



# AFRICA GROUP I CONSTITUENCY

## Annual Report

### IBRD, IDA, IFC and MIGA

September 2011

Botswana

Burundi

Eritrea

Ethiopia

The Gambia

Kenya

Lesotho

Liberia

Malawi

Mozambique

Namibia

Rwanda

Seychelles

Sierra Leone

Sudan

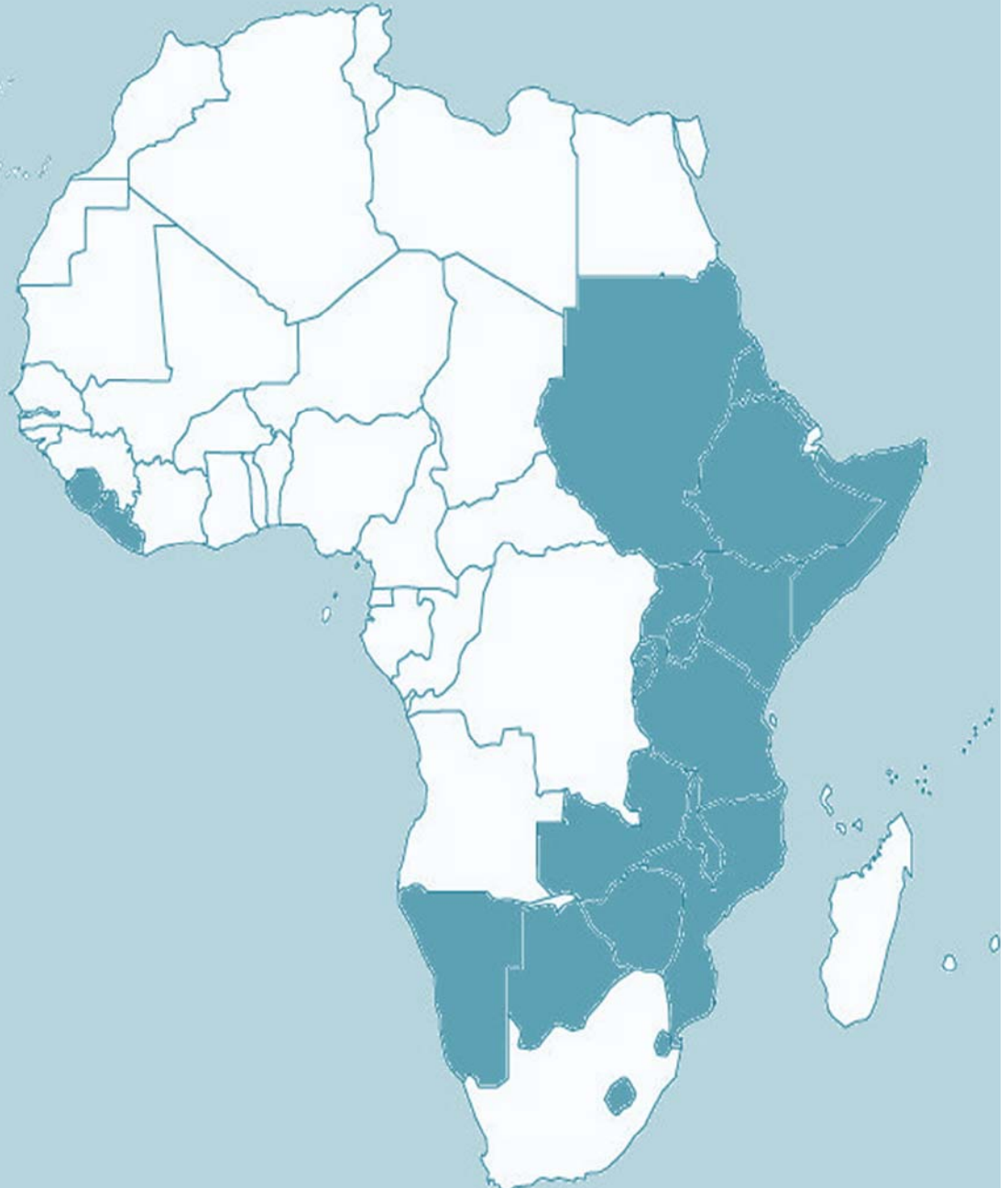
Swaziland

Tanzania

Uganda

Zambia

Zimbabwe



**Hassan Taha**  
Executive Director



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**Acknowledgement: Information and data used in this report are sourced primarily from the databank of the World Bank Group (WBG).**

## ACRONYMS

FY	Financial Year or Fiscal Year. It runs from July to June.
MENA	Middle East and North Africa
SSA	Sub Saharan Africa
MDGs	Millennium Development Goals
PCD	Post Crisis Directions
IDA	International Development Association
FDI	Foreign Direct Investment
WB	World Bank
WDR	World Development Report
WBG	World Bank Group
GDP	Gross Domestic Product
ECA	Europe and Central Asia region
LAC	Latin American and Caribbean region
SA	South Asia region
CAADP	The Comprehensive Africa Agriculture Development Program
AU	African Union
RECs	Regional Economic Communities
IFC	International Finance Corporation
LICs	Low Income Countries
MICs	Middle Income Countries
HICs	High Income Countries
SIP	Small Investment Program
CASs	Country Assistance Strategies
AAA	Analytic & Advisory Activities
FCC	Fragile and Conflict-affected Countries
SDR	Special Drawing Rights
ALAC	Latin American and Caribbean Fund
IS	Investment Services
AS	Advisory Services
AMC	Asset Management Company
SSN	Social Safety Network
CPS	Country Partnership Strategy
PER	Public Expenditure Review
MDRI	Multi-donor Debt Reduction Initiative
HIPC	Highly Indebted and Poor Countries
ISN	Interim Strategy Note
PPPs	Public-private Partnerships

## Foreword by the Executive Director

I am pleased to present the FY11 Annual Report of Africa Group 1 Constituency of the World Bank Group.

During FY11, the world witnessed some major events that have affected the African region. Political events in the Middle East and North Africa (MENA) region, rising commodity prices, especially oil and food, youth unemployment and sovereign debt problems in Europe have all affected Africa. Although the region is poised to perform well in the short term, these events along with structural rigidities and inadequate infrastructural investment, particularly in energy are likely to pose serious challenges to the region in the medium term.

The year also witnessed a further consolidation of the post-crisis economic recovery from the recent financial meltdown. Emerging economies and most developing countries set the pace of economic recovery while some developed economies lagged behind, with renewed fears of a double dip recession occurring against a background of unsustainable fiscal positions. The discussion of the post-crisis situation during the last Spring Meetings in Washington DC also highlighted real concerns arising from financial problems of some European countries, notably Greece, Portugal and Spain.

In FY11, the Sub-Saharan Africa region (SSA) had an unprecedented opportunity for transformation and sustained growth. Until the outset of the global economic crisis, economic growth had averaged 5 percent a year for a decade. Although growth declined as a consequence of the global financial crisis, it rebounded in FY10, thanks to prudent macroeconomic policies and financial support from multilateral agencies. Progress on the Millennium Development Goals (MDGs) has been encouraging and several countries are now likely to reach most of the goals, if not by 2015 then soon thereafter. Africa's private sector is increasingly attracting investment, and the climate for market-oriented, pro-poor reforms is proving robust.

During the year under review, the World Bank launched the New Strategy for Africa 2011-2016. The long-term challenges and emerging issues identified in the strategy are consistent with the World Bank Post-Crisis Directions (PCD) and the International Development Association (IDA) policy framework. In particular, they pick up on the Post-Crisis Directions' strategic thrust on creating opportunities for growth. The Post-Crisis Directions' focus on the poor and vulnerable is also reflected in the Africa Strategy's pillar on vulnerability and resilience. IDA16, which was successfully replenished in December 2010 with resources amounting to US\$49.3 billion, also picked up this theme as Low Income Countries had fewer options to respond to shocks.

