SMEs) participate strongly in the supply response. To an important extent, economic structure dictates the amount of SME participation that may be possible. Low income economies typically are characterized by a bifurcated pattern of economic organization, with a few large firms surrounded by micro-enterprises with few medium firms in between. When growth takes hold, new opportunities emerge, and gradually the “middle” of the size distribution of firms begins to fill in. How quickly this takes place depends not only on the rate but also on the pattern of growth. As will be explored further below, growth led by, for example, smallholder cash-crop exports will provide substantially more opportunities for SMEs (initially in agro-related services, but in time—as learning accumulates—in repair and simple agro-related

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manufacturing, and then in manufacturing more broadly) than growth led by enclave capital-intensive mining. However, even if the pattern of growth is SME-friendly, the new opportunities could still be grasped by larger, expatriate enterprises rather than indigenous SMEs.

In theory, activist initiatives can make a key contribution to fostering a more inclusive, SME-oriented pattern of participation. Matching grants appear to hold more promise than many prior initiatives, which have had disappointing results. The Ugandan, Zimbabwean and South African schemes noted above have been expressly designed to help build capability among small as well as large firms. And "voucher training" schemes (another form of matching grant) can also be developed to provide a vehicle for technical upgrading even for the smallest enterprises. Increased pre- and post-financing management support of IFC to SMEs of the type provided by APDF, ESSA and AMSCO will also be important in this respect, with the objective of offering clients an integrated package of financial and advisory services at each stage of the project cycle, ranging from the preparation of business plans (APDF) to the provision of term and working capital finance (IFC and/or local financial institutions) to management, production, marketing and MIS support (AMSCO and ESSA). Often, IFC's support has helped develop an industry from scratch through providing necessary financing and demonstration effects, such as was the case in the development of the horticulture industry in Uganda. Figure 5 highlights various policies for fostering learning.

Figure 5: Fostering learning

	BANK	IFC	MIGA	FIAS	EDI	
A. National Education Policy						Clients:
1. primary, secondary, tertiary	YES					governments
2. vocational and technical	YES					public sector agencies and authorities
						academic and non-academic and financial institutions
B. Firm Level Learning						Partners:
1. collective technical support	YES					governments
2. enterprise training	YES	YES				public sector agencies & authorities
3. technology dissemination	YES	YES				private businesses and supporting agencies
4. enterprise matchmaking	YES	YES				multinational and bilateral development organizations
C. Task Level Efficiency of Workers						How well are we doing?
1. technical and vocational schemes						some progress in national education policies
2. in-house training						but a long way to go
						work-based and public learning mechanisms weak
						enterprise training schemes limited
						skill levels low
						matching grant schemes having some success
						IFC enterprise training through project development
						(APDF) and post-financing support (AMSCO/ESSA)
						making positive contributions

(ii) Attracting foreign private investment

Attracting new private investors is vital, both to raise the aggregate rate of investment and to inject new information on technological changes and global opportunities into African countries.

As has been emphasized, the major causes of low foreign private investment in Africa lie in the weaknesses in the economic and infrastructural foundations and in the public institutions. Policy-induced distortions in factor and product markets have reduced or misdirected incentives to invest; heavy government regulation has constrained investment opportunities; policy uncertainty has increased investment risks; inadequate or weak public institutions have reduced the ability to enforce contracts and raised transaction costs; lack of financial depth coupled with heavy government use of domestic credit has left little available for private borrowers wishing to invest; and lack of good public infrastructure and public services have deterred foreign investment in many countries. For the most part, the measures needed to attract new investment thus comprise the building blocks described earlier in this chapter rather than tailor-made new programs. Nevertheless, each of the constituent parts of the WBG has a valuable direct role in attracting investment into Africa (see also Figure 6):

- IFC directly supports investment through its participation as an equity and debt financier in new private investment projects and through providing guarantees and risk management products.
- FIAS and the Bank/IFC have been active in helping governments to develop appropriate foreign investment strategies by undertaking diagnostic reviews of the policy and regulatory environment influencing foreign investment.
- MIGA, in addition to its guarantee activities which support investments in new private sponsored projects, has been active in helping investment promotion agencies throughout Africa to upgrade their efforts to "market their country" to the international business community and to bring opportunities in Africa to the attention of investors.
- The World Bank, IFC and MIGA continue to support the establishment of new, generally privately developed, industrial estates in countries where a scarcity of appropriate business premises constrains new investors (for example, in Ghana and Namibia). Foreign investors must be able to obtain raw materials at world prices and to experience few hassles in acquiring factory sites and critical inputs such as electricity and water. Where this cannot be achieved on an economy-wide basis, establishing dedicated export processing zones continues to be a useful initial step.
- The WBG has been active in participating in investor conferences and workshops and disseminating information on opportunities in Africa through the internet (particularly MIGA's IPAnet) and other media.

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Figure 6: Attracting foreign investment

	Bank	IFC	MIGA	FIAS	EDI	
A. Business environment analysis	YES	YES		YES		Clients: public sector agencies & authorities private sector enterprises and financial institutions
B. Foreign investment and technology codes	YES			YES		
C. Investment guarantees and incentives	YES			YES		
D. Investment promotion agencies	YES		YES	YES		
E. Disseminating and marketing investment opportunities	YES	YES	YES			
F. Industrial/export zones	YES	YES		YES		Partners: investment promotion agencies private businesses and supporting agencies multilateral and bilateral development organizations
G. Enterprise matchmaking	YES	YES				
H. Project insurance and guarantees	YES	YES	YES			
I. Project finance		YES				
V See Figure 4.						How well are we doing? results vary a lot from one country to another but there is still much scope for improvement MIGA's IPAR is up and running and well received FIAS diagnostic work in member countries well received

With regard to attracting new investment into Africa, it is important to keep in mind that one of the most important contributions of the World Bank will continue to be its ongoing work on policy and institutional reform coupled with its increasingly public profile in building on reform successes to project a more positive global image for Africa.

Focusing on robust financial systems: financing the private sector

As has been pointed out, given the lack of skills, the poor institutional and regulatory capacity, and the pernicious links between financial and public enterprises, building effective financial systems in African countries will take time. Completing the agenda of policy reform—including rationalizing interest rate policy and reducing directed credit and the taxation of financial intermediation—will be critical in this respect, as will establishing a solid foundation of financial infrastructure (namely, sound and efficient payment and accounting, auditing and supervision systems). The greater challenge, however, is to restructure the banking systems in ways that minimize the costs to taxpayers, reduce the likelihood of recurring crises, and develop sound and competitive banking and non-banking systems that provide basic services—particularly safe and secure savings, reliable payments systems, and working capital finance—to the population in both urban and rural areas. The development of capital markets and non-bank financial institutions to improve access to term finance will need to be addressed in this context.

In all member countries, WBG involvement will focus on these fundamentals (see Figure 7), notably on financial policies and infrastructure and the health of banks. Special emphasis will be placed on capacity building. Strategies to develop and better integrate rural and informal markets will be pursued through microfinance pilots. More sophisticated elements in financial systems, such as the development of securities markets, term finance and liquidity, will be undertaken where appropriate.

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The WBG also has a role to play in bridging the large gap between local savings and investment requirements through financing or guarantees to private sector projects, local and foreign. In direct company financing, IFC will take the lead with the Bank and MIGA intervening in situations where mitigation of risk through guarantees is key to carrying out projects.

Because of their importance, separate and more detailed strategies have been prepared for WBG support to the financial and micro/rural finance sectors (see *A Framework for World Bank Group Support for the Financial Sector in Sub-Saharan Africa*, and *A Framework for World Bank Group Support for Micro, SME and Rural Finance in Sub-Saharan Africa*).

Figure 7: Financing the private sector

	Bank	IFC	MIGA	FIAS	EDI	Clients:
A. Financial Policies	YES					governments
B. Financial Infrastructure						private sector enterprises and financial institutions
1. payments, clearance and settlement systems	YES					
2. financial legislation and regulations	YES					
3. supervision system	YES					
4. accounting and auditing	YES	YES		YES		
5. debt management	YES					
C. Health of Banks						Partners:
1. bank monitoring	YES					regional development banks, multilateral and bilateral donors
2. bank restructuring and privatization	YES	YES		YES		export credit agencies, commercial and investment banks, private investors
D. Financial Markets						
1. equity markets	YES	YES		YES		
2. debt markets	YES	YES		YES		
3. term finance and contractual savings institutions	YES	YES		YES		
4. micro and rural finance	YES	YES		YES		
5. housing and other specialized finance	YES	YES		YES		
E. Project Finance						How well are we doing?
1. equity and quasi-equity		YES		YES		policy reform widespread, but applied unevenly with varying degrees of success
2. loans	YES	YES		YES		Agenda remains formidable
3. guarantees	YES	YES	YES	YES	YES	bank restructuring under way in a number of countries with some success
4. other risk management products		YES		YES		financial market development limited
5. direct mobilization		YES		YES		limited reach for SMEs and microfinance
6. indirect mobilization	YES	YES	YES	YES	YES	MIGA has issued a number of guarantee contracts (36 to Jan '96)
						IDAs recently approved partial risk guarantees (not yet used through Jan '96) but attracting interest

1/ Through government on-lending credit line arrangements.

2/ IDA partial risk guarantee/partial credit risk guarantee similar to IBRD's, limited to enclave projects.

III: ENTRY POINTS: CAPTURING THE SYNERGIES AND MOBILIZING WBG COMPETENCIES

The previous section highlighted the priority tools for fostering PSD. Virtually all of these tools have already been deployed in WBG work on PSD in Africa, yet the results have been uneven. What seems to have been missing is a recognition that PSD is a cumulative process and, consequently, that initiatives to promote PSD can be mutually reinforcing. Synergies among the sets of tools have often been absent.

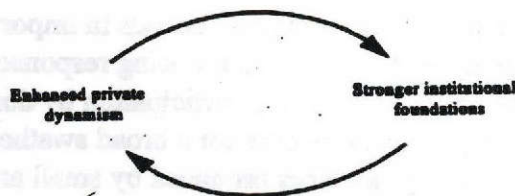
PSD as a cumulative process

Successful PSD is characterized by two sets of synergies: the first set results from the interplay between private economic activity and the development of institutions; the second set plays out wholly within the real economy itself.

Private dynamism and institution building: the virtuous spiral. While state action and market-oriented PSD often have been perceived as in conflict, it is increasingly apparent that states and markets are complements. States provide the foundation of institutions on which markets and private activity are built. And private, profit-seeking firms create the wealth—and hence the fiscal resources—that governments need to perform the social functions entrusted to them.

These complementarities are mutually reinforcing: stronger performance on one side creates pressures for performance to improve on the other side. As private entrepreneurs seeking to compete in the international marketplace come up against weaknesses in the domestic business environment (perhaps a judiciary incapable of enforcing contracts, perhaps regulatory and infrastructural obstacles to the smooth flow of imports and exports), they are likely to lobby for reform. Correspondingly, as the legal and regulatory environment becomes stronger, the character of the private sector is likely to evolve by “crowding in” firms seeking to profit by creating wealth, and “crowding out” firms that thrive on opportunistic, rent-seeking activities.

As the following diagram illustrates, this character of states and markets can help foster a virtuous spiral – a cumulative, mutually reinforcing process of private sector development. The impetus for this virtuous spiral can come from public action. In Uganda, for example, a new government, under the leadership of Yoweri Museveni, came into power in the late 1980s committed to rule-based public institutions as a cornerstone of development. This renewed commitment to the rule of law encouraged private entrepreneurs (predominantly Asian) who had earlier been forced to leave the country to make new investments. The resulting average economic growth since 1985 of almost 6 percent per annum has, in turn, begun to generate the resources needed for systematic civil service reform. And these reforms, in turn, have deepened to the point where a new wave of private international players is considering Uganda a promising site for investment.



Another source of impetus might come from private investors moving to exploit some potentially profitable natural resource opportunity. Such investments can set in motion both a spiral of new opportunities for local private entrepreneurs (for example, as input suppliers, or as providers of goods and services to workers in the new venture and their families) and, if governments are receptive, an ongoing train of public sector reforms. As examined later, examples here might include copper and cotton in Zambia or the Democratic Republic of Congo, or natural gas in Mozambique.

In fostering PSD in Africa, the central challenge for the WBG is to identify and implement interventions that can initiate and sustain this virtuous spiral. As discussed below, creative use of "entry points" can be a vehicle for capturing these synergies.

Inducing and induced linkages. Linkages—the second cumulative process highlighted here—have a long pedigree in development economics, dating back almost 50 years to the debate over "balanced" versus "unbalanced" growth. Implicit in the "unbalanced" approach to growth was a recognition that the process whereby firms build capability, create jobs and sustain economic growth is a cumulative one. Pioneer firms identify and penetrate new export or domestic markets at home, setting in motion a train of induced responses. Follower firms copy the lead of the pioneers. Other firms enter into the business of supplying inputs to the pioneers. Yet others experiment with ways of using their outputs. Gains in employment and earnings stimulate domestic demand and create yet another round of opportunities. Traders come onto the scene looking for opportunities to profit from the surge in business activity and in the process help create linkages to new markets. Meanwhile, the pioneers themselves learn from experience, progressively become more adept in their core business, and move into higher value added markets and product lines. Throughout, the process depends on actions by government to ensure that infrastructural bottlenecks do not choke off the benign spiral of development.