These encouraging developments notwithstanding, the African continent still faces a myriad of short and long-term challenges. These include low productivity, an undiversified production structure, low human capital, weak governance, unstable states, youth unemployment, soaring food and oil prices,

as well as the adverse effects of climate change. The need to invest in appropriate education and skills training as well as infrastructure, not least in energy to sustain the rapid economic growth can therefore hardly be overemphasized.

A handwritten signature in black ink, consisting of the letters 'H-A-' followed by a stylized flourish that loops back to the left and ends with a horizontal stroke.

Hassan A. Taha  
Executive Director





# Executive Directors

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**Mr. Hassan A. Taha**  
**Executive Director**  
**SUDAN**



**Mr. Denny H. Kalyalya**  
**Alternate Executive Director**  
**ZAMBIA**

# Senior Advisors and Advisors to the Executive Director

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**Wilson Banda**  
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# Administrative Staff

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# Executive Summary

## Global Economic Recovery

The recovery of the world economy, which began in FY10 and continued through the fiscal year ended June 2011, was buoyed by economic fortunes of middle and low-income countries. The uncertainties created by unsustainable debts, fiscal consolidation, and rising unemployment in the high-income countries of North America and Europe, tampered the pace of recovery. Overall, the world economy grew by 3.2 percent in FY11 compared to 3.8 percent the previous year. The expansion in domestic demand of middle and low-income countries was responsible for the growth momentum and accounted for more than 50 percent of the increase in global import volumes. However, this created further strains on the limited supply of primary commodities such as oil, metals and food. Consequently, prices of key commodities such as food and oil rose sharply during the year. Low-income countries grew by 6.3 percent in FY11, compared to 7.3 percent the year before. East Asia and the Pacific region (EAP) was the fastest growing region in the world with China posting GDP growth in excess of 9 percent per annum.

The SSA region grew at 5.1 percent while the MENA region grew dismally at 1.9 percent because of political turmoil, which disrupted regional output. Excluding South Africa, SSA grew by over 6.0 percent in FY11, making it one of the fastest growing regions in the world. The strong economic performance of the region made it attractive to investors. As a result, private capital flows to the region rose from US\$ 35.8 billion in FY09 to US\$ 41.1 billion in FY10. The mining sector received most of these resources, but also the energy, telecommunications and retail trade sectors.

There are however underlying risks despite the positive outlook for the SSA region. First, food prices increases, in particular of wheat, sorghum, maize and palm oil will push many people into dire poverty. In the horn of Africa, the situation has been compounded by drought, affecting food supplies and water levels for hydro-power generation. Second, the oil price increases will affect oil-producing countries and non-oil countries of the region differently. For oil-producing countries, unless authorities put in place appropriate corrective policies, the windfall gains from high prices will cause an undesirable appreciation of the exchange rate with adverse effects on other exports and the overall balance of payments situation i.e. the Dutch Disease phenomenon. Oil importers will obviously suffer the effects of high import prices.

## World Bank Operations

The WBG continues to play an important role in the development of the African continent. Despite the decrease in IBRD and IDA commitments from US\$58.6 billion in FY10 to US\$43.0 billion in the FY 11, this amount remains high compared to pre-crisis levels. The Bank's assistance has focused mainly on crisis response, gender, climate change and conflict affected regions. In FY11, IBRD's new commitments to the region amounted to US\$26.7 billion compared to US\$44.2 in FY10. Looking ahead, the IBRD portfolio in the region is likely to grow as several IDA countries reach the threshold and become "blend" countries. These include Ghana, Nigeria, Kenya, Senegal and Zambia. Others such as Rwanda and Tanzania may also borrow from IBRD for enclave projects.

IDA operations in low-income countries continued to expand in the post crisis period. Commitments for development credits and grants in FY11 rose by over 12 percent compared to the previous year to reach US\$16.3 billion. The SSA region accounted for over 82 percent of total commitments in FY11.

IFC made commitments amounting to US\$12.6 billion globally in FY11. Commitments to SSA amounted to US\$2.2 billion, which was 1.0 percent down on FY10. In FY11, more than 50.0 percent of the projects supported by IFC were in the financial sector, but there is growing demand for resources in sectors such as telecommunications, infrastructure, health and education. Despite the slow growth of the activities, IFC has maintained its strategic priority of decentralization to better serve its clients and improve its development impact. In pursuance of this objective, approximately 60.0 percent of staff is based in field offices.

MIGA has continued to facilitate foreign direct investment (FDI) into low-income countries by tailoring its guarantee products to the unique needs of each project and sponsor. During FY11, MIGA issued 50 new guarantee contracts supporting 38 projects in 31 countries. As a result, MIGA's new business grew by 43 percent to US\$ 2.1 billion in FY11 compared to the previous year. About 51.0 percent of new guarantees were on account of projects in the ECA region while Africa's share of new business declined from 23.0 percent in FY10 to 12.0 percent in FY11.

Replenishment of the Sixteenth IDA (IDA16) was concluded in December 2010, with donors committing resources amounting to US\$49.3 billion or 18 percent above IDA 15. In February 2011, IDA's Board of Executive Directors adopted the IDA 16 Replenishment Report, which set out the financial and policy framework for the period July 1, 2010 to June 30, 2014. The Board of Governors voted and adopted the IDA 16 Resolution in April 2011. The overarching theme of IDA 16 Replenishment is "delivering development results", with crisis response, gender, climate change, and fragile and conflict affected countries as special themes.

## **Development Policy Issues**

Finally, the FY11 Annual Report highlights some key development issues including Gender Equality and Development, Jobs, and Global Food Prices. During FY 2011, the World Bank launched "A Three-Year Road Map for Gender Mainstreaming. This is a transition plan covering 2011 – 2013, and it seeks to strengthen implementation of the gender policy. The recent social and economic riots in part of the Middle East and North Africa, brought to fore, the problem of unemployment especially amongst youth. In response, the World Bank introduced several initiatives including Education for Employment in North Africa. In addition, Jobs is the subject for the forthcoming World Development Report 2013. The Education Strategy of the World Bank aims at supporting countries to prepare their labor force, provide better education for improved productivity, innovation and entrepreneurial skills. In our region, the rising global food prices affected many countries but more acutely, the Horn of Africa. The drought led to a famine in areas of Djibouti, Ethiopia, Eritrea, Kenya, Somalia and Uganda. In response to the food price crises in 2008, the World Bank designed policies and instruments. However, there is need for long-term solutions for the problem in this region, because it is recurrent.

On the African Caucus and Constituency Matters, the Report provides a summary of key issues raised during the 2011 Spring Meetings and the African Caucus Meeting held in Kinshasa, DRC in August 2011.

# Chapter 1

## Global Economic Developments and Prospects

### 1.1 Overview

The recovery of the world economy, which began in FY10, continued into FY11. However, the pace of recovery varied across regions. Most low-income countries had or were close to regaining full-capacity levels. On the other hand, the crisis-related problems continued to dog the high-income of North America and Europe, and some low-income countries of Europe. These countries continued to face problems in the banking sector, sovereign debt especially in some Euro area member countries, and fiscal consolidation. Table 1.1 depicts output growth in the world economy over the period 2009 to 2013.

**Table 1.1: Real GDP growth<sup>1</sup> FY09-13 (Percentage change from previous year)**

Region	FY09	FY10 <sup>e</sup>	FY11 <sup>f</sup>	FY12 <sup>f</sup>	FY13 <sup>f</sup>
World	-2.2	3.8	3.2	3.6	3.6
High Income countries	-3.4	2.7	2.2	2.7	2.6
Low-income countries	1.9	7.3	6.3	6.2	6.3

*Source: World Bank*

1. Aggregate GDP growth rates calculated using 2005 dollars GDP Weights.
2. “e” indicates estimates and “f” indicates forecast.

Overall, the global economy grew by 3.2 percent in FY11, a slight decline from the 3.8 percent achieved in FY10. The expansion in domestic demand in low-income countries was largely responsible for this growth. Though welcome the growth in domestic demand in low-income countries accentuated capacity constraints in some domestic markets and in the global commodities markets, leading to rising inflation rates and complications in macroeconomic management in some countries. The earthquake and tsunami in Japan, and the civil unrest in Egypt and Tunisia also negatively affected world industrial production. Elsewhere, activity picked up momentum for much of the year.

Rising demand in low-income countries was responsible for much of the increase in global import volumes. In turn, the high-income countries benefited most as their exports grew by 15 percent in the first quarter of FY11, albeit lower than the 20 percent growth rate in FY10.

Strong growth in low-income countries led to an increase in demand for various inputs, but also to sharp price rises of commodities, such as, food, oil and metals, during the second half of FY10. Crude oil prices began to rise towards the close of FY10 mainly because of strong demand from low-income countries, declining stocks and expectations of future supply constraints. The

disruptions in oil deliveries from the Middle East and North Africa (MENA) as political turmoil erupted exacerbated the situation.

The higher energy prices led to rising costs of agriculture inputs such as fertilizers, further compounding the supply shortfalls against the backdrop of rising demand for food, resulting in food price spikes in the second half of 2010. By April 2011, the prices of internationally traded food commodities were just below the peaks observed during the 2008 food crisis. However, the overall price of grains did not increase as much as in 2008 mainly because the international rice prices remained broadly stable. Rising costs of fuel, transportation and fertilizer costs and increased demand for bio fuels complicated developments in food prices. Prices of supply-constrained commodities, such as copper and tin rose to record levels of 460 percent and 590 percent, respectively, from the 2000-2003 levels. Conversely, despite strong growth in demand, prices of other metals, such as, aluminum did not rise as rapidly owing to ample supply.

## 1.2 High Income Countries

During the second half of FY11, recovery in the United States gained momentum and showed signs of becoming more self-sustaining. By year's end, the US economy had grown by 2.6 percent, albeit slower than the 2.8 percent achieved in FY10. There was however, a significant gain in manufacturing, services and investment, despite the unemployment rate standing at 9.2 percent in June FY11.

In Europe, sovereign debt problems, fiscal consolidation, and banking sector restructuring continued to constrain growth. Nevertheless, there was growth in France and Germany, with unemployment in Germany declining to well below crisis levels. Growth in the Euro area remained flat at about 1.7 percent in 2011.

The Japanese economy slowed down in FY11 to 0.1 percent, compared to the 4.0 percent registered the previous year. This had the effect of pulling down aggregate growth of high income countries as a group. However, the human and wealth losses arising from the earthquake and the consequent nuclear disaster are expected not to have long lasting effects. Projections indicate that the economy will rebound in FY11/12 to 2.6 percent growth, the average for the group. Table 1.2 depicts trends in economic growth in the high-income countries for the period 2009-2012.

**Table 1.2: Real GDP growth in High Income Countries FY09-13**  
(Percentage change from previous year)<sup>1</sup>

Region/Country	FY09	FY10 <sup>e</sup>	FY11 <sup>f</sup>	FY12 <sup>f</sup>	FY13 <sup>f</sup>
<b>All High-income countries</b>	<b>-3.4</b>	<b>2.7</b>	<b>2.2</b>	<b>2.7</b>	<b>2.6</b>
<b>OECD</b>	-3.5	2.6	2.1	2.6	2.5
<b>Euro Area</b>	-4.1	1.7	1.7	1.7	1.7
<b>Japan</b>	-6.3	4.0	0.1	2.6	2.0
<b>United States</b>	-2.6	2.8	2.6	2.9	2.7
<b>Non-OECD Countries</b>	-1.9	4.2	4.3	4.8	4.9

Source: World Bank

1. Aggregate GDP growth rates calculated using 2005 dollars GDP Weights.

2. "e" indicates estimates and "f" indicates forecast.



### 1.3 Low Income Countries

Economic growth in the low-income countries declined slightly to 6.3 percent in FY11, from the 7.3 percent achieved in FY10. That notwithstanding, these countries continued to be the main drivers of growth in the world economy. At 8.5 percent growth, the East Asia and Pacific region (EAP) continued to be the fastest growing region, with China growing at 9.3 percent. As table 1.3 shows, the EAP region was followed by the South Asia region (SA) which grew at 7.5 percent, the Sub-Saharan Africa region (SSA) at 5.1 percent, Europe and Central Asia region (ECA) at 4.7 percent, and the Latin American and Caribbean region (LAC) at 4.5 percent. The Middle East and North Africa region (MENA) region grew at only 1.9 percent, owing mainly to the political turmoil, which disrupted economic activity. It is projected that low income-regions will continue to grow in FY12, albeit at a slower pace in some cases.

**Table 1.3: Real GDP growth in High Income Countries FY09-13**  
(Percentage change from previous year)<sup>1</sup>

Region	FY09	FY10 <sup>e</sup>	FY11 <sup>f</sup>	FY12 <sup>f</sup>	FY13 <sup>f</sup>
<b>All Low-income Countries</b>	<b>1.9</b>	<b>7.3</b>	<b>6.3</b>	<b>6.2</b>	<b>6.3</b>
East Asia and Pacific	7.4	9.6	8.5	8.1	8.2
Europe and Central Asia	-6.4	5.2	4.7	4.4	4.6
Latin America and Caribbean	-2.1	6.0	4.5	4.1	4.0
Middle East and North Africa	2.8	3.1	1.9	3.5	4.0
South Asia	6.2	9.3	7.5	7.7	7.9
Sub-Saharan Africa	2.0	4.8	5.1	5.7	5.7

Source: World Bank

1. Aggregate GDP growth rates calculated using 2005 dollars GDP Weights.
2. "e" indicates estimates and "f" indicates forecast.

While the robust demand in the developing countries spurred growth in international trade, it also caused supply constraints in fuel energy, metal products, and other commodities especially food. This led to increases in prices of oil and food on the international market, and therefore, impacting domestic inflation adversely. In several countries, governments reacted by tightening monetary policies.

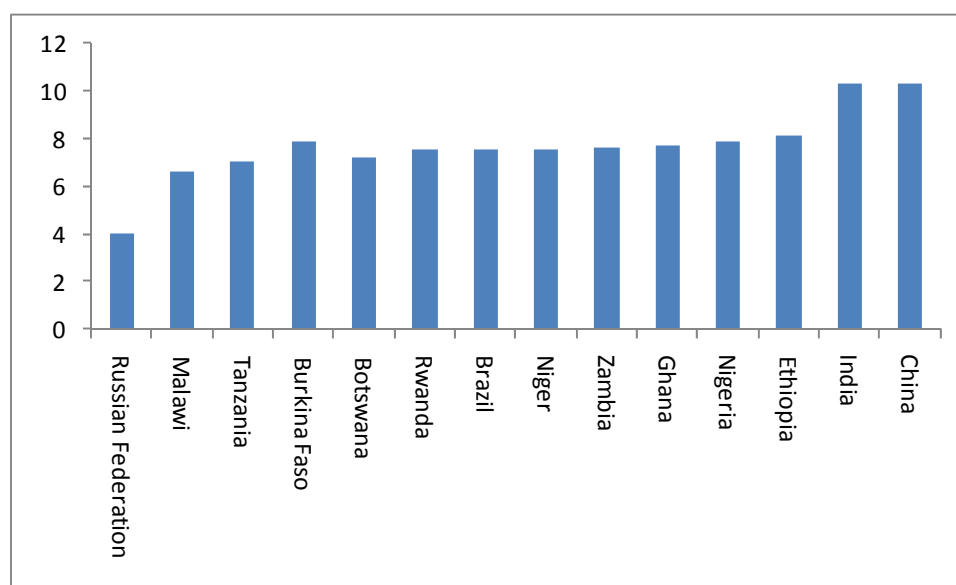
In many of the low-income countries, rising inflation posed challenges for authorities as the upper bands of central bank targets were breached. In some countries, annual inflation rates rose to double digits. In other countries, the pass through effects from high international food prices was moderated by good domestic harvests and a minimal reliance on imported food, especially wheat and corn whose prices rose faster than rice.