The key to activating these linkages is some initial "inducing" effective demand for the goods and services local firms are capable of supplying. In an earlier era, the initial inducing stimulus generally came from a combination of Keynesian pump-priming and restrictions on imports. In Africa, as elsewhere, this approach foundered on runaway fiscal deficits and radically distorted and inefficient domestic industrial structures. Thus today the inducing stimulus generally depends on an injection of foreign exchange—either exports or direct foreign investment.

How the cumulative process is sustained depends in important part on the extent and character of the demand generated by the initial inducing response. Enclave, capital-intensive projects provide few induced opportunities for participation by domestic private firms. By contrast, an inducing activity generates income for a broad swathe of the population—a key source of demand for the goods and services produced by small and medium enterprises—and can be a powerful stimulus for local activities.

From "tools" to "entry points"

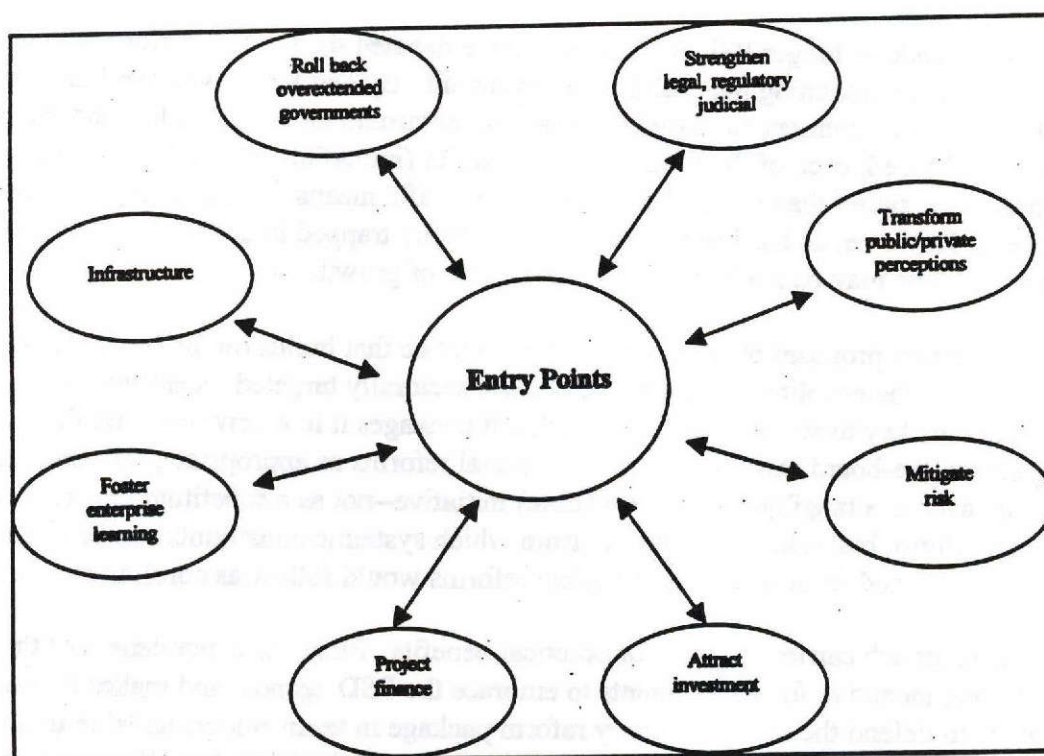
For a decade or longer PSD practitioners have debated the relative virtues of "picking winners" versus strengthening the enabling environment. By and large, with the failure of sectorally targeted investment strategies the enabling environment approach has had the better of the argument. Indeed, each of the tools described earlier (including the "activist" tools, which work functionally rather than sectorally) comprises specific means for improving the enabling environment. However, as has been noted, in an economy trapped in a "low-level" equilibrium these reforms alone may be inadequate to raise the rate of growth.

This section proposes an approach to PSD practice that builds on the basic lesson of the past decade: that the enabling environment, and not sectorally targeted incentives for investment, is the key to successful PSD—but that it packages it in a new way. While still pursuing across-the-board institutional and functional reforms as appropriate, this approach puts special emphasis on a tangible (concrete, visible) initiative—not as a substitute for policy and institutional reform, but as an "entry point" from which systemic constraints can be identified more specifically, and from which less tangible reforms would follow as corollaries.

This approach carries a variety of practical benefits. First, the concreteness of the goal creates a strong incentive for governments to embrace the PSD agenda, and makes it easier for governments to defend the complementary reform package in terms understandable to the citizenry. Second, concrete goals translate much more readily into benchmarks to measure progress in implementation and to signal when to continue to play and when to withdraw. Third, it enables a focus on specifics of the business environment; with greater attention to the details of doing business, it is possible to get at the root of some of the dysfunctionality and systemic problems which may not be readily seen at the macro level. Fourth, by linking investment projects and policy and institutional reform programs, the approach provides a focal point for WBG staff to work together despite widely differing areas of specialization.

Box 3 illustrates schematically the relation between entry points and specific functional tools. As the two-way arrows in Box 3 indicate, at times specific tools will be key to evoking activity in the chosen domain; at other times, the entry point itself will induce, in a roundabout way, institutional or other reforms in the domain ordinarily addressed directly by the tool. Private participation in infrastructure, agribusiness, manufacturing and other commercial urban activity, extractive industries, and tourism are good examples of ways in which an entry point approach can energize the PSD reform agenda. These examples are not exclusive but are those most likely to offer the entry points for reform and active PSD.

Box 3: The interrelation between tools and entry points



(i) Private participation in infrastructure (PPI) as an entry point

Throughout the world, the role of the private sector in infrastructure is increasing. The 1980s witnessed the deregulation and privatization of public service utilities (telecommunications, ports, power, rail, water, bridges and tunnels) in the developed world (United States, Europe). The 1990s has seen a similar pattern in developing countries, particularly in Latin America and Asia. BOTs, BOOs, privatizations, and other private mechanisms are growing rapidly. In Africa, the evidence is increasingly clear that governments can no longer finance the maintenance and capital investment needed to renew and expand infrastructure networks and indeed have shown themselves to be ineffective owners and operators of infrastructure. Although until recently only a handful of private investors were found in African infrastructure, the move toward PPI has begun to accelerate. Projects to privatize infrastructure are under preparation in more than 20 countries across the continent—across a variety of sectors including telecommunications; power generation, transmission and distribution; water; roads; rail and ports. Telecommunications has been at the forefront of this; because of its critical importance to unlocking the potential for information technology as a key factor in international competitiveness, a separate strategy for WBG involvement in this sector has been prepared (Annex 1).

The immediate interest in PPI tends to come from the specific sector in which a new initiative is being considered. However, PPIs need to fit into a broader sectoral strategy—one that is explicit as to its investment and performance goals and its market-based sources of revenue, and as to the delivery goals that are sufficiently important from a development perspective that they warrant subsidizing (either directly or in the form of a lower bid price). Sector specialists are best placed to address these issues. However—and this is a basic reason why PPI can be viewed as an entry point—in addition to sectoral expertise, many of the tools highlighted in Box 3 must be brought to bear for PPIs to be successful:

- As a form of privatization, PPIs can usefully follow many of the good privatization practices emerging from our experiences to date in other sectors.
- The regulatory and legal framework is key. It defines the rights and obligations of private and public parties—thereby reducing the uncertainty confronted by a private participant and so potentially resulting in more attractive bids and (as long as agreements are adequately monitored and enforced) improved subsequent performance from the country perspective.
- Risk mitigation instruments may be called for, insofar as new infrastructural investment is needed, but, in countries where significant uncertainty remains as to the sustainability of the business environment, investment would not be forthcoming from private investors without the comfort such instruments provide.
- Dealing with malfunctioning finance systems is critical. Without substantial progress on this front, the successful mobilization of local capital for private infrastructure projects will remain elusive.
- A public information campaign may be needed to create a confidence in PPI as a “win-win” initiative that serves the national interest.

The second basic key reason why PPI is usefully viewed as an entry point is that it can support virtuous cumulative spirals in both the real economy and institutional development. Investment increases rapidly where PPIs help overcome the constraints associated with underinvestment as a result of the inability of governments to attract finance. Since PPIs can be large in relation to the overall economy, the increased investment can provide a substantial stimulus to growth. (A related benefit occurs when cash payments to governments ease fiscal constraints.) Further, improvements in infrastructural quality—expansion in coverage and improvements in operating efficiency—can stimulate activity in areas where dysfunctional infrastructure previously inhibited private initiatives. This is notably the case in telecommunications and informatics. Recent privatization activity in Africa has highlighted the enormous demand by firms for more and better services. Reliable power, telecommunications, and port services can underpin new export initiatives in manufacturing. Expansion of road networks (and, to a lesser extent, rail) can open up agricultural markets for hitherto isolated smallholder farmers.

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As for the virtuous spiral on the institutional side, the legal, regulatory and judicial requirement of PPI can strengthen local awareness of, and commitment to, rule-bound governance of public-private relations more broadly, buttressing property rights. To be sure, in the initial stages of a PPI regulation may comprise the limited task of monitoring and enforcing the terms of a highly detailed concession agreement. Indeed, arbitration of disputes typically will itself be handled offshore (or jointly by a panel of national and international arbitrators). But even these limited tasks can play a powerful role in strengthening the "rule-bounded" underpinnings of public-private relations—and hence property rights. Joint arbitration can provide a starting point for local enforcement. Issues that have not been addressed in the concession contract will require regulatory jurisdiction, which could help to build a track record for dealing with sensitive questions. And the concession contract itself will come up for review. Success in meeting these challenges will provide a basis for subsequent, more flexible agreements. It should be borne in mind that these broader institutional benefits of PPI will not come automatically once the decision to proceed has been made. From the start they will have to be incorporated into the program objectives, and hence should be taken into account in the staffing, strategy and sequencing of PPI initiatives.

The WBG is in fact actively assisting sub-Saharan Africa to realize the promise of infrastructure privatization. However, in view of the potential benefits of PPI as an entry point in a number of countries, and in view of the possibility of sub-regional projects, there is scope for a more intensive and broader strategy for the WBG.

(ii) Agribusiness as an entry point

International experience has shown how an efficient agribusiness system can provide a dynamic engine for the primary agricultural sector by conveying information and transferring technologies, by managing the logistical tasks from farm to fork, and by transforming farm commodities to meet and enhance consumer demand. Support to agribusiness—in countries as varied as Thailand, Chile, and Kenya—has been a core element of strategies for rural development and poverty reduction, as agribusiness enterprises and institutions have provided employment and entrepreneurial opportunities, have reduced the cost of foods purchased by the poor, and have effectively linked smallholder farmers to markets. Although rarely measured as such, the system of agribusiness—comprising input supply and the handling, transport, processing and marketing of agricultural products—typically accounts for an equal or greater share of GDP than does primary agriculture in Africa.

For historical reasons agribusiness has had a bad reputation in Africa. For some, it is equated with big and foreign business as with enclave agro-industrial operations or oligopsonistic trading by multinational corporations. For others, its most prominent expression since the independence era has been the loss-making and market-eroding parastatal trading and processing operations which dominated the agribusiness systems of many African countries for two or more decades. With limited exceptions, the performance of such systems and their public sector entrepreneurs was abysmal.

Structural and sectoral adjustment programs have begun to bring African governments out of the businesses of selling seeds, plucking chickens, ginning cotton, and exporting roses. Still, the investment and broader supply response has been uneven and in many cases below initial expectations. Much of the experience and many of the skills acquired during the era of "administered market systems" are inappropriate to or inadequate for a market economy. Suddenly the consumer is important, products are rejected on quality grounds, and firms must manage commercial and other risks. The collapse or withdrawal of earlier institutions has not been replaced overnight by the array of market and quasi-market institutions commonly found in agribusiness systems elsewhere.

Yet today, despite the importance of a well-functioning system, in terms of public monitoring and support agribusiness is nobody's business. Because of its intersectoral nature it either falls through the cracks or is uncomfortably embraced by sectoral ministries. Public officials and donors working with agriculture often remain distinctly uncomfortable dealing with private businesses. And public officials and donors working with industry or commerce tend to neglect the countryside and often are uncomfortable with the seasonality, the perishable nature of the product, and the specificity of trade regulations associated with agribusiness.

Agribusiness can serve as a powerful entry point for the Bank's PSD work, given its connections with regulatory and legal reforms, scaling back and re-orienting the market interventions of the state, risk mitigation, and, in some forms, poverty reduction. Using agribusiness as an entry point can counter a possible "urban bias" in our PSD work while complementing the Bank's mainstream agricultural support work. Some possible themes for agribusiness entry points might include:

- *Development of non-traditional agricultural exports*, with the requisite attention to transport policies, port/airport infrastructure, proprietary technology rights, management skills and strategic (international) partnerships;
- *Post-privatization support in traditional agro-industries*, with attention to competition policy, the strengthening of farmer/commodity organizations, and new institutional arrangements for credit, risk management and technical service support (including outgrower schemes);
- *Supporting small-scale agro-related trading and processing enterprises*, with attention to rural and growth point infrastructure, skills strengthening, market information services and financial services;
- *Urban food marketing*, including attention to market infrastructure, health and sanitary regulations, warehousing acts, market information systems and land issues; and
- *Regional agricultural trade and investment*, including attention to trade policies/barriers, investment incentives, regional apex associations, telecommunications and harmonization of agricultural input regulations.

More generic support could focus on the development of local agribusiness management skills and of modern market institutions. The former could involve various forms of training and technical assistance on a country, sub-sectoral or even sub-regional basis. Support is needed in the design and implementation of more complex forms of contracting and organization, including outgrower schemes, franchising agreements, joint venture arrangements, commodity exchanges and producer or commodity associations. Legal and institutional issues are involved as possible measures to enhance management capacities.

(iii) Manufacturing and other urban commercial activity as an entry point

Among the best documented stylized facts about development are that rising per capita incomes are associated with a shift of resources from lower productivity agriculture to higher productivity industry, and—since manufacturing (depending as it does on dense networks of supportive services) is predominantly an urban phenomenon—with the related migration of people to urban areas. Manufacturing has been dubbed the “engine of growth” for the newly industrializing countries in Asia and Latin America. In the short span of 25 years, beginning in the mid-1960s, Taiwan, Korea and Singapore raised their shares of manufacturing in GDP more than 15 percentage points as per capita incomes nearly quadrupled. A similar, though less rapid, transformation is evident for countries in Southeast Asia, such as Thailand and Indonesia, and for low income countries in Latin America.

Sub-Saharan Africa has been the outstanding exception to this development pattern. Manufacturing growth in the region has been stagnant. Today, manufacturing is only about 12 percent of GNP on average, a few percentage points above its 1960 level. Manufactured exports have picked up recently, but today they still account for about the same 8 to 10 percent of total exports that they accounted for 25 years ago. While fostering manufacturing growth is an important priority for all African countries, this is not to imply that the pace of manufacturing expansion and structural change should be forced.

A clear lesson from experience elsewhere is that pushing the pace of industrialization when conditions within the sector or the wider economy are not conducive to such stimulation can lead to disaster. Indeed, in many countries the path to manufacturing growth has come through agriculture: rising rural incomes lead to new patterns of demand and set in motion the circumstances that encourage manufacturing activity to emerge and people to move to urban areas. This is not to imply that no active PSD initiatives are required. On the contrary, manufacturing and urban growth require sound economic and infrastructural foundations; improving institutions; and appropriate complementary action to stimulate investment and productivity growth. However, initiatives in these areas must be carefully calibrated: if they are focused too narrowly, they risk falling into the trap of counterproductive sectoral targeting; if they are too general, they risk missing their target altogether. An entry point approach—an ensemble of initiatives, each focused around a concrete objective—can help provide the appropriate degree of focus, as outlined below:

- *Focused regulatory reform.* Regulatory reform—removing regulations that are dysfunctional and putting in place new laws and regulations that will underpin efficient private activity—is a potentially vast terrain. Targeting the regulations that prove especially constraining for manufacturing and the urban economy can provide focus for an otherwise overwhelmingly complex task, thereby ensuring that very specific (hence easy to miss with a more schematic approach to regulatory reform) binding constraints are indeed identified and removed.
- *Urban land issues.* Businesses in rapidly growing urban areas frequently are constrained by the lack of reasonably priced land suitable for industrial or commercial activity. More broadly, weaknesses in land titling can result in “locking up” assets that might otherwise be available (as collateral) to finance new investment. Targeting manufacturing and the urban economy as an entry point will highlight these constraints and thereby set in motion a focused search for solutions (including both regulatory and legal reforms and, at times, customized solutions such as the establishment of serviced export processing zones in settings where it is not possible to address in the short-term, the full array of land, infrastructural and regulatory constraints that inhibit access to appropriate business premises).
- *Activist investment and productivity-enhancing initiatives.* While the tools described earlier to foster enterprise learning and investment are broadly useful across different types of private activity, focusing them on manufacturing and the urban economy can enhance their effectiveness. For example, marketing a country to foreign investors can be most effective if the efforts are directed toward a target clientele (such as investors most likely to respond to new manufacturing opportunities). Similarly, some productivity-enhancing initiatives are especially relevant for the urban manufacturing economy. These could include, for example, initiatives to foster worker training, or “cluster” initiatives intended to mobilize, through participative learning processes, the latent synergies among related and supported activities within a given geographic locale.

Another benefit from the selection of manufacturing and the urban economy as an entry point is that the two-directional character of entry can have significant cumulative consequences. For example, the linkage effects of new manufacturing activity can be considerable if a rapid expansion of labor-intensive manufacturing exports generates wage income for unskilled workers, which in turn generates a marked expansion in demand for goods and services of the kind produced by small and medium enterprises. At the same time, the cumulative institutional consequences can be similarly strong: a rapidly growing class of urban business people can become a powerful pressure point for continuing reform (a more streamlined business environment, improved infrastructure, a more sophisticated legal system), especially where domestic entrepreneurs must compete in a challenging global economy.

(iv) Extractive industries as an entry point

Although their scope as entry points is limited—mainly because of their enclave nature—extractive industries (mining and oil and gas) are where significant private foreign investment has been taking place in Africa over the last decade. However, progress has been modest compared with the potential. In the *mining sector*, where reforming countries have been attracting investments in exploration, follow-on investments in new mines have been rare. International mining companies have been cautious about making large commitments involving long lead times for capital recovery in countries with unproved or poor track records with foreign investors, while many governments have been concerned about being duped by mining companies that have considerable experience in negotiating mineral agreements. However, merely putting new mines into operation will not be sufficient. Poor management of mineral revenues and corruption coupled with negative environmental and social consequences have often meant that the significant benefits expected from mining operations (export earnings, employment, tax revenues) have not materialized. Finding ways to reduce the risks as perceived by investors and governments, and to ensure that revenues and environmental and social impacts are managed wisely, are critical to ensuring that the considerable untapped mineral resources of Africa make a much greater contribution to the region's development.

Because of the unique characteristics of mining, certain sector-specific reforms are required, especially those relating to the granting and administration of exploration and mining concessions. In addition to competitive and effective rules and regulations, successful mining sector reform—reflected in increased private sector investment and activity—requires effective public mining institutions. A third key element of mining sector reform is the privatization of parastatal mining companies. Mining, with the need to use many of the tools highlighted in Box 3, is therefore a clear entry point for the WBG's PSD work. The other arguments made earlier for PPI as an entry point apply equally to mining.

The need to properly manage *oil and gas* resources can also provide an entry point, although its scope is limited because of the enclave and/or small scale nature of the activities being supported by the WBG. The WBG is providing advice and assistance in institutional capacity-building to governments in the early stages of developing oil reserves, although efforts in the oil sector are concentrated on rationalizing the downstream petroleum products industry (notably, in upgrading viable refineries, closing non-competitive refineries, and lowering supply corridor and product distribution costs). The WBG could play a larger role in promoting the use of natural gas resources, although much of this is in smaller-scale local market activities. Under the WBG's Africa Gas Initiative (AGI), launched in 1994 to facilitate development of indigenous gas resources for local markets, efforts to create enabling environments are under way in several countries to enable gas projects to be developed primarily by the private sector.

Gas projects currently being pursued, and in which the financial involvement of IFC and MIGA is expected, include the development of LPGs for domestic use and the use of gas for power generation. While small scale projects are being emphasized, the WBG will also work with governments of countries with significant gas reserves (particularly Angola, Cameroon,

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Gabon, and Nigeria) to encourage foreign companies to use gas for downstream manufacture (methanol, fertilizers, etc.) for both local markets and export, and also to construct gas grids that will move natural gas from gas-rich countries to major centers throughout the region for power generation. Underpinning the WBG's efforts to promote private investment in gas will be assistance to governments to put in place a regulatory and incentive framework conducive to gas production and utilization, and to promote more extensive use of the range of WBG products to mitigate risk. Separate strategies for WBG involvement in the extractive industries in Africa have been prepared. These are presented in Annex 2 (Mining) and Annex 3 (Oil and Gas).

(v) Tourism as an entry point

While tourism is well established in a few countries, in many other African countries the industry is performing below its potential. Several governments in Africa accord tourism a high priority because of its ability to create jobs and to generate foreign exchange and tax revenues, and also because of its linkages with natural and cultural patrimonies and activities (handicrafts and interpretation centers) as well as other sectors, particularly wildlife and the environment, fishing and infrastructure. In addition to being a source of growth in diversified economies, tourism is considered important for those countries that have few resources other than natural beauty, wildlife, and a strong cultural heritage, and that have few alternatives for economic development. Resort or leisure-oriented tourism can often promote the economic development of a country's less developed regions, while urban facilities such as hotels and airports are often critical to emerging and transitional economies that lack the basic business infrastructure to attract international investors and businessmen.

Tourism is a classic example of the need for public-private partnership. The public sector's primary role is to create the proper environment for private investment: creating stable economic conditions; facilitating and attracting foreign and domestic investment, including regulation; supporting destination marketing and promotion; dealing with security and health concerns of tourists; and providing zoning and land use planning for tourism that will ensure that negative environmental and social impacts are minimized. The private sector's primary role is to provide investment funding and technical and operational management.

As an entry point tourism thus offers the potential of reaching out to other sectors of the economy, and its developmental linkages are many:

- At the macroeconomic level, tourism will affect monetary policy through the need for an appropriate exchange policy (foreign exchange earnings is a critical benefit of tourism), pricing policies, taxation and incentives which recognize the heavy up-front investment requirements of tourism and its long gestation periods.
- Tourism as a service is labor-intensive and can create sustainable employment if appropriate skills enhancement is undertaken.

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- Tourism offers the potential for creating SMEs in a variety of fields, including transport, food service, handicrafts and light manufacturing, as well as the industries that supply hotels and offer maintenance services.
- The legal, regulatory and judicial requirements of tourism can strengthen public-private partnerships and can buttress property rights and help create investor and consumer confidence.
- Infrastructure is an essential element of tourism development and can thus be used not only to serve tourism but also to fill other industrial, commercial and residential requirements. While this is particularly true in urban areas, rural infrastructure can also open up agricultural markets in the interior;
- Tourism can stimulate the demand for local products: food and drink; and handicrafts and furniture.
- Sensitive interventions in the wildlife, environmental and cultural aspects of tourism can influence the country's approach to protection of its patrimony; this includes interpretative investments to explain heritage/natural resource endowments.

(vi) Other entry points

The WBG's efforts to promote PSD will focus on the five areas discussed above; but there are other activities with potential as entry points, for example, corridor development such as Maputo, or a substantial privatization program. There is also a growing interest in private participation in social sectors. Depending on a country's resource endowments, other candidates might serve as entry points. And there could of course be more than one entry point in a country, and some entry points could be multi-country in nature.

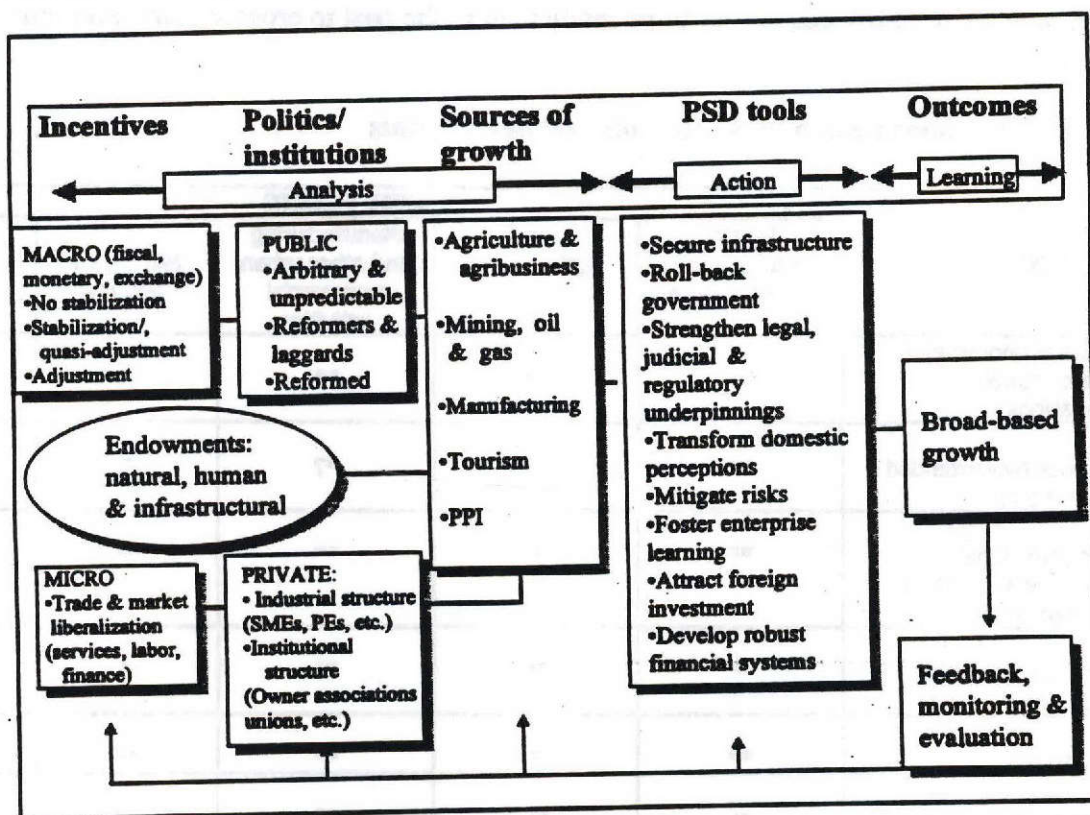
An integrated perspective

Box 4 brings together many of the themes in this framework. As the box suggests, PSD does not lend itself to ready compartmentalization, either in what is done, or how it is done. As Section II has pointed out, a rich variety of tools exists for fostering PSD. This section has pointed to a variety of distinct entry points through which these tools could be deployed. But judging which tools—and which entry points—are relevant in a particular country setting depends on a wide array of country-specific incentives, political and institutional conditions, and economic endowments. Thus, action must be complemented by careful, country-specific analysis. In devising a PSD strategy, we need to analyze the following:

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- The character of a country's underlying macroeconomic and microeconomic policy environment;
- The quantity and quality of the country's natural, human and infrastructural endowments and their implications as to which sources of growth have greatest potential;
- The way in which public institutions operate, whether they provide a stable basis for investment decisions and whether political leaders are committed to continuing reform;
- The strengths and weaknesses of the existing industrial structure, and which segment of the private sector (indigenous or foreign, large or small, firm-level or association) we should support.