Capital flows to low-income countries have slowed down since October 2010. Equity placements fell by 35 percent, as there were no major Initial Public Offerings (IPOs) in the low-income countries. Further, international syndicated bank-loans remained subdued compared with pre-crisis levels despite modest rebounds in lending to Russia, Turkey, Nigeria and South Africa. In contrast, bond issuance by low-income countries was strong in early 2011 mainly because of favorable pricing conditions and high investor demand. Companies in China, emerging Europe and the LAC region dominated corporate borrowers' bond issuances. Portfolio equity flows into low income countries slowed down mainly because of the continued sovereign debt problems in high-income countries, rising inflation rates, political turmoil in MENA, and high commodity prices.

## 1.4 Sub-Saharan Africa

Economic growth in the Sub-Sahara African region (SSA) rebounded in 2010 to 4.8 percent, up from the 2 percent achieved in 2009, and just below the pre-crisis average growth rate of 5 percent. Excluding South Africa, the region's largest economy, SSA economies grew by 6.0 percent, making it one of the fastest growing low-income regions. In addition, (see Figure 1) economic performance in some SSA countries was comparable to that of other countries.

Figure 1.1: Real GDP growth rates for 2010 for selected countries (%)



Source: World Bank

In November 2010, SSA export revenues reached 93 percent of earlier peaks, representing annual growth of 7.5 percent, and a recovery from January 2009 when they fell to 51 percent of the pre-crisis level. However, it should be noted that export earnings rose owing to the price rises rather than volumes. The shift in terms of trade favored commodity exporters such as Angola, Congo and Gabon for oil; Zambia for copper; Liberia for rubber; and Burkina Faso, Benin and Mali for cotton. The non-oil exporters did not however gain as much, for the price rises were not sufficient to compensate for the effect of the oil price rises.

Besides developments in commodity prices, increased FDI, favorable harvests in agriculture and strong domestic demand spurred growth in SSA countries during 2010. The analysis of each of these factors follows in the subsequent paragraphs and Table 1.4 provides some performance indicators for SSA for the period 2009 to 2012.

**Table 1.4: Selected indicators for Sub-Saharan Africa FY09-12  
(Annual percentage change unless indicated otherwise)**

Indicator	FY09 <sup>e</sup>	FY10 <sup>f</sup>	FY11 <sup>f</sup>	FY12 <sup>f</sup>
GDP at market prices (constant US\$ 2005) All SSA	2.0	4.8	5.1	5.7
GDP at market prices (constant US\$ 2005) SSA excluding South Africa	4.2	6.0	5.9	6.6
GDP per capita, constant \$	0.0	2.8	3.0	3.7
Private consumption	1.3	3.9	5.1	5.3
Government consumption	4.3	6.9	5.5	5.3
Fixed investment	4.9	8.3	7.3	6.8
Exports, GNFS	-6.5	8.3	6.5	7.2
Imports, GNFS	-4.5	9.5	7.9	6.9
Net exports, contribution to growth	-0.5	-0.8	-0.8	-0.3
Current account balance/GDP (%)	-2.9	-0.9	-1.8	-2.2
Fiscal balance/GDP(%)	-5.5	-4.4	-3.3	-2.1

*Source: World Bank*

1. *Aggregate GDP growth rates calculated using 2005 dollars GDP Weights.*
2. *“e” indicates estimates and “f” indicates forecast.*

The rapid growth in the region made it attractive to investors, and with the recovery of the global economy, led to an increase in net private capital flows from US\$ 35.8 billion in 2009 to US\$ 41.1 billion in 2010. Most of these resources went the mining sector. Across the region, increased resources and stepped up activity in exploration have supported growth through new jobs, increased government revenue, and improved current account balances. Besides energy and minerals, telecommunications and retail trade sectors also continued to attract FDI. Increased FDI was spurred by the pace of urbanization; political stability; better regulatory regimes that lower barriers to entry; and for the telecommunications sector specifically, the arrival of the high speed undersea fiber optic broadband cables on the coast of Africa.

Domestic demand in SSA rose by 4.9 percent, boosting import growth by 9.1 percent. The robust consumer demand arose from higher farm incomes due to favorable harvests; increased mining activity; robust growth in the services sector; a relatively low inflation environment; and stable remittance inflows. In some economies, such as, in South Africa, there was improved access to consumer credit through low interest rates. The strong consumer demand led to new investments such as in banking and telecommunications industry; better paying jobs; increased productivity; and increased government revenue.

Overall growth in SSA remains strong. Almost all countries have seen significant improvements, presenting a picture of heterogeneity across the region. In 2010, the bulk of the countries registered solid growth rates of between 2 and 6 percent, with 30 percent of African countries registering real GDP growth rates of more than 6 percent. It is projected that growth in the region will remain strong in 2011 and 2012. The main factors, which will account for the strong growth, include the global economic recovery, a growing middle-income class, and rising business confidence in the

region's prospects. At 5 and 5.8 percent growth in 2011 and 2012, respectively, growth in SSA will be amongst the fastest growing developing regions.

The positive outlook will not be without risks. First, among these is the risk of high food prices. As of April 2011, global prices for maize, wheat, sorghum and palm oil were up by 103.2 percent, 74.1 percent, 94.6 percent and 38.4 percent, respectively, from April 2010 levels. However, food price increases were moderate in most of SSA due in part to the good harvests and the availability of alternate staples that are substitutes for the internationally traded foods. Food price increases have led to deteriorating current and fiscal balances for net food importers and higher levels of poverty and malnutrition amongst the populations affected. Such developments have led to civil unrest elsewhere, with negative implications for economic growth. In the Horn of Africa, the situation has been compounded by drought, affecting food supplies and water levels for hydro-power generation.

The second risk concerns oil price rises. If oil prices remain high, the current account balances of oil exporters in SSA would improve further. However, they would have to contend with macroeconomic challenges associated with the "Dutch Disease". Oil importers on the other hand would experience deteriorating fiscal and current account balances. The effect on the fiscal balance would come through the size of the government subsidies, while the current account would worsen because of bigger import bills. Another effect would be the depreciation of the exchange rate, and eventually inflation, and the pass through effects of imported inflation, which would feed, into domestic inflation. In turn, tight monetary policy pursued in response to rising inflation would limit credit expansion, thus constraining economic growth.

The third risk arises from forthcoming general elections in different countries in 2011. Developments prior to, during and after elections have the potential to disrupt or promote economic growth. In general, countries tend to pursue expansionary fiscal and monetary policies in order to implement popular policies and projects before elections. In some countries, elections have been followed by civil strife, with adverse repercussions on development.

## **1.5 Africa Group I Constituency Countries**

### **1.5.1 Introduction**

This section examines prospects and challenges for growth in agriculture, telecommunications and extractive industries in AFG1 constituency. Extractive and telecommunications industries were among the largest recipients of FDI in 2010. The agriculture sector is included because of the recent developments in the Horn of Africa, the huge untapped potential it holds, the millions it employs, and the concerns for food security.

### **1.5.2 Growth Performance among AFG1 Countries**

As Table 1.5 indicates, 75 percent of the economies in the Constituency grew at rates ranging from 4.6 – 8.1 percent, higher than the world average in 2010. Noteworthy in this regard is the fact that 14 countries grew at or above the average growth rate of SSA. There were also notable recoveries in Seychelles, Botswana, and Namibia.

The decline in FY09 in the three economies was mainly because of the declining world economy following the FY08 crises, and the subsequent decline in international demand for their respective exports: diamonds in Botswana; tourism in Seychelles; and diamonds and uranium in Namibia. In

In addition, the threat arising from piracy in the Indian Ocean affected the tourism industry in Seychelles. Emerging recovery in the world economy improved demand for their respective exports. In Seychelles, the tourist numbers rebounded, accompanied by a weaker Rupee, and attractive tourist packages, while in Namibia agriculture output grew because of good weather conditions. These developments underscore the challenges of relying on one or a limited range of export commodities for sustainable economic growth.