Box 4: PSD – an integrated perspective



The challenge of analysis is thus a large one and calls for both substantial resources and a diverse skill mix. Unless these resources and skills are forthcoming, it is unlikely that even the best-intentioned strategies to foster PSD will succeed.

IV. THE WORLD BANK GROUP: TOWARD MORE EFFECTIVE SUPPORT

The strategy laid out in Sections II and III has important implications not only for what we in the WBG do to foster private dynamism in Africa but also how we go about it. This final section explores some of these implications.

Fostering synergies within the Bank Group

Box 5 depicts, in a single summary matrix the interrelation between the entry points described in Section III and the sets of tools highlighted in Section II. Given these interdependencies, as the Box highlights, development is a complex affair. The skills needed to identify, devise and implement a successful project (and more broadly to enhance the environment for doing business in Africa) are unlikely to be found within a single work unit, let alone a single brain. The proposed approach to PSD will thus succeed only if WBG staff overcome territoriality and are far more ready than in the past to cross sectoral and functional lines.

Box 5: The interrelation between tools and entry points

TOOL SETS:	ENTRY POINTS				
	Private participation in infrastructure	Agribusiness	Manufacturing and other urban commercial activities	Mining, oil and gas	Tourism
Secure economic and infrastructural foundations	**	**	**	**	**
Roll back overextended governments	**	**	*?	*	*
Strengthen legal, regulatory and judicial underpinnings	**	*	**	**	**
Transform domestic perceptions	*	**	*?	*	*?
Mitigate risk	**	*	**	**	**
Foster enterprise learning	x	**	**	*?	**
Attract foreign investment	*	**	**	*	*
Develop robust financial systems	*	**	**	*	*

** = very relevant; * = somewhat relevant; *? = may be relevant; x = not relevant

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Using the CAS to foster strategic coherence. As this approach suggests, country strategies can comprise much more than the sum of individual initiatives undertaken by isolated functional units. In the WBG's new organizational framework, the country teams in general, and the Country Assistance Strategy (CAS) in particular, provide the vehicles for fostering the requisite integration:

- In order to identify which concrete activities provide good sectoral entry points for PSD programs, staff will need to assess carefully the strengths, weaknesses and opportunities in the "real" economy within individual countries, and to arrive at consensus with their sectoral and country counterparts.
- In order to tailor specific PSD tools and sectoral entry points to fit actual conditions, staff will need to understand how legal, regulatory and judicial institutions work in practice within individual countries.
- If an entry point approach to PSD is to yield results, staff leading the work in the specific area will need to reach out to other WBG staff with complementary skills so that more systemic concerns can be brought onto the agenda.

Thus, it is necessary that PSD staff participate actively in country teams and the CAS process, with the PSD component of a CAS reflecting a joint effort of the WBG. However, the process must become more action-oriented and the production process lighter. More focused strategies based on sectoral entry points will help in this area. Coherent, integrated programs will not emerge merely as a by-product of consultations among different functional specialists. In addition to hard thinking, field work and analysis are also needed. For a successful outcome, country directors must allocate the requisite resources for good quality, up-front sector and strategy development where needed.

Box 6 previews the approach to devising country PSD strategies by highlighting some key questions which need to be addressed in the design and implementation of PSD programs in specific African countries. Clarifying our approach to PSD will, in turn, lead to a more coherent picture of what can be expected from the WBG by the external community that is committed to fostering PSD in Africa—namely, the African private sector, African governments, international businesses, and governmental and non-governmental donor organizations.

Box 6: Devising country PSD strategies: checklist for WBG staff

This box previews the framework by laying out a checklist of six sets of questions which WBG staff could usefully explore as they work with their counterparts in the countries to develop country-specific PSD strategies. The information and analysis needed to motivate and clarify some of the questions are contained in the body of this document. The questions are not meant to be comprehensive.

I: Are the economic fundamentals adequate?

Sound economic fundamentals may not be sufficient for PSD – but they are necessary. Reforming a radically distorted economic environment is difficult; thus, it would be a mistake to hold a PSD support program hostage to a test of perfection with respect to the economic fundamentals. At the same time, unless the macroeconomic and incentive environments are reasonably sound, other pro-PSD initiatives will run afoul of systemic economic problems.

Thus, in deciding how much effort and resources to expend on PSD, Bank staff should evaluate whether the trajectory of economic reform is a positive one. Specifically:

- Is the country on an unambiguous path toward a reasonably stable macroeconomic environment?
- Is there a political commitment to allow the market to run its course, and (supplemented by complementary programs) to live with the “wins” and “losses” that follow?

II: How are the critical infrastructural constraints to be addressed?

Infrastructure comprises another kind of fundamental. In addressing infrastructural constraints staff need to consider three questions:

- To what extent do weaknesses in physical infrastructure inhibit the competitiveness and potential for expansion of firms?
- Which specific infrastructural constraints (telecommunications, power, roads, water, etc.) most constrain firms?
- What is the potential for fostering private participation in the operation, maintenance and investment in infrastructure as a way of alleviating these constraints?

Whether and how to proceed with private infrastructure will depend on the institutional conditions prevailing in specific countries.

III: How can institutional shortfalls be addressed?

To be responsive to the institutional realities of individual countries, WBG staff preparing PSD strategies need to answer two sets of questions. The first set concerns the specific character of a country’s institutional shortcomings. Here, key questions for analysis include:

- To what extent do firms continue to report that red tape and other bureaucratic rigidities are an important obstacle to doing business?
- To what extent do firms refrain from investing because of the risk of arbitrary action on the part of public officials?
- To what extent do the country’s judicial and other core institutions provide a foundation for enforcing private-to-private contracts and the rules of the game for public-private interactions?
- To what extent do private firms (notably including potential investors from abroad) perceive non-commercial risks to be greater than they actually are?

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Answers to these questions will clarify *what* problems need to be addressed. *How* they should be addressed will depend significantly on the answers to the second set of questions:

- To what extent do the country's political leaders support pro-PSD institutional reforms (even though they are likely to reduce the scope of government discretion) *and* to what extent do they have the authority to follow through with their promulgation and implementation?
- Are citizens broadly supportive of a pro-PSD agenda?
- What are the risks that pro-PSD reforms will be perceived as conflicting with a desire for substantial indigenous participation in the economy?

If the answers to the latter set of questions all are broadly favorable to PSD reforms, then regulatory, legal and other institutional problems which call for redefining the public-private boundary can be tackled directly, and risk mitigation instruments can be aggressively promoted. But if the answers point to the likelihood of substantial political resistance, then more "roundabout" approaches will be needed—including explicit measures to foster broad-based private ownership, public information campaigns, a focus on specific reforms likely to be supported by substantial domestic constituencies, and a focus on pro-PSD measures that are not dependent on domestic institutions whose performance is unlikely to improve in the near future.

IV: How can private dynamism be activated?

The strategy recognizes that economic and institutional reform may not be sufficient to overcome the isolation and stagnation of Africa's private sector. Consequently, it also focuses on reforms which aim to actively foster private dynamism. In setting priorities for activating private dynamism, key questions include:

- Given a country's natural, human and infrastructural endowments, which sources of growth (for example, smallholder cash-crop agriculture, tourism, mining, export-oriented manufactures) have the greatest potential for "kickstarting" and sustaining a cumulative process of economic growth?
- What initiatives can help accelerate the pace at which private players begin to move into these "kickstarting" opportunities?
- What opportunities does the resulting pattern of growth provide for small and medium enterprises?
- Which initiatives can most effectively enhance the environment of the business support services needed for firms to respond to these opportunities?
- Are the appropriate policies and mechanisms for fostering learning at the national, firm and worker levels in place and, if not, what needs to be done?

V: How can robust financial systems be built up?

As noted earlier, the challenge of developing robust financial systems is addressed in a parallel, complementary strategy. Nonetheless, finance cannot be excluded entirely from work that focuses on the "real" sector. Key questions to be considered by staff include:

- To what extent do firms, including micro and rural enterprises, report that a lack of access to finance is a constraint on business operations and expansion?
- Do constraints in access to finance signal problems of creditworthiness on the part of firms, or more fundamental weaknesses in the financial system?
- Where financial systems are weak, how feasible is it to achieve gains in the short-term by strengthening the regulatory foundations of financial markets, and fostering entry by prudently managed banks -- and non-financial institutions (for example, leasing companies)?
- Where the prospects for strengthening financial intermediation through institutional reform are limited in the short-term, what other options are available for easing the financial constraints faced by firms?

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The path to reform of financial systems will vary from country to country and will often involve multicountry approaches. The reforms should be underpinned by solid ESW.

VI: How can we identify entry points?

The framework proposes that, wherever possible, country-specific PSD programs should lead with a tangible (concrete, visible) initiative—not as a substitute for policy and institutional reform, but as an entry point from which systemic constraints can be identified and from which more “abstract” reforms would follow as logical and necessary corollaries. Thus the question follows:

- What “entry points” will offer the greatest mileage for PSD in a specific country—in the sense that they comprise potentially powerful sources of growth but can only be unleashed if a rich array of reforms, some of which are systemic in nature, is implemented?

Fostering cooperation across the WBG. While the CAS process will help, more is needed to ease the organizational boundaries that presently hive off the Bank (IBRD and IDA), IFC, MIGA, FLAS and EDI from one another. It has been notable in preparing this framework to see how much more open staff within the WBG are to working together than we used to be. What is needed to follow through are concrete vehicles through which to translate this new openness into consistent practice. Here we suggest three:

- A single tightly integrated team of WBG staff for each agreed selected country—both at headquarters and in the field—to help country counterparts identify and implement rapidly a well-defined program of action that will raise PSD performance to a new level. Clearly, the countries selected will have to have a business environment that already offers a good foundation, and a strong local commitment at the highest levels to following through with a next generation of initiatives (for example, Côte d’Ivoire, Uganda and Mozambique).
- A joint comparative review, by a team of WBG staff working on Africa, of PSD programs across all countries, highlighting both opportunities to raise the level of ambition in some countries and warnings in countries in which ambitions may outpace local realities. Such a review could be undertaken every two years (or perhaps annually, with half the countries in the region considered each year).
- The selection of some key projects which lend themselves to private participation and joint involvement; for example, in a road project that the Bank is financing, the IFC/Bank may work together to increase private participation by providing technical assistance and making available leasing lines to finance road equipment for local entrepreneurs.

More generally, more joint missions are needed, as well as cross-use of staff, staff exchange and common training so that staff of each organization can become familiar with one another. In addition, further rationalization of units may be needed. IFC and the Bank are cooperating on IFC’s Africa Business Network (ABN); the Bank and MIGA are cooperating on PrivatizationLink (a website of information on privatization opportunities in Africa which is

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linked to IPAnet); IFC, MIGA and the Bank have cooperated jointly on such activities as the Summit for Africa organized by the Corporate Council for Africa earlier this year; MIGA, IFC and the Bank are actively cooperating on investment promotion for mining, one of Africa's key sources of growth. FIAS, as a joint venture between IFC and the Bank, necessarily involves collateralization on providing technical advice in areas of investment policy between different units of the Bank, IFC, and even the IMF. Cooperation can also be seen on projects: the award of the water and power supply concession in Gabon was led by IFC, with the Bank providing the technical and policy underpinning; and MIGA and the Bank have worked together to design a number of funds, including a Currency Convertibility Fund of the Songo Songo project in Tanzania. In direct company financing, IFC is taking the lead, with the Bank and MIGA intervening in situations where risk mitigation through guarantees is required to enable projects to proceed.

While more joint work and familiarity with each other's programs is necessary for success, it is equally important to create a product line in which overlap is minimized.

Using WBG instruments flexibly. There is a wide range of instruments available for use in support of PSD across the WBG—including various forms of financing and guarantees, ESW and technical and training assistance—which, if flexibly used, could be tailored to meet most needs. In the past, we have often not taken full advantage of this flexibility because our work has been compartmentalized. New instruments have recently been introduced to increase this flexibility and to fill a needed gap (for example, IDA partial risk guarantees, adaptable program lending, and learning and innovation loans). New instruments will emerge, although we have yet to exploit fully the options provided by the more innovative use of the full range of instruments now available across the WBG.

Committing to results-driven decision-making

In the absence of an unambiguous commitment to results-driven decision-making, each functional unit within the WBG has an incentive to embark on supply-driven initiatives in client countries, even where the potential for having a positive impact seems limited. The new WBG organizational structure can bring greater discipline to the deployment of Group resources. What is needed is increased selectivity, both within and between countries, and greater attention to monitorable indicators of performance.