**Table 1.5: GDP growth rates of AFGI Countries, 2009-13 (percent)**

Country	FY09	FY10 <sup>e</sup>	FY11 <sup>f</sup>	FY12 <sup>f</sup>	FY13 <sup>f</sup>
Botswana	-4.9	7.2	6.5	5.9	6.7
Burundi	3.5	3.7	4.1	4.6	5.2
Eritrea	3.6	2.7	3.4	3.5	7.8
Ethiopia	8.8	8.1	7.7	7.2	0.0
Gambia, The	4.6	4.8	5.0	5.0	3.8
Kenya	2.6	5.6	4.8	5.0	4.5
Lesotho	0.9	2.4	3.1	4.0	3.5
Liberia	4.6	5.1	5.8	9.8	8.0
Malawi	7.6	6.6	6.1	5.7	6.0
Mozambique	6.3	6.6	7.6	7.7	5.8
Namibia	-0.8	4.6	4.0	4.8	7.8
Rwanda	4.1	7.5	7.0	6.8	7.0
Seychelles	-7.6	3.5	4.0	5.0	5.0
Sierra Leone	3.2	5.8	5.6	5.9	7.0
Sudan	4.5	5.5	5.3	5.8	7.7
Swaziland	1.2	2.0	0.5	1.5	4.6
Tanzania	6.0	7.0	6.5	6.9	2.0
Uganda	7.1	5.2	6.4	6.6	5.5
Zambia	6.4	7.6	6.8	6.7	6.0
Zimbabwe	6.0	9.0	7.3	5.7	5.2
Memo:					
World	-2.2	3.8	3.2	3.6	3.6
SSA	2.0	4.8	5.1	5.7	5.7

*Source: World Bank and IMF*

**Note**

1. Aggregate GDP growth rates calculated using 2005 dollars GDP Weights.
2. "e" indicates estimates and "f" indicates forecast.

Forecasts for FY11 and beyond indicate that growth in SSA will remain strong. The economies of Kenya, Ethiopia, Rwanda, Mozambique and Zambia are among the fastest growing in the region.

However, this will largely depend on continued global recovery. Other risks to growth might arise from developments in food and fuel prices, feeding into inflation and creating complications for macroeconomic management.

## **Kenya**

Growth in the other East African economies, a rising middle class, sizable population, on-going works at the Mombasa port, constitutional reforms, and a dynamic telecommunications sector will underpin strong economic growth projected in the medium term in Kenya. The economy is forecast to grow at 4.8 percent, 5.0 percent and 4.5 percent in FY11, FY12 and FY13, respectively.

## **Ethiopia**

The main driver for economic growth in Ethiopia will continue to be the agriculture sector, as the benefits from investments in preceding years materialize. Investments in the largest sector of the economy include roads, hydroelectric power, and market networks. Further, large-scale commercial agriculture ventures also continue to attract FDI. Ethiopia's economy is forecast to grow at 7.7 percent and 7.2 percent in FY11 and FY12, respectively.

## **Mozambique**

Mozambique's economic growth will remain buoyant, deriving from investments in the mining sector and the exports they generate. Foreign firms such as from South Africa and Ireland are already engaged in different mining projects and the recent discoveries of iron ore and gas will boost the activities in this sector. The forecasts for growth are 7.6 percent and 7.7 percent in FY11 and FY12 respectively, from 6.6 percent in FY10.

## **Rwanda**

In Rwanda, agriculture will continue to be the impetus to the projected medium term growth. Government support to farmers through fertilizers, improved seeds, and extension services; and the recovery of coffee prices on the world market will boost agricultural production in the country. In the medium term, increased private credit flows will support growth in the services sector, especially construction, insurance, telecommunications and finance. Further, closer integration in the East African Community (EAC) will lower costs of doing business, thereby support growth in Rwanda through increased trade and investment. The economy is projected to grow by 7 percent and 6.8 percent in 2011 and 2012, respectively.

## **Zambia**

In July 2011, the World Bank reclassified Zambia as a lower middle-income country. Zambia joins Lesotho and Sudan in the lower middle-income countries category; with per capita national income ranging from US\$1,006 to US\$3,975. Botswana, Namibia and Seychelles are in the upper echelon of the middle-income countries, whose per capita incomes range from US\$3,976 to US\$12,275.

The Zambian economy grew at 7.6 percent in FY10, up from 5.8 percent and 6.4 percent in 2008 and 2009, respectively. One of the main driving forces was the recovery of copper prices – the main export, especially since the mid 1990s owing to rising demand from China and India. Zambia reached the Highly Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative

(MDRI) completion points in 2005 and 2006, respectively. Since then, the authorities have turned the country round to several years of strong economic growth. The mining, construction, telecommunications and tourism sectors contributed to strong economic performance, which peaked at 7.6 percent in 2010 from an average 5.6 percent during the period 2001-2010. Further, in March 2011, S&P and Fitch rating agencies assigned Zambia a “B+” sovereign credit rate. The upgrade to lower middle-income status and the B+ rating will improve the investment climate, thereby attract more FDI, and increase job opportunities.

Poverty remains a serious concern to Zambia, with 59 percent of the population living below the poverty line and 37 percent living in extreme poverty. The challenges for the authorities include uplifting the livelihoods of the rural population who form the majority in Zambia, and making the economy more competitive and productive. In this context, implementation of reforms in various sectors including energy, agriculture, transport, and mining sectors is a priority. Assistance from the World Bank will be available for many of these reforms.

### **1.5.3 Extractive industry**

As has already been noted, commodity producers such as for oil and copper had their terms of trade improve owing to increased world prices. Further, the sector was one of the main recipients of FDI during 2010. In the recent past, there has been an increase in exploratory activity, with new discoveries and production coming on stream. New discoveries in the first quarter of 2011 include gold in Tanzania, iron ore in Liberia, and diamonds in Sierra Leone. Plans for commercial production are in advanced stages in the oil sectors in Ethiopia, Sierra Leone and Uganda, while new production of coal in Mozambique and copper in Zambia will come on stream in 2011.

In many countries, the new discoveries are leading to raised expectations amongst the population for improved quality of life, better infrastructure, and job prospects amongst other things. Further, national prosperity is expected to reduce donor dependence. However, there are concerns about proper macroeconomic management to avoid “Dutch disease”, ensure equitable benefits for the population, and transparency in the management of the revenues. Related to the latter, authorities are encouraged to adopt the Extractive Industries Transparency Initiative (EITI). As of March 2011, Liberia was compliant while Sierra Leone, Tanzania and Zambia had made significant progress toward producing the first EITI reports. Countries achieve “Compliance status” after a rigorous and independent assessment of their disclosure and revenue practices.

### **1.5.4 Agriculture**

Africa’s agriculture potential remains largely untapped and current production is characterized by low yields. Despite this, the agriculture sector is the largest employer and the main foreign exchange earner in many SSA countries. About 60 percent of the world’s uncultivated arable land is in Africa. Consequently, it has the greatest potential for poverty reduction, especially since about 75 percent of the poor live in rural areas. Besides the land and labor, the favorable climate boosts the region’s comparative advantage over others. Key considerations for successful development of the sector include mechanization, irrigation, higher yields varieties of seeds and animals, and increased investment and incentives. Supportive infrastructure such as for transport to ease marketing, and technical agriculture advice would also be useful.

The agriculture sector provided strong support to most of the economies in FY11. Good yields substituted for imported food thus moderating inflation rates, while higher incomes boosted

domestic demand. The good yields largely depend on good weather reflecting the vulnerability of the sector to the weather vagaries, and accentuating the need for yield enhancing methods of production.

The famine in the Horn of Africa, which has led to a humanitarian disaster covering parts of Somalia, Kenya, Uganda, Ethiopia and Eritrea during FY11, underscores the need for better methods of farming in the region. Suffice to note that drought led to intermittent famine in different regions of Africa in the last 50 years. The frequent episodes of famine point to the need for concerted international action. In this context, the African Union (AU) through the New Partnership for Africa's Development (NEPAD) set up The Comprehensive Africa Agriculture Development Program (CAADP) with the bold objective of eliminating hunger and reducing poverty through agriculture. CAADP's work falls under four pillars. These are land and water management; market access; food supply and hunger; and agricultural research.

CAADP focuses on policy and capacity issues in agriculture, through increased budgets for investment and productivity. Since Rwanda and Ethiopia signed on to the program and incorporated CAADP practices in their national plans in 2007 and 2009 respectively, they have realized increases in output and productivity. In Rwanda, the second Plan for the Strategic Transformation of Agriculture (PSTA2) was prepared with support from CAADP. In the plan, the government aligned its priorities to the CAADP Pillars, and incentivized producers to adopt new technology. In Ethiopia, the Agriculture Growth Program was prepared in conjunction with CAADP, focusing on vulnerable and drought-prone regions hitherto neglected.

In Sierra Leone, authorities made agriculture a national priority and enhanced support for the sector by supplying seeds, power tillers, fertilizers and pesticides. Consequently, farmers have increased output, with enough for domestic consumption and a surplus for export. By the time they signed on to CAADP in 2009, the authorities had raised budget shares allocated to agriculture beyond the program requirement. Malawi and Zambia recorded bumper harvests in 2010. In Malawi, a government supported farmer input program has transformed the country from aid dependency to self-sufficiency, and ultimately net exporter, over the last five years. Many of the Member countries of the Constituency have signed the Compacts – agreements signed by all key partners, and have drawn up Investment plans, while others have produced Stocktaking documents and Technical review reports.

Over the years, development partners have worked together closely with NEPAD, Regional Economic Communities (RECs), the African Union (AU), and African governments to support the processes and the development of the CAADP Pillars. The result of the collaborative efforts is the CAADP Multi-donor Trust Fund, hosted at the World Bank. The Trust Fund is a flexible yet systematic, efficient and reliable way to harmonize priorities; allow economies of scale; increase the efficiency and effectiveness of financial resources; target specific gaps in financing, capacity and technology; facilitate partnerships and coalition building among African institutions, partners and donors; and complement existing resources mobilized around CAADP Pillars and other thematic priorities.



### 1.5.5 Telecommunications

Sub-Saharan Africa is one of the fastest growing mobile phone markets in the world mainly because of the weak penetration of fixed-lines and the fast pace of urbanization. Estimates indicate that mobile cellular subscriptions increased by about 40 million during 2010. Despite this phenomenal growth, much of the population remains underserved, and presents potential for further growth.

The telecommunications sector is also one of the largest recipients of FDI. MTN of South Africa announced plans to increase investments in Africa, including US\$ 150 million in Zambia. Movitel – a cellular company from Vietnam, and the third largest mobile phone operator in Mozambique, announced plans to invest US\$ 120 million to build new base stations. These two companies will execute their plans by the end of 2011. In 2010, Bharti airtel of India paid US\$10.7 billion for Zain Africa operations, which included those in Kenya, Malawi, Seychelles, Sierra Leone, Tanzania, Uganda and Zambia. These countries remain on the “one network” previously operated by Zain, offering a seamless connection across 22 countries in Africa and Middle East, in some countries in cooperation with other national operators.

Innovations such as M-Pesa or mobile money, in Kenya have further revolutionized the use of mobile phones. Safaricom Limited launched the money transfer service in 2007, which rapidly developed into a tool for depositing and withdrawing money, paying bills and buying airtime. Mobile phone service providers elsewhere on the continent have adopted the model and tailored it to their markets. Implicitly, this has also revolutionized access to financial services beyond the urban areas to the rural areas since the virtual money on a mobile phone is similar to a bank account. In the rural areas, the innovations such as in battery powered charging techniques have led to increased use of the mobile phones.

Improved regulatory regimes and rising competition will spur more growth in the sector. In 2010, Liberia, Malawi and Mozambique granted operating licenses to new entrants. Regulators have instituted other improvements including lower net work charges. Heightened competition has led to declining charges, therefore lowering costs for users. The developments in the telecommunications sector have many benefits including provision of information such as prices for commodities; employment for operators; and business in operating phone booths, and selling the accessories and airtime cards. Further, phones substitute communication for travel to remote or difficult to reach areas due to poor roads.



# Chapter 2

## World Bank Group Operations In SSA Countries

### 2.1 Overview

The global economic recovery has continued to strengthen, despite significant disruptions and tensions in some parts of the world, such, as political turmoil in the Middle East, earthquake, the tsunami and nuclear disaster in Japan, rising commodity and fuel prices, and continued concerns about fiscal sustainability in Europe. Consequently, there has been an increase in fragility in some low-income regions. As a result, the cost of engagement and doing business by World Bank Group (WBG) in these countries has risen. In this chapter, World Bank Group Operations are discussed, particularly in relation to Sub-Saharan Africa.

With all these events taking place at the same time, expectations are for a double-dip recession particularly after a significant rise in oil prices. Against this background, the WBG had to assess demands on its work program and assistance in a financially constrained environment. Against this background, in FY11 the institution was forced to exercise selectivity and continually assess areas where it could have the greatest impact.

The good news for Sub-Saharan Africa (SSA) is that it weathered the global financial crisis and recession, and is returning to pre-crisis growth levels, with increasingly broad-based economic activities. The macroeconomic reforms coupled with increasing international trade orientation to emerging markets have helped attract FDI, particularly South-South investment flows both within and outside the region. Another piece of good news for Africa was the overwhelming response by donors to support the IDA 16 replenishment. IDA16 replenishment of US\$49.3 billion hit a historical high, and represented an 18 percent increase over IDA15. In parallel, both IFC and MIGA stepped up their support to the Bank and other financial institutions in leveraging their resources to match the rising demand of the borrowing countries. Yet, many challenges to sustained development remain due in part to external shock vulnerability; climate change adaptation; poor infrastructure; fragility and conflict; food insecurity; poor access to finance; and the slow pace of regional integration.

Unfortunately, these developments were recently overshadowed by the drought hitting the Horn of Africa. This crisis has affected millions of people in drought-stricken areas of Djibouti, Ethiopia, Eritrea, Kenya, Somalia and Uganda. The situation is deteriorating very fast and spreading to neighboring countries. The WBG has responded by pledging \$686 million of drought relief to cost \$89 million and last six months.

Despite the decrease in IBRD and IDA commitments from US\$58.6 billion in FY10 to US\$43 billion in FY11, the total commitments remain high in comparison with pre-crisis levels. Assistance was mainly focused on crisis response, gender, climate change, and conflict-affected situations as

special themes. The drought crisis has created an overwhelming demand for more crisis response financing for the continent going into FY12.

IBRD and IDA commitments by Region show that for SSA region they dropped significantly in FY 11 by US\$4.3 billion over FY10, while South Asia region received US\$10.1 billion. However, East Asia and Pacific region's commitments increased by US\$500 million more in FY11 (see Table 2.1).

**Table 2.1: IBRD and IDA Commitments by Region FY08-11 (US\$ billion)**

Region	FY08	FY09	FY10	FY11
Latin America and Caribbean	4.7	14	13.9	9.6
Europe and Central Asia	4.2	9.4	10.8	6.1
East Asia and Pacific	4.5	8.2	7.5	8.0
Sub-Saharan Africa	5.7	8.2	11.4	7.1
South Asia	4.2	5.4	11.3	10.1
Middle East and North Africa	1.5	1.7	3.7	2.1
<b>Total</b>	<b>24.8</b>	<b>46.9</b>	<b>58.6</b>	<b>43.0</b>

*Source: World Bank Database*

## 2.2 IBRD Lending Operations

During FY11, the new IBRD loan commitments (see Table 2.2) amounted to US\$26.7 billion (including guarantees of US\$400 million) compared to US\$44.2 billion in FY10 (including guarantees of US\$243 million). This represents a decrease of US\$17.5 billion in comparison with FY10. Since FY09, IBRD's commitments totaled US\$103.8 billion, reflecting its significant response to the recent global financial crisis. Although IBRD annual commitments have declined from the peak of US\$44.2 billion in FY10, they remain high and substantially above pre-FY08 levels. During the last four years, the Latin American and Caribbean (LAC) Region accounted for the largest share of the commitments, notably the Sub-Saharan Africa Region continuously experienced a decline in terms of commitments from IBRD. This trend is consistent with the previous years. The underlying explanation was that except for South Africa, all other IBRD's eligible countries like Botswana, Equatorial Guinea, Gabon, Mauritius, Namibia, Seychelles and Swaziland are small borrowers. The only exception that commitments were high in FY10 for SSA region was due to South Africa borrowing \$3.5 billion for Eskom Energy Project.