Selectivity within countries calls for a readiness to prioritize the agenda for PSD around a subset of tools and entry points that are most appropriate to the specific circumstances prevailing at a particular moment in time, along the lines laid out in this PSD strategy. Across countries, one key consideration is to direct efforts and resources toward those countries that want to help themselves: the time, effort and resources that are worth devoting to PSD will depend on a country's depth of economic reform and political commitment. A second consideration is whether success in one country can have a positive impact for Africa more broadly. In Southern Africa, South Africa can be the engine that pulls (or holds back) the entire Southern African region. Nigeria and the Democratic Republic of the Congo could play a parallel role in West and

Central Africa, respectively, but the prospects are not, at present, encouraging. Elsewhere, building a critical mass of "winners" among smaller countries within a subregion (for example, Ghana, Côte d'Ivoire and Burkina Faso in West Africa; Uganda, Tanzania and Kenya in East Africa; Mozambique, Zimbabwe and Zambia in Southern Africa) could provide powerful momentum, not only for the sub-region, but also the global image of Africa.

Turning to monitorable indicators, if we take PSD seriously, we will need to mirror the "bottom-line" calculations of private firms with our own benchmarks of success, and with realistic evaluations of the risks of failure (this would involve identifying measurable proxies of what we are trying to achieve, and repeatedly evaluating how well we are performing in relation to these benchmarks). As noted earlier, the concreteness of the entry point approach simplifies the task of identifying indicators to monitor progress in implementation and to measure results. Should the plans prove excessively optimistic as to achievements in specific countries, we should be ready to exit, thereby cutting short futile and expensive efforts.

Both selectivity and attention to monitorable indicators reinforce the need to manage the WBG's assistance to clients in a practical way which holds task managers accountable for specific actions and outcomes.

Enhancing external partnerships and communications

In the international economy of the twentieth century, the emerging niche of the WBG appears to be as a knowledge-rich node in a complex and integrated global network of private, public and non-governmental organizations. In everything we do — including our support for fostering PSD in Africa — we must thus give a high priority to fostering external partnerships. This section highlights some specific initiatives for fostering partnerships and communications with country counterparts, among stakeholders with common interests (but in disparate countries) within Africa, and globally.

Partnering with country counterparts. A recurrent theme in this strategy is that of giving a new emphasis to public information within African countries, as a way of communicating the goals of, and strengthening the constituency for, PSD reforms. But the challenge of partnering at the country level goes beyond public communications. The WBG must place greater emphasis on helping our counterparts develop the capacity to prepare and implement their own programs of support for PSD. In many instances, the most effective way of achieving this will be through planning and implementing joint work. In so doing, it is important to recognize up front that the work is likely to proceed more slowly than otherwise, and that at times the conclusions may not be those with which Bank staff are entirely comfortable. For these reasons, it is important to understand when such joint work is appropriate, and when the gap between country and Bank processes and perceptions is such that a report prepared independently by the Bank may provide a more effective basis for dialogue and reform.

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Capitalizing on cross-Africa PSD synergies. The proposed framework for supporting PSD in Africa focuses largely on the country level. In practice, though, cross-country influences are sufficiently strong for the PSD initiatives of many African countries to succeed or fail together. The presence of these cross-country influences points also to the possible benefits of some programs that are explicitly cross-boundary in nature.

- Cross-border enterprise networking programs can facilitate trade and other synergies in resources and skills among firms in all participating countries;
- Cross-border stock exchanges and regulatory systems can enable sub-regions to achieve the minimum efficient scale for activities that individual countries are too small to support, and, through mutual monitoring, can enhance credibility as to the sustainability of these cross-border arrangements; and
- Cross-border infrastructural ventures can help unlock a resource potential that would be difficult to realize in any single country.

These cross-country influences are of particular importance to landlocked countries and small economies.

The WBG is building a track record of support for these cross-boundary initiatives. On the organizational front, in West Africa the WBG has supported the emergence of the West African Enterprise Network and the new regional stock exchanges. The concept of the WAEN is expected to extend to East and Central Africa. In Southern Africa the WBG helped set up the Southern African Agribusiness Forum. On the infrastructure front, in West Africa we have fostered interconnections in power provision between Côte d'Ivoire and Ghana, and between Nigeria and Niger and potentially, a new hydroelectric facility shared by Senegal, Mauritania and Mali. In Southern Africa we have helped initiate the Lesotho Highlands Water Project (which provides water for a fee to South Africa); we have taken the lead in helping to reopen Malawi's rail link to the sea through Mozambique; and we are exploring options to support a variety of other cross-border infrastructural initiatives involving South Africa, Mozambique and Zimbabwe. In other activities, we have helped promote the African Business Roundtable, the Economic Council for Africa in Addis Ababa and a variety of new investment funds.

However, these cross-border initiatives continually run up against our new organizational structure, which is organized around individual country programs, with country directors at the helm. Thus, some modifications are called for which would provide explicitly for sub-regional PSD initiatives. The allocation of explicit cross-regional responsibilities to one of the country directors in the Southern African sub-region is a useful starting point—although it could usefully be supplemented by a point person who would focus more broadly on the fostering of these linkages.

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Partnering with other international agencies and regional organizations. The WBG has been active in forging links with other international agencies in support of PSD. Close working relationships exist with the IMF in assisting governments to formulate appropriate economic incentives and develop their financial sectors. The ADB and the WBG are exploring ways of working closely together, with the WBG providing technical assistance to the ADB to help build up its capability in certain areas (for example, PPI). Joint programs are also being investigated with the UN family (for example, telecommunications and capital market development with ECA). With the EU, Mozambique, Ethiopia and Côte d'Ivoire have been selected as pilots for collaborative efforts in specific private sector development programs. The WBG has also been providing limited technical support to regional organizations such as OAU and ECOWAS. At the country level, efforts are being made to ensure that multilateral and bi-lateral support is coordinated.

The ability of the WBG to deliver on these programs, however, is hampered by the lack of explicit funding for regional initiatives. If the WBG is to capture the full advantages of the synergies that can be developed through partnership arrangements, this problem must be addressed.

Transforming global perceptions of Africa. Along with working to capitalize on the potential for cross-country synergies within Africa, a cross-country focal point could also bring coherence to the WBG efforts to raise the profile – and improve the perceptions – of Africa in the international business community by:

- Sponsoring and participating in conferences, sharing information with finance houses, and preparing promotion material;
- Being alert to successes in Africa and promptly recording and disseminating information on these successes through the WBG's external affairs mechanisms and publications;
- Providing material on African investment opportunities and the investment climate, including regional publications and electronic data bases (for example, IFC's ABN and EMDB and MIGA's IPAnet);
- Working with investment promotion agencies to help them develop the knowledge, skills and tools to enhance their capacity to attract and retain foreign investment;
- Following up on emerging new opportunities for the WBG to establish "partnerships" with multinational firms willing to invest in important activities in Africa; and
- Encouraging developed countries to open their markets even further to the products of African countries.

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MIGA's initiatives for promoting foreign investment through the annual African Mining Conference, events targeted at tourism, and IPAnet, for example, have been particularly significant in raising the profile of Africa: broadening such initiatives would have high payoffs. Similarly, the WBG's efforts to increase cross-fertilization with African firms, merchant and commercial banks and transnational corporations (such as Coca Cola and Mobil) are helpful not only as a means of transforming perceptions about Africa in the global business community, but because they give us a better understanding of investor requirements and hence a sharper focus for our programs. The External Affairs group in the Africa Region could play a key role in coordinating and further developing these activities.

A final challenge

The private marketplace is unforgiving. It signals in no uncertain terms whether the imagination, skills and efforts of private players are up to the task of competing effectively. In the WBG we do not have as direct a mechanism for feedback. Are the actions we have set in motion with the best of intentions up to the task we confront? How should we modify them in the light of experience?

Ongoing research, monitoring and evaluation can help answer questions such as these, but only to a limited extent, given the difficulties of financial resources and of measurement and the impact of events outside the control of Bank action. Responding effectively calls for a single-minded commitment to African PSD on the part of all WBG staff. It calls for a readiness to set aside immediate concerns (Will I disburse enough resources? What will I do next if my project and my specific skills are no longer appropriate in the prevailing country environment? How will I be judged if I have been overoptimistic as to the prospects for reform?) in favor of a readiness to recognize, and respond creatively to the African reality as it presents itself to us.

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ANNEXES

Telecommunications and Informatics: Strategy for Sub-Saharan Africa

Impact of the global communications revolution. In the rapidly changing global markets today, information technology (IT) is key to expanding output, productivity and market access. The global communications revolution is creating new markets and increased demand through technological innovation in virtually all sectors. Agriculture, transport, education, health, banking, manufacturing, export and import trade and government services are all benefiting. In the process, private business opportunities have expanded considerably through private supply of telecommunications and IT, but also in a range of new businesses and services. These include innovations such as teleports (permitting the processing of administrative paperwork beamed by satellite over thousands of miles) and electronic commerce over the Internet (giving even small firms world market access at low cost). New technologies, increased access and greatly reduced costs in telecommunications, spurred by privatization and market liberalization, have made these developments possible.

Telecommunications and IT in SSA. Sub-Saharan Africa (SSA) has to date been marginalized from these developments. Africa's deepening poverty has resulted in good part from economic isolation--both from global markets and between regional markets within national economies. Access to telephones, computers and the Internet in SSA lags far behind that in other developing regions. Telecommunications in SSA is still dominated largely by traditional voice telephony services (limited often to capital cities). These are still provided mostly by state-run monopoly national telephone companies in segmented markets--separate from largely undeveloped data, video and information services. International telephone call rates are among the highest in the world. At the same time, local and long-distance telephone rates are low and are heavily cross-subsidized by international traffic, resulting in grossly underdeveloped national networks. Excluding South Africa (with 4 million lines), in 1996 SSA had about 1.46 million working phone lines serving a population of 575 million.

The challenge. Telecommunications and IT are a critical strategic entry point for private sector development (PSD) in SSA. New communications technologies (especially wireless and satellite) could permit SSA to leapfrog to accelerated economic growth, and to poverty alleviation through expanded popular participation in the economic opportunities. These technologies can open up a wide range of new private business opportunities in SSA countries in virtually all economic sectors. To give only a few concrete examples: timely access to (local and international) agricultural commodity price information could spur increased production and marketing by African farmers and traders; computerized data networks could speed check clearance, thereby improving bank payment systems and reducing banking costs.

To realize such benefits in SSA, the challenge will be twofold: (1) to achieve massive improvements in access to, and in the cost and efficiency of, telecommunications across the continent; and (2) to foster the widespread use of computers and IT, as well as access to knowledge and information (locally and internationally), in education, in

business and in government. Beyond existing commitments, in telecommunications alone investments totaling at least US\$6-8 billion would be required in SSA (excluding South Africa) over the next four years to add an additional 4.5 million lines, to achieve a minimum teledensity of 1 percent (one line per 100 inhabitants) by 2001. This by far exceeds public sector financing and managerial capacity, making large-scale private investment and operation a necessity.

Telecommunications development in SSA. For the past five years, important changes have begun to take place in telecommunications in SSA, although far more slowly than in other developing regions. In an effort to improve access to and the service quality of communications, a small but increasing number of SSA governments have embarked on sector reforms: (1) *market liberalization* in 16 of 48 SSA countries, which have opened their markets to private cellular, paging, data transmission and other value-added services; (2) *privatization* in 7 countries (excluding South Africa) which have divested state-owned national telephone companies (telcos) to foreign private strategic partners attracting commitments to buildout an additional 1 million lines over the next five years; (3) adoption of *new telecommunications laws* and creation of *telecommunications regulatory authorities* in over a dozen countries. However, virtually all national carriers still have monopolies on basic telephone services, including all but one of the recently privatized telcos, which have been granted exclusivity periods of four to seven years.

Some important trends are emerging from liberalizing SSA countries: (1) increasing competition through entry of new private operators (for example, in cellular phones, payphones and paging) is stimulating a more rapid buildout of lines and an increased demand; (2) new wireless technologies are reducing economies of scale, making smaller, self-contained telecommunications systems commercially viable (except in more remote rural areas, where initial investment subsidies may be needed); (3) interconnection disputes are common between new operators and incumbent national carriers; and (4) an important constraint remains in that SSA countries are not connected directly to each other, so that international traffic within SSA is usually channeled via Europe or America, limiting the scope of regional markets.

Priorities in telecommunications strategy. To meet their minimum communications needs, SSA countries will have to accelerate the adoption of sector reforms to attract much larger volumes of private capital and new private operators. Already, an additional 15 SSA countries have announced plans to privatize their telcos. Market liberalization and privatization efforts, however, will not only have to attract strategic partners for incumbent telcos, but will also need to open markets more quickly to increasing numbers of new second and third tier (foreign and local) private operators in order to hasten overall network expansion (through cellular, paging, payphones, telecenters, etc.). Exclusivity periods, if any, for incumbent telcos. should be limited to short terms to permit "bottom-up" growth through new operator start-ups. This should include the active promotion of rural telecommunications markets, through, among other options, license/subsidy auction programs like those developed successfully elsewhere (in

Chile, for example). Private sector confidence in pro-competitive regulatory frameworks will initially require a strong high-level political commitment to a simple set of rules that will ensure a level playing-field and will counterbalance the "monopolist mindset" of incumbent telcos, while technically capable regulatory institutions are built up in the medium term. Local capital markets will need to develop new financial instruments to support capital investment and to help mitigate currency risks, especially for smaller telecommunications operators. Improvements in the broader business environment will also be needed, notably with respect to tax regulation, company registration and business law, including contract dispute resolution.