Looking ahead, several IDA countries, namely, Ghana, Nigeria, Kenya, Senegal, and Zambia are approaching the IDA threshold, and will most likely become "blend" countries soon. Others, such as Rwanda and Tanzania, may also borrow from IBRD using enclave project funding. Then Africa's IBRD commitments portfolio will grow substantially.

**Table 2.2: IBRD Commitments by Region FY08-11 (US\$ billion)**

Region	FY08	FY09	FY10	FY11
Latin America and Caribbean	4.4	13.8	13.9	9.1
Europe and Central Asia	3.7	9.0	10.2	5.5
East Asia and Pacific	2.7	6.9	5.9	6.4
Sub-Saharan Africa	0.0	0.4	4.3	0.1
South Asia	1.5	1.3	6.7	3.7
Middle East and North Africa	1.2	1.6	3.5	1.9
<b>Total</b>	<b>13.5</b>	<b>32.9</b>	<b>44.2</b>	<b>26.7</b>

Source: World Bank Database

## 2.3 IDA Lending Operations

At the end of the fiscal year in June 2011, there were 80 countries, which were eligible to borrow from IDA. Of these, 65 countries were classified as “IDA only” countries. The remaining 15 countries, commonly known as “blend” countries, were deemed to have limited IBRD creditworthiness and were therefore entitled to IBRD and IDA financing at the same time.

Progress among low-income countries in the post-financial crisis era is still weak and uneven, particularly among IDA countries. Consequently, the need for sustained development assistance remains high. This trend can be seen through IDA’s operations, which continued to expand in FY11, due to increased demand. IDA Commitments, which included development credits and grants in FY11, reached US\$16.3 billion, reflecting an increase of US\$1.8 billion or 12 percent, over FY10 (see Table 2.3). In terms of regional focus, South Asia region registered the most increase in commitments of US\$1.8 billion over the previous year. Although SSA region received the highest commitments of US\$7 billion in FY11, there was a US\$200 million less than in FY10 commitments.

Currently, there is greater demand for assistance with crisis response, gender, climate change, and conflict-affected situations as special themes. There is also greater urgency for the WBG to assist countries suffering from the drought with Crisis Response Funding. The United Nations estimated that 11.5 million people in parts of Djibouti, Ethiopia, Eritrea, Kenya and Somalia are severely affected by drought and famine and in need of assistance. Clearly, the WBG’s pledge of US\$686 million will be inadequate to support the needs of those people affected by drought.

**Table 2.3: IDA Commitments by Region (US\$ billion) FY08-FY11**

Region	FY08	FY09	FY10	FY11
Latin America and Caribbean	0.3	0.2	0.2	0.5
Europe and Central Asia	0.5	0.4	0.6	0.7
East Asia and Pacific	1.8	1.2	1.7	1.6
Sub-Saharan Africa	5.7	7.9	7.2	7.0
South Asia	2.8	4.1	4.6	6.4
Middle East and North Africa	0.3	0.2	0.2	0.1
<b>Total</b>	<b>11.2</b>	<b>14.0</b>	<b>14.5</b>	<b>16.3</b>

Source: World Bank Database

## 2.4 IFC

IFC continues to innovate and adapt to a rapidly changing external environment despite its capital constraints. Admittedly, the Corporation is going through significant shifts in its business model including an increased focus on mobilization, partnerships, and short-term finance. This involves, understandably, new initiatives and delivery platforms to meet its clients' needs. As anticipated, the proliferation of new initiatives and platforms are also adding to the complexity, demand on management, human resources and risk dimensions. The main challenge is that the Corporation needs to balance innovation with consolidation and its capacity to absorb change rapidly. Despite the different administrative setup, IFC's strategy is to work alongside the Bank in focusing on poverty reduction. Their strategic direction reflects a growing focus on poverty reduction through support for inclusive growth. Through their Road Map continuous efforts are being made towards making development impact a key driver of their strategy in focusing on inclusive business and successive contributions to IDA funding. They are also expanding the frontier concept as it applies to the Middle Income Countries (MICs) to target the vulnerable and the poor.

### **IFC Total Commitments, Disbursements and Approvals by Region**

IFC, the largest provider of multilateral financing for the private sector in low income countries, again provided a record amount of financing to businesses in these countries, helping the private sector create jobs, strengthen infrastructure, improve agricultural efficiency, and confront other development challenges. In FY11 IFC's Commitments, Disbursements and Approvals amounted to US\$12.2 billion, although lower by US\$478 million compared to FY10 (see Table 2.4). SSA experienced a decline of US\$278 million, while commitments ECA declined by US\$1,294 million and. However, commitments to the MENA region increased by US\$1.038 million. The total disbursements decreased by US\$87 million in comparison with FY10. The ASIA region benefited from an increase of US\$529 million more than FY10, while MENA region's disbursements were higher by US\$1,267 million in FY11 on account of civil unrest in the region. Disbursements in SSA declined by US\$235 million, while approvals also declined by US\$648 million over FY10.

**Table 2.4: IFC Commitments, Disbursements and Approvals by Region FY10-FY11**

<b>FY 2010</b>	<b>Commitments</b>		<b>Disbursements</b>		<b>Approvals</b>	
<b>Region</b>	<b>(US\$ m)</b>	<b>In % of total</b>	<b>(US\$ m)</b>	<b>In % of total</b>	<b>(US\$ m)</b>	<b>In % of total</b>
SSA	2,428	19	920	14	1,873	17
ASIA	2,608	21	1,404	21	1,891	17
ECA	2,970	23	1,851	27	2,884	26
LAC	3,006	24	1,532	22	2,143	19
MENA	1,572	12	621	9	1,420	13
World	80	1	465	7	896	8
<b>Total</b>	<b>12,664</b>	<b>100</b>	<b>6,793</b>	<b>100</b>	<b>11,107</b>	<b>100</b>
<b>FY 2011</b>						
<b>Region</b>	<b>(US\$ m)</b>	<b>%</b>	<b>(US\$ m)</b>	<b>%</b>	<b>(US\$ m)</b>	<b>%</b>
SSA	2,150	18	685	10	1,225	12
ASIA	2,668	22	1,933	29	2,555	25
ECA	1,676	14	806	12	1,008	10
LAC	3,031	25	936	14	1,783	17
MENA	2,610	21	1,888	28	2,180	21
World	50	0	457	7	1,547	15
<b>Total</b>	<b>12,186</b>	<b>100</b>	<b>6,706</b>	<b>100</b>	<b>10,298</b>	<b>100</b>

*Source: IFC Database*

### **Total Approvals by Sector**

Total approvals declined by US\$1.1 billion in FY11 (see Table 2.5). IFC concentrated mainly on the financial markets sector, where there was more scope to compliment its investment with Advisory and Investment services. This appears to be the common trend over the years. In comparison with FY10, there is now a greater effort by IFC to channel more of its investments in the infrastructure and global manufacturing sectors. Approved projects in the infrastructure sector were US\$232 million higher than in FY10. IFC recognizes that better infrastructure not only improves the quality of life for Africa's citizens but also improves competitiveness and business environments of the continent. It is therefore disappointing to note that very little progress was made in the Health and Education sectors given that the SSA region accounts for 11percent of the world's population, yet bears 24 percent of the global disease burden, and commands less than 1 percent of global health expenditure. It must be noted that investment in this sector declined by US\$226 million in FY11.