World Bank Group (WBG) role in telecommunications. The WBG's role in telecommunications is to assist our SSA client countries in undertaking sector reforms and to act as a catalyst in helping to remove market imperfections and, where necessary, to attract private investment, including through loan and equity finance (principally by IFC) and through partial risk guarantees (by MIGA and the Bank). Beyond the general range of WBG instruments for supporting private participation in infrastructure (PPI), priorities in telecommunications are: (1) ongoing technical support for the implementation of sector reforms in telecommunications (market liberalization and privatization); (2) special efforts to design and implement a regional program and approach to build up regulatory capacity for telecommunications in SSA countries, including through multi-sector regulators and twinning arrangements with developed country regulators; (3) support for pilot programs to test the commercial feasibility of remote area, rural telecommunications systems run by private operators; (4) upgrading of knowledge among private operators (especially foreign operators) of SSA telecommunications market potential, through efforts to improve market data and through the dissemination of "success stories" and "best practices" (this should be undertaken jointly with other international and regional organizations such as ITU, RASCOM, and PAFTU); (5) activities that raise stakeholder awareness of the main issues and opportunities for telecommunications and IT development, especially among high-level government decision-makers, users and operators (this could be done, for example, through workshops and conferences organized jointly with EDI).

Information technology (IT) development in SSA. In the 1990s greater attention is being given to IT development in SSA--by SSA country governments, by the private sector, by educational institutions and by aid donors. Starting from an incredibly small base, Internet connectivity has expanded rapidly in SSA over the past two to three years, but it is still thinly spread. In SSA countries today there are probably far more radios and television sets than telephones and computers--in other words, these are more unidirectional than interactive means of communication. All but half a dozen SSA countries have at least one Internet service provider (ISP), more often than not at a national university. Some countries, however, do have multiple ISPs, including those operated competitively and for profit by local private entrepreneurs. However, these are predominantly used for communications abroad by a small group of users, mainly international organizations and some private businesses, and much less for communications within SSA economies.

Use of IT (computer systems and software applications) is increasing but is still very limited. Many activities that have been largely computerized everywhere else in the world (government payroll systems, bank payments systems, trade data systems) are often still carried out manually in many SSA countries. The predominance of supply-driven donor funding of IT as part of development projects has resulted in segmented and underdeveloped local supply, support and maintenance capabilities in the private sector. Rather than a sector and a market in its own right, IT is viewed largely as a means of achieving narrow and specific sector development ends in isolation from similar uses in other sectors.

IT development, including Internet connectivity, in SSA faces several overriding constraints: the gross inadequacies of telecommunications infrastructure; the high charges for, and limited access to, leased telephone lines from incumbent telcos; inadequate power supply; high duties and sales taxes on computers and related equipment and supplies; weak computer literacy and numeracy; and inadequate production of content relevant to local African economies and cultures.

IT development strategy. Nevertheless, emerging trends in some SSA countries (for example, Ghana, Togo, Uganda, Tanzania) strongly indicate that IT is a sector in which barriers to entry by local private entrepreneurs can potentially be low. Knowledgeable, educated and resourceful African entrepreneurs are entering a widening range of IT-related and Internet-related businesses with start-up operations that can turn a profit within two to three years, if regulatory and other constraints are overcome. This suggests that an appropriate IT development strategy for SSA could be based on a double set of interlocking partnerships: (1) a *public-private partnership in SSA economies*, based on greater private outsourcing of public sector requirements for IT services wherever possible to local private entrepreneurs, to build a competitive local IT services market supported by improved infrastructure and education (power, computer literacy, etc.); and (2) a *foreign-local private sector partnership*, based on encouraging and facilitating collaboration and competition between foreign and local private suppliers of IT services, including at the SSA regional level. The objective would be to facilitate a rapid expansion in the use of productivity-increasing IT applications across all sectors of SSA economies in the public and private sectors, through improved functioning of the local IT market.

WBG role in IT development in SSA. Given its active operational presence in most sectors of African economies, the World Bank Group (WBG) is well placed to support such a strategy for IT development in SSA. If the WBG is to do so, however, support for accelerated IT development on an efficient and competitive basis, as far as possible through private sector outsourcing and supply, would have to be pursued as a deliberate strategy in its own right, consistently across all sectors of WBG operations and not through isolated sector-specific solutions alone.

Key elements of such an approach would be the following:

- Assisting SSA countries with overall assessments of constraints and potentials for the expanded use of IT, including physical infrastructure, human resources, and regulatory aspects (including broadcasting as well as telecommunications) as well as private market capacity;
- Ensuring consistency between telecommunications and IT support, especially as regards the design, pace and sequencing of telecommunications sector reforms;
- Encouraging economies of scope and consistency across the Bank's operations in different sectors: by adopting an integrated market-based approach to IT systems development; through fostering the exchange of information among WBG staff in different sectors on available market capacity, gaps and approaches in IT in SSA countries; and by directing policy dialogue to encouraging "generic" IT sector reforms (for example, through improvements in government and donor procurement systems to promote competitive private sector outsourcing);
- Encouraging the expanded use of productivity-raising IT applications in all sectors, through improved information and dissemination of "best practices" to local stakeholders;
- Making a special promotional effort to catalyze increased African private sector awareness of the business opportunities in developing and supplying IT applications, as part of Bank-supported PSD enterprise learning programs (for example, through private sector fund-based matching grant programs;
- Continuing and intensifying training and awareness-building workshops and programs on IT applications and Internet connectivity in SSA countries (along the lines of those recently conducted in Mozambique and Malawi); and
- Using IFC equity and debt financing, and MIGA guarantees, creatively to support foreign direct investment in IT businesses in SSA.

Priority sector-specific IT applications would include: (1) distance education, including the Africa Virtual University; (2) distance health and communicable disease monitoring and control; (3) bank payments systems; (4) government budget and taxation systems (jointly with the IMF); (5) trade facilitation systems in infrastructure; (6) agricultural commodity price information systems in the private sector; (7) national accounts and economic statistics systems; and (8) electronic commerce in PSD. Pilot programs supporting NGO-based and privately operated telecenters could be used to support "hands-on" approaches in expanding computer literacy and access to connectivity.

Telecommunications and IT in Sub-Saharan Africa

	Liberal CPE	Separate Posts and Telecoms	Independent Regulator	New Sector Law	Private Cellular	Telco Privatized	Competition in basic services	Internet Service Providers
Angola				n.a.				
Benin								
Botswana					97	98		
Burkina Faso			98	98				
Burundi				97				
Cameroon						98		
Cape Verde								
CAR								
Chad				98				
Comoros								
Congo			97					
Côte d'Ivoire							2004	
Djibouti				n.a.				
Equ. Guinea	n.a.			n.a.				
Eritrea				n.a.				
Ethiopia								
Gabon			98	97	98	98		
Gambia								
Ghana								
Guinea								
Guinea-Bissau								
Kenya		97	97	97	97	98		
Lesotho								
Liberia	n.a.			n.a.				
Madagascar								
Malawi								
Mali				n.a.				
Mauritania								
Mauritius								
Mayotte								
Mozambique								
Namibia								
Niger	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Nigeria								
Rwanda								
S. Tome & Principe				n.a.				
Senegal					98			
Seychelles				n.a.				
Sierra Leone				n.a.				
Somalia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
South Africa							2002	
Sudan								
Swaziland								
Tanzania						98	Partial	
Togo					98	98	98	
Uganda		97	97	97		97	97	
Zaire								
Zambia								
Zimbabwe								

Mining: Strategy for Sub-Saharan Africa

Mining is one of the few sectors in which significant private foreign investment has been taking place in sub-Saharan Africa over the last decade.¹ However, progress has been modest compared with the potential, and although reforming countries have been attracting investments in exploration, follow-on investments in new mines have been rare. International mining companies have been cautious about making large commitments involving long lead times for capital recovery in countries with unproved or poor track records with foreign investors, while many governments have been concerned about being outnegotiated by mining companies that have vast experience in negotiating mineral agreements. However, merely putting new mines into operation will not be enough. Poor management of mineral revenues and corruption, coupled with negative environmental and social consequences, have often meant that the significant benefits expected from mining operations have not materialized. Finding ways to reduce the risks as perceived by both the investors and the governments, and to ensure that revenues and environmental and social impacts are managed wisely, are thus critical to making it possible for the considerable untapped mineral resources of sub-Saharan Africa to make a much greater contribution to the region's development.

Countries with mineral potential but no reform agenda. The countries with good mineral potential are indicated in the attached table to this annex. Although we intend to pursue a dialogue with the some 20 countries that have not yet taken steps to put in place a business environment conducive to private investment in mining exploration and development, we will give special emphasis to the 15 countries that are considered by international mining companies to show the most promise (namely, Angola, Central African Republic, Democratic Republic of Congo, Ethiopia, Eritrea, Kenya, Liberia, Madagascar, Mozambique, Niger, Nigeria, Senegal, Sierra Leone, Togo and Uganda). This will involve disseminating of information about success stories in other countries, and supporting the formulation of country-specific mining policy statements through PPFs and LILs, or by having specific mining components of economic reform/private sector development operations. Dialogue has been initiated in some of these countries (for example, Angola, Madagascar and Mozambique) but is in abeyance in others because of civil unrest (for example, Liberia and Sierra Leone).

Technical assistance through an IDA credit²—along the lines already taking place in Ghana and Zambia, for example, will be considered once a government is committed to an acceptable reform policy. The assistance will focus on legal, fiscal and institutional

¹ Minerals have always figured prominently in the development of sub-Saharan Africa. Minerals have long underpinned the economy of South Africa. Other examples include copper and cobalt in Zambia and Democratic Republic of Congo, diamonds in Angola and Botswana, gold in Ghana, iron ore in Mauritania, uranium in Niger and Namibia, bauxite and alumina in Guinea, and copper and nickel in Zimbabwe.

² In the case of IBRD countries (for example, Nigeria), a loan.

reforms, the provision of geological and other relevant data, and the strengthening of the negotiating capacity of governments. Small scale mining and environmental protection generally form part of the agenda. A community outreach program may also be necessary. In some cases the credit may also support the privatization of mining operations owned by the government. A two-stage approach—which recognizes that institutional reform often takes several years and involves many different arms of government, while new legislation can be developed and implemented over one or two years—has proved effective in both Zambia and Ghana, and thus may be the most appropriate approach in some of the countries.

Countries with mineral potential but with reform agenda. For the countries that have taken steps to put in place a business environment conducive to private investment in mining exploration and development, the challenge is to see exploration transformed into new mining projects. These countries include Burkina Faso, Côte d'Ivoire, Ghana, Guinea, Mali, Mauritania, Senegal, Tanzania, Uganda and Zambia.³ We will continue to support the reform agenda in these countries through technical assistance, as necessary. However, we may have to consider more direct ways to help to further reduce the perceived risks of both the government and the mining companies which the reform agenda itself cannot adequately address. Although, for example, the reformed legislative environment may be conducive to investment, the mining company may still have concerns since it is untested; these concerns relate mainly to the timeliness of the government's decisions and to the government's ability to follow through on commitments. In addition, the government may feel that its negotiating skills still do not match those of the international mining companies, and that community reactions remain uncertain.

The participation of the WBG in the financing of the project could be considered. This could come through IFC equity or loans or a MIGA/IFC guarantee. IDA could participate through providing credit for supporting infrastructure where justified; it would be difficult to justify an IDA guarantee for a mining venture. A precondition for any World Bank involvement would be that the private investor is the majority owner and operator of the project, and that both the mining company and the government consider that WBG participation would reduce their respective risks and would be an essential condition for the project to be carried out.

Alternatively, the WBG could play a catalytic role by helping to set up the process to put a specific potential project on the "fast track" and provide financing for expert

³ Comprehensive initiatives are under way in Burkina Faso, Ghana, Guinea, Mali, Tanzania and Zambia. A comprehensive set of reforms is also under preparation for Burkina Faso, while more limited initiatives (focusing on policy/legal framework) are under way for Angola, Côte d'Ivoire, Mauritania and Mozambique. It is expected that more comprehensive follow-up operations will be required for the latter three once the initial interventions have been completed. We have no dialogue under way in the mining sector in South Africa, Zimbabwe, Namibia, Botswana or Swaziland, which are countries that already have active private sector participation in mining and exploration, and thus our involvement would have questionable added value.

SUB-SAHARAN AFRICA : COUNTRIES WITH PROMISING MINERAL POTENTIAL

	Under Reform Agenda *	Without Reform Agenda	No Dialogue
A. Private sector active in mining and exploration	Ghana Mali Guinea		South Africa Zimbabwe Namibia Botswana Swaziland
B. Private sector active in exploration	Burkina Faso Côte d'Ivoire Mauritania Senegal Tanzania Uganda Zambia	Madagascar Mozambique Niger	
C. Private sector interested but not yet active		Ethiopia Eritrea Kenya Nigeria Togo	
D. Countries with promising potential where security, civil unrest present considerable difficulties		Angola CAR Congo (D.R.) Liberia Sierra Leone	
E. Other countries	Cameroon Congo		Burundi Chad Gabon Guinea Bissau Malawi Somalia Sudan

*Ongoing TA Loan/Credit except Uganda (donor support).

Oil and Gas: Strategy for Sub-Saharan Africa

Nigeria and Angola dominate proved *oil reserves* in sub-Saharan Africa of 31 billion barrels (see table to this annex), just over 3 percent of world reserves. Smaller but still important players are Gabon, Congo, Cameroon and Democratic Republic of Congo. A number of other countries (Chad, Côte d'Ivoire, Equatorial Guinea and Namibia) are likely to increase their output or become first time producers within the next few years. The upstream industry, which is dominated by international majors, is fairly efficient. However, the governments of older producers have managed their oil revenues poorly, and this, when combined with inadequate health, safety and environmental measures, has led to a negative overall impact of oil production on their economies. There is an urgent need to reverse this situation and to ensure that countries, especially those that have only recently become oil producers, have the capacity to properly manage their oil resources so that their impact is positive.

The management of *gas resources* is also wanting. Less than 1 percent of the gas production in sub-Saharan Africa is marketed or used in field operations, the balance being flared; this not only wastes a valuable resource but is detrimental to the environment. The largest gas reserves are found in Nigeria, with other significant accumulations being the associated gas in Angola, the Kudu field offshore Namibia and the Pande field in Mozambique. Additionally, there are smaller gas reserves associated with oil in various parts of sub-Saharan Africa that could be developed for local consumption—principally power generation—such as the Panthere gas field in Côte d'Ivoire, Songa Songa in Tanzania and Kudu in Namibia. Unfortunately, the institutional, regulatory and incentive frameworks in most countries have not been conducive to gas production by the private sector, either for local use or for monetization through downstream diversification into petrochemical or other exportable products. An approach to gas development that combines incentives to produce gas with disincentives for flaring will lead producers and host governments to better develop and utilize gas reserves.

While the upstream industry runs fairly efficiently, inefficiencies are rife in the *downstream petroleum products industry*, where a high degree of government involvement and regulation is prevalent.¹ It has been estimated that a potential annual savings of about US\$1.5 billion could be realized if inefficiencies were addressed in refining, procurement and distribution (mainly rundown transportation infrastructure). Apart from those in South Africa, Nigeria, Kenya and Côte d'Ivoire, refineries in sub-Saharan Africa tend to be small, inefficient and poorly designed, producing an excess of low value products that do not match demand. On economic and environmental grounds, these refineries would be better shut down and converted to products depots. South

¹ The downstream oil industry in sub-Saharan Africa comprises about 24 refineries in 17 countries, an active lubricant industry, and marketing and distribution facilities in all countries. The major refining centers are South Africa (5 refineries), which also has synfuels production, and Nigeria (4 refineries).

Africa and Nigeria could adequately provide enough products for most of Africa south of the Sahara, although this would require much better management of the Nigerian refineries--preferably through privatization or management by competent international oil companies--and some minor upgrading.

Development of oil and gas resources. Private sector interest in exploration is mostly concentrated in the Gulf of Guinea and a few other basins on the West Coast. Within the context of our private sector dialogue, particularly relating to the mining sector, we should encourage countries to put in place regulatory and incentive packages to attract foreign capital to the less explored basins, where this is warranted. We should also be prepared to give advice to those governments that are in the early stages of developing oil reserves (Chad, Côte d'Ivoire, Equatorial Guinea and Namibia), particularly on matters relating to alternative contractual arrangements and government ownership. Although it would not be appropriate for us to be involved in the negotiations relating to the development of a particular field, we could provide technical assistance to help develop the negotiating capacity of governments and/or for vetting agreements against good practices where appropriate (see mining).

It is in promoting the utilization of natural gas resources, however, that we can perhaps play a more significant role. The Bank's Africa Gas Initiative (AGI) was launched in 1994 to facilitate the development of indigenous gas resources for local markets. The AGI has begun extensive work in Angola, Cameroon, Congo, Côte d'Ivoire, Equatorial Guinea and Gabon to create a proper enabling environment so that gas projects can be properly developed primarily by the private sector. Gas projects currently being pursued include the development of LPGs for domestic use and the use of gas for power generation. The financial involvement of IFC (equity and loans) and MIGA (guarantees) in some of these projects can be expected. While small scale projects are being emphasized, the WBG will also look, together with governments that have significant gas reserves (particularly Angola, Cameroon, Gabon and Nigeria) for ways to encourage foreign companies to utilize gas for downstream manufacture (methanol, fertilizers, etc.) for both the local markets and export, although the prospects for this are not bright because of the risks involved.² We are also looking into the feasibility of constructing gas grids that will take natural gas from gas-rich countries to major centers throughout the region for power generation. The proposed extension of Nigeria's Escravos-Lagos pipeline to supply gas for power generation in Benin, Ghana and Togo is an example. With guarantees from MIGA and with IFC participation and loan syndication, private oil and gas companies could also be encouraged to look at the feasibility of aggregating the gas production from countries that are close to each other for world scale gas projects or for export as LNG. Underpinning these efforts, however, will be our assistance to governments to put in place a regulatory and incentive framework conducive to gas production and utilization; the returns are generally much

² Western multinationals have shown some reluctance to get into these businesses in Africa. Chemical companies from the Asia-Pacific region and from South Africa could be alternative investors in this market.

lower than for oil, and thus an approach which combines incentives to produce gas with disincentives for flaring will lead producers and host governments to better develop and utilize gas resources.

Downstream rationalization. The WBG will encourage governments to close down refineries that cannot be made competitive. This would include most, if not all, refineries outside of South Africa and Nigeria. The refineries that could be made viable should be privatized and upgraded where necessary, and should be run to serve the entire region. IFC could play a financing role in the upgrading, with MIGA providing any necessary guarantees for foreign investors. We will need to facilitate the necessary interregional cooperation for this to occur.

We will also provide assistance to governments in lowering supply corridor and product distribution costs. We have already begun an initial screening study on preferred transport options, and the results will need to be verified at the country level. Where changes in the modes of oil transport are warranted, then these will be brought to the attention of the affected governments and a plan of action will be articulated.

Capacity building and commercialization. The Bank should offer technical assistance to help build up the capacity of countries with significant oil and gas resources to ensure that they are properly managed. This support could cover legal, fiscal and institutional reforms necessary to regulate and monitor the industry, and could include advice on the contractual arrangements necessary to ensure the appropriate returns and comfort level for both the investor and the government. Through our macroeconomics dialogue, we would explore means to ensure that fiscal and budgetary management capacity exists to utilize the revenues from oil and gas operations wisely. We could also advise, on a case-by-case basis, the best path to commercializing the upstream and downstream petroleum businesses still run or controlled by government, with the ultimate aim of privatizing them.

**SUB-SAHARAN AFRICA:
COUNTRIES WITH PROMISING OIL AND GAS POTENTIAL**

Oil Reserves (million barrels)		Gas Reserves	Refineries Rationalization
Nigeria	10,800	<u>AGI Launched</u>	<u>Regional</u>
Angola	5,412	Angola	South Africa
Gabon	1,340	Cameroon	Nigeria
Congo	830	Congo	
Cameroon	400	Côte d'Ivoire	<u>Marginal</u>
Zaire	187	Equatorial Guinea	Côte d'Ivoire
Côte d'Ivoire	50	Gabon	Kenya
Equatorial Guinea	12		
Benin	27	<u>Large scale potential</u>	<u>Non-competitive</u>
Chad *	1,000	Angola	Angola
Sudan *	1,400	Cameroon	Cameroon
South Africa *	40	Gabon	Congo
		Nigeria	Eritrea
			Gabon
		<u>Other small/medium</u>	Ghana
		<u>Scale potential</u>	Madagascar
		Tanzania	Mauritania
		(Songo Songo)	Senegal
			Sudan
			Tanzania
			Zaire
			Zambia

*Not in production.

Resource Flows to Africa September 1997

There are two main concepts of resource movements often used -- net resource *flows* and net resource *transfers*.

Net resource flows include long term debt (excluding IMF flows), foreign direct investment (FDI), portfolio flows, and grants (excluding technical assistance). Net resource flows are estimated as disbursements minus repayments on principal capital borrowed. Net *private* resource flows are simply the private component of these flows and include FDI, portfolio flows, private non-guaranteed flows, and flows from private creditors.

Net resource transfers are the net flows minus the interest on long term debt and profit remittances.

Both net resource flows and transfers to Sub Sahara Africa have been increasing since 1993. Net resource flows and transfers did decrease somewhat between 1989 to 1993, but since then have reflected an Africa on the move.

In 1996, net resource flows reached \$26.1 billion and net transfers were \$17.6 billion. FDI was \$2.6 billion, while portfolio equity flows amounted to \$3.6 billion. The private flows were bolstered by sharp increases in portfolio equity flows and foreign direct investment since 1992.

Total World Bank resource flows to Sub Saharan Africa also continue to increase. Although IBRD flows are now negative because of lower IBRD lending, the combined IBRD and IDA net flows increased to \$1.72 billion in 1996, up from \$1.49 billion in 1995.

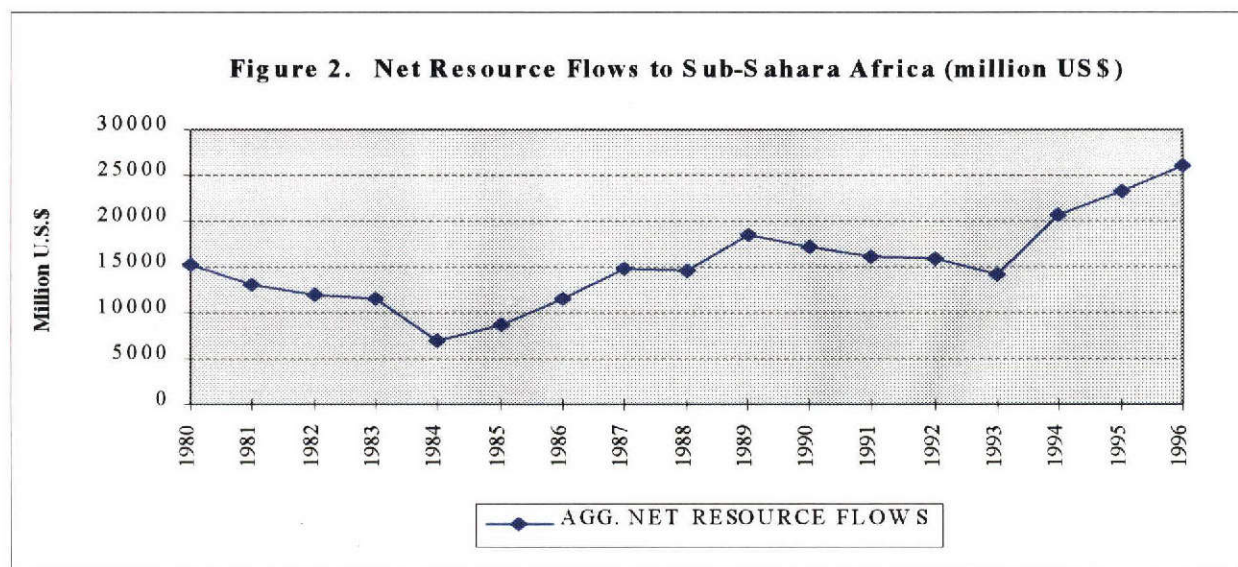
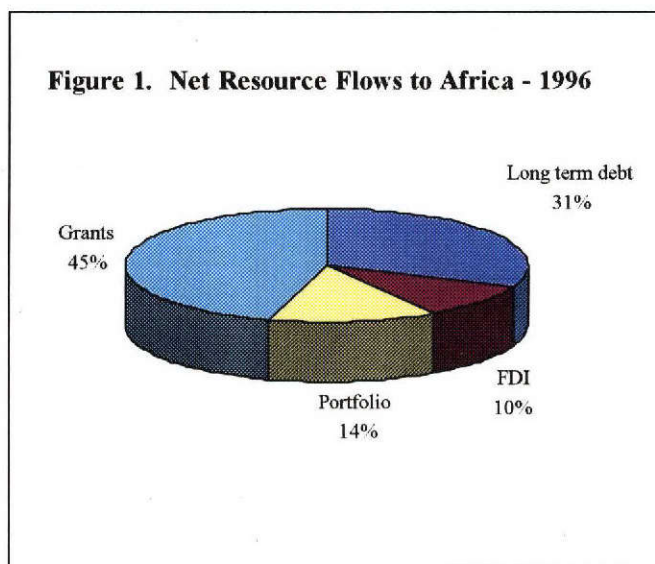
While these trends are positive, you will no doubt agree with me that substantially higher levels of private and public investment are needed. With 45% of Africa's populations living on less than \$1 a day and population growth at nearly 3 percent per annum, Africa needs to raise economic growth from its current annual average of 5 percent to rates of 8-10 percent in order to significantly reduce poverty.

Net Resource Flows

Net resource flows¹ to Sub Saharan Africa in 1996 were \$26.1 billion. They were broken down as follows (Figure 1)²:

Long Term Debt:	\$ 8.1 billion
FDI:	\$ 2.6 billion
Portfolio:	\$ 3.6 billion
Grants:	\$11.8 billion
Total:	\$26.1 billion

In 1970, net resource flows to Sub Sahara Africa were only \$1.7 billion. By 1980, net resource flows had increased to \$15.2 billion, reflecting large increases in both long term debt and grants. Throughout the 1980s, neither foreign direct investment, nor portfolio equity flows played a significant role in the aggregate resource flow picture. Since 1992, however, this started to change and the contribution of these private resource flows boosted overall net resource flows considerably (Figure 2).



¹ Please note that World Bank data collection on resource flows is sometimes different from other organizations such as the OECD.

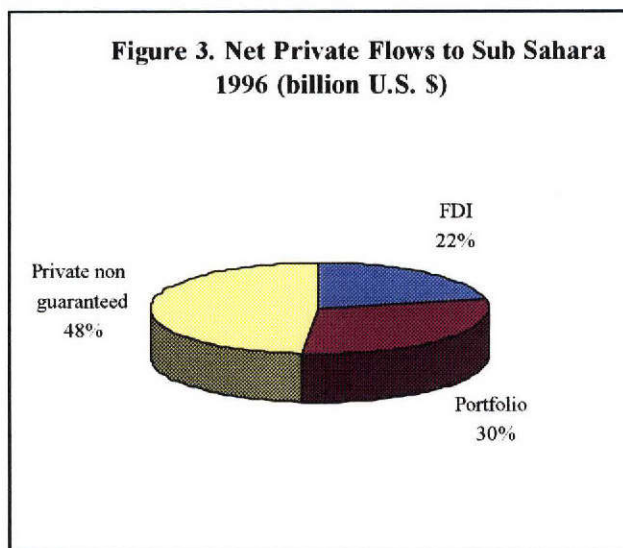
² All data were provided by the World Bank's International Economics Department, and are available in the World Bank publication Global Development Finance.

Net Private Flows

In 1996, net private flows to Sub Sahara Africa were \$11.8 billion -- 48 percent of these flows were from private non-guaranteed sources, 30 percent were from portfolio equity flows, and 22 percent were from foreign direct investment (Figure 3)³. There was a negative

flow to private commercial creditors of \$0.2 billion.

The breakdown of net private flows in 1996 is as follows:



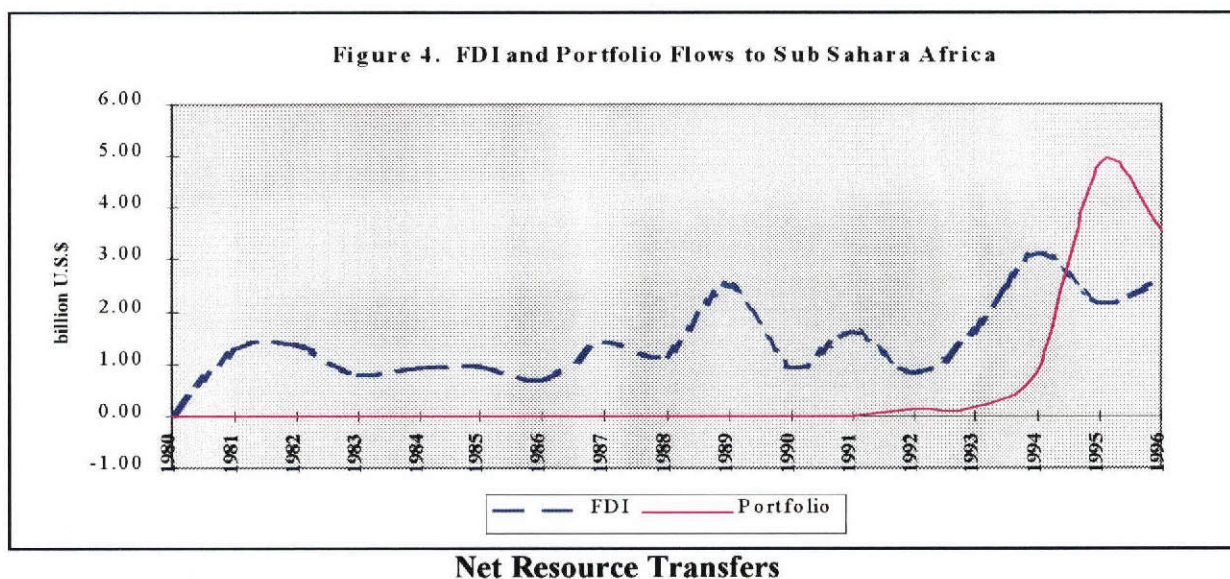
	Billion of \$U.S.
FDI:	\$ 2.6
Portfolio:	\$ 3.6
Private non guaranteed:	\$ 5.8
Private creditors:	\$ -0.2
Total:	\$11.8

It should be noted that \$5.6 billion of the \$5.8 billion in commercial bank lending was to South Africa, and 89 percent of portfolio flows went to South Africa.

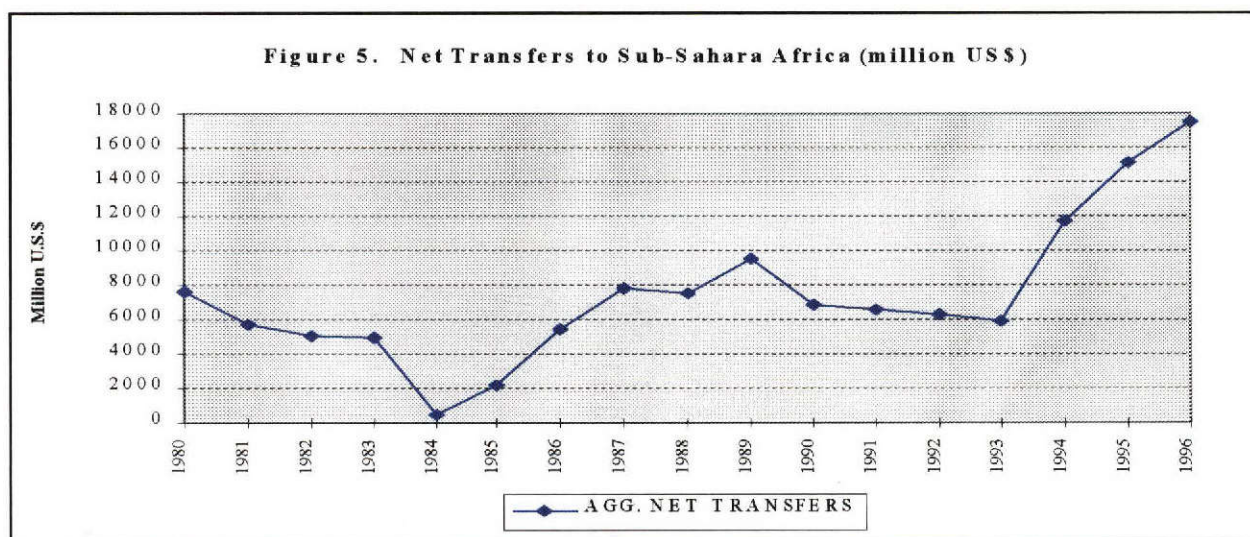
South Africa also accounted for 91 percent of commercial bank lending in 1995, and has accounted for over 90 percent of portfolio flows to Africa in most years since 1992.

Portfolio equity flows to Sub Sahara Africa were recorded in 1992 at just \$0.14 billion. But these flows then quickly grew to \$4.9 billion in 1995, before they slowed down to \$3.6 billion in 1996. Foreign direct investment also increased since 1992. However, after hitting a high of \$3.11 billion in 1994, FDI showed a decrease to \$2.16 in 1995. FDI recovered to \$2.6 billion in 1996 (Figure 4).

³ All data were provided by the World Bank's International Economics Department, and are available in the World Bank publication Global Development Finance.

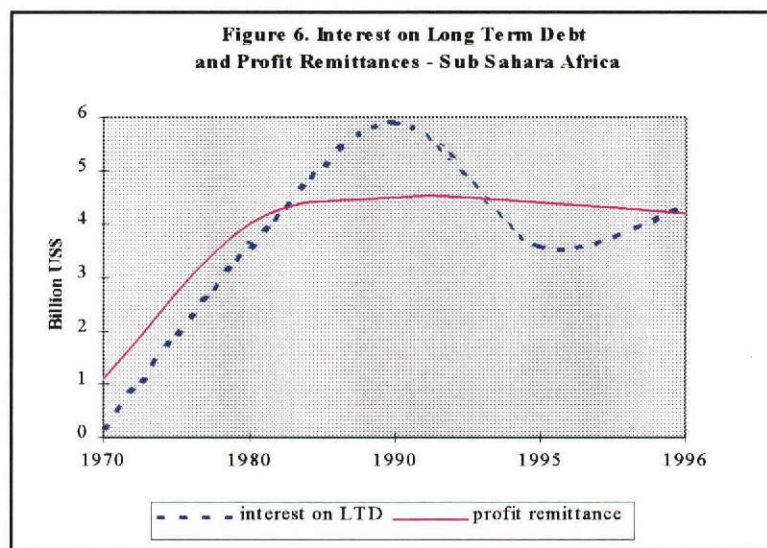


Like resource flows, net resource transfers have been increasing since 1992 (Figure 5)⁴. Net resource transfers to Sub Saharan Africa in 1996 were \$17.6 billion, reflecting net resource flows minus interest paid on long term debt (\$4.3 billion) and profit remittances (\$4.2 billion). Combined, these accounted for 33 percent of the total resource flows to Sub Saharan Africa.



⁴ All data were provided by the World Bank's International Economics Department, and are available in the World Bank publication Global Development Finance.

Profit remittances from Africa have remained fairly stable over the past two decades. Profit remittances were \$4.0 billion in 1980; \$4.5 billion in 1990; and \$4.2 billion in 1996. Interest on long term debt peaked in 1990 at \$5.92 billion, but dipped to \$3.60 billion in 1993 before rising to \$4.3 billion in 1996 (Figure 6).



IBRD and IDA Net Flows to Sub Sahara Africa

While repayments of past IBRD loans have begun, new disbursements from IBRD have fallen. Therefore, net IBRD flows to Africa have been negative since 1991 (Figure 7).⁵ In 1996, there was \$721 million more paid to the IBRD by African countries than was disbursed.

However, IDA disbursements and net IDA flows continue to increase (Figure 8). In 1996, IDA disbursed more than \$2.5 billion, and had net flows to Sub Saharan Africa of \$2.45 billion. Combined, IDA and IBRD represented a net positive resource flow of \$1.72 billion in 1996, compared to \$1.49 billion in 1995.

⁵ All data were provided by the World Bank's International Economics Department, and are available in the World Bank publication Global Development Finance.

Figure 7. IBRD Flows to Sub Sahara Africa

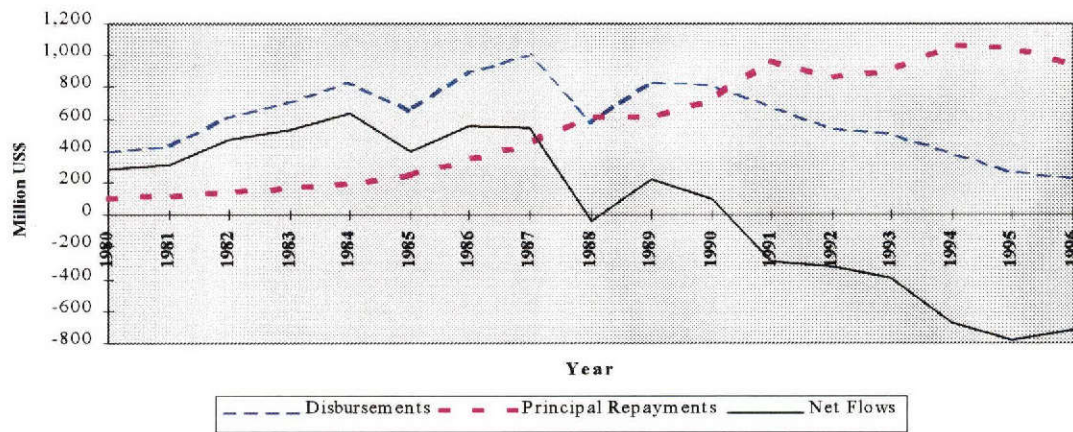
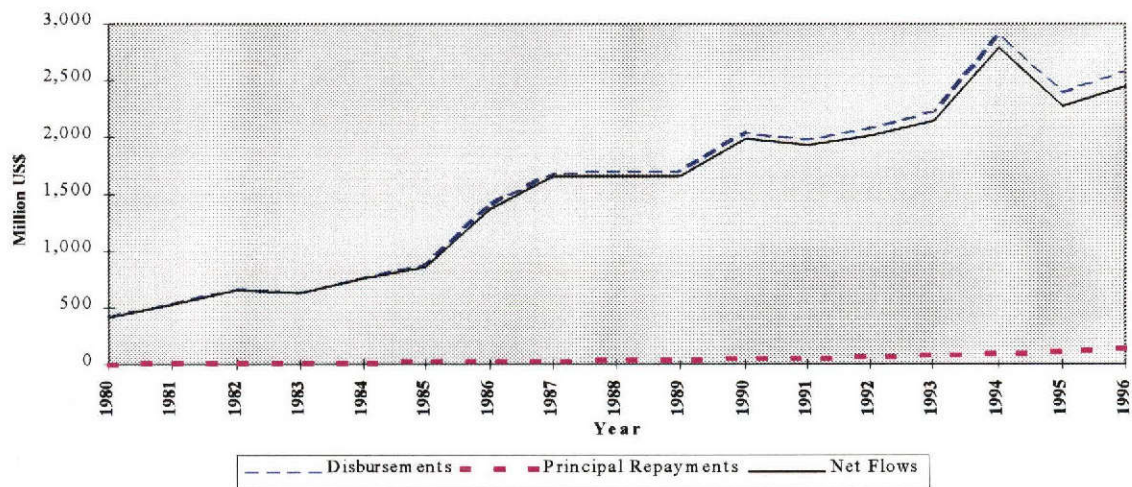


Figure 8. IDA Flows to Sub Sahara Africa



E. COMMENTS:

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03/25/98

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