**Table 2.5: Total Approvals by Sector FY10- FY11**

	<b>FY11</b>	<b>% of</b>	<b>FY10</b>	<b>% of</b>
<b>Sector</b>	<b>(US\$ mn)</b>	<b>Total</b>	<b>(US\$ mn)</b>	<b>Total</b>
<b>Financial Markets</b>	4,876	47	4,359	38
<b>Global Manufacturing</b>	1,252	12	1,900	17
<b>Infrastructure</b>	1,778	17	1,546	13
<b>Oil, Gas &amp; Mining</b>	271	3	916	8
<b>Agribusiness</b>	371	4	578	5
<b>Telecommunications</b>	264	3	708	6
<b>Sub-National Finance</b>	212	2	175	2
<b>Private Equity &amp; Investment Funds</b>	946	9	648	6
<b>Health &amp; Education</b>	328	3	554	5
<b>Total</b>	<b>10,298</b>	<b>100</b>	<b>11,384</b>	<b>100</b>

*Source: IFC Database*

### **Sector Approvals for Sub-Saharan Africa (SSA)**

Sector approvals for projects in Sub-Saharan Africa were only half of the amount approved in FY11 and were concentrated in the Financial Markets sector. This was consistent with IFC's strategy to target this sector in the hope that there will be a spin-off to other sectors. The infrastructure sector had the second highest level of approvals. The telecommunication sector in SSA region continued to be an important sector for IFC to finance. Given the health challenges in Africa, the allocation of 1 percent of IFC's investment approvals for FY11 in comparison with 9 percent for FY10 was disappointing. Furthermore, the manufacturing sector suffered a significant decline in project approvals from 23 percent in FY10 to 9 percent in FY11. The initial goal of IFC was to commit approximately \$100 million to the Agribusiness sector in SSA by FY10, compared with an annual average of about \$18 million per year over the last decade. Despite the importance of this sector for SSA, it is disappointing to note that IFC approved only US\$30 million in FY11. This meant that SSA was ill equipped to meet its food requirements against a background of high food prices and shortages in some parts of the world, let alone, creating employment and economic growth.



**Table 2.6: IFC Sector Approvals for Sub-Saharan Africa (SSA) in FY11**

Sector	FY10		FY11	
	(US\$ m)	% of Total	(US\$ m)	% of Total
Financial Markets	421	21	630	51
Global Manufacturing	467	23	112	9
Infrastructure	129	6	162	13
Oil, Gas & Mining	214	11	91	7
Agribusiness	127	6	30	2
Telecommunications	210	10	146	12
Sub-National Finance	0	0	0	0
Private Equity & Investment Funds	280	14	37	3
Health & Education	175	9	17	1
<b>Total</b>	<b>2,024</b>	<b>100</b>	<b>1,225</b>	<b>100</b>

Source: IFC Database

### Project Approval by Financial Instruments for SSA

The number of projects approved in SSA by type of financial instrument increased by 31 percent to 96 in FY11 from 73 in FY10. The total loans also increased by US\$194 million while equity and quasi-loan investment decreased significantly by US\$545 million and US\$183 million respectively over FY10 (see Table 2.7). One noticeable progress was the increase in guarantee and risk management project approvals, which increased US\$812 million in FY11. This was mainly due to the very close collaboration between IFC and MIGA based on the need to exploit synergies across countries and sectors. However, the growing importance of regional projects, it was disappointing to note that the number of projects approved declined to 6 in FY11 from 23 in FY10.

**Table 2.7: IFC Project Approvals by Financial Instruments for SSA in FY11**

	No of Projects	Loan (US\$ m)	Equity (US\$ m)	Quasi-Loans (US\$ m)	Guarantee & Risk Mgmt (US\$ m)	IFC Total (US\$ m)
<b><u>FY 2010</u></b>						
Regional Projects	23	164.25	474.77	153.7	65	857.72
AFG1	22	119.4	196.13	18	5.84	339.37
Other SSA	28	333.94	68.14	113	160.41	675.49
<b>Total SSA</b>	<b>73</b>	<b>617.59</b>	<b>739.04</b>	<b>284.7</b>	<b>231.25</b>	<b>1,872.58</b>
<b><u>FY 2011</u></b>						
Regional Projects	6	3.3	94.9	19.8	99.2	217.2
AFG1	61	643.6	92.2	60.3	719.4	1515.6
Other SSA	29	164.7	6.3	21.9	224.6	417.3
<b>Total SSA</b>	<b>96</b>	<b>811.6</b>	<b>193.4</b>	<b>102</b>	<b>1043.2</b>	<b>2150.1</b>

Source: IFC Database

## 2.5 MIGA

MIGA has continued to facilitate foreign direct investment (FDI) into developing countries by tailoring its guarantee products to the unique needs of each project and sponsor. During the year, MIGA issued 50 new guarantee contracts supporting 38 projects in 31 countries, compared to 28 contracts supporting 19 projects in 14 countries in FY10. As a result, the gross volume of new guarantees underwritten by the Agency increased by 43 percent in FY11 to \$2.10 billion, compared to the \$1.46 billion in FY10, representing the largest amount of new business written in any fiscal year since its inception. Nearly all of the coverage was issued to new clients - indicating that its enhanced business development efforts, including a marketing agreement with the IFC, were beginning to show results. In addition, a significant volume of its 2011 business resulted from recent amendments to MIGA's Convention.

**Table 2.8: Guarantees Issued by MIGA by Fiscal Year**

	FY11	FY10	FY09	FY08
<b>Number of Guarantees Issued</b>	50	28	30	38
<b>Number of Projects Supported</b>	38	19	26	24
<b>New Projects</b>	35	16	20	23
<b>Projects Previously Supported</b>	3	3	6	1
<b>Amount of New Issuance (Gross -US\$ billion)</b>	2.1	1.5	1.4	2.1
<b>Amount of New Issuance (Total -US\$ billion)</b>	2.1	1.5	1.4	2.1
<b>Gross Exposure (US\$ billion)</b>	9.1	7.7	7.3	6.5
<b>Net Exposure (less reinsurance - US\$ billion)</b>	5.2	4.3	3.5	3.6

*Source: MIGA Annual Report 2011*

### ***Guarantee Portfolio***

The portfolio was more diversified across sectors and regions than in recent years (see Table 2.8). The Agency insured investments in four new host countries: Iraq, Kosovo, Liberia, and the Democratic Republic of Congo (DRC) and supported investments in nearly all of its business sectors. With 36 contract cancellations totaling \$417 million, the portfolio runoff continued to be relatively low.

**Table 2.9: Guarantees Issued by MIGA by Fiscal Year**

Region	FY 2010			FY 2011		
	No of Projects	Guarantees issued		No of Projects	Guarantees issued	
		Amount (US\$M)	In % of total		Amount (US\$M)	In % of total
Africa	5	337	23	15	243	12
Asia	2	24	2	3	752	36
East Europe & Central Asia	10	1,085	74	16	1,077	51
Latin American & Caribbean	2	18	1	3	22	1
Middle East & North Africa	0	0	0	1	5	0
<b>Total</b>	<b>19</b>	<b>1,464</b>	<b>100</b>	<b>38</b>	<b>2,099</b>	<b>100</b>

*Source: MIGA Annual Report 2011*

### ***Allocations by Region***

In Table 2.9, shows the new business issuance in FY11 across regions. This was evident at the regional level, where ECA accounted for 51 percent of the gross new guarantees as compared to 74 percent in FY10. Two large projects supported by guarantees in Asia significantly increased the region's share of new business from 2 percent in FY10 to 36 percent in FY11. Africa's share of new business volume declined from 23 percent in FY10 to 12 percent in FY11. However, the number of projects supported at the regional level doubled from the previous fiscal year, largely coming from several Small Investment Program (SIP) guarantees. The share of new business in the LAC region remained at 1 percent of gross new business in FY11. While MENA did not have a significant share of the new business in FY11, the Agency issued its first guarantee valued at US\$5 million for Iraq early in the year.

**Table 2.10: Regional Allocation of New Guarantee Business, FY10 and FY11 by MIGA**

Region	FY 2010			FY 2011		
	No of Projects	Guarantees issued		No of Projects	Guarantees issued	
		Amount (US\$M)	In % of total		Amount (US\$M)	In % of total
Africa	5	337	23	15	243	12
Asia	2	24	2	3	752	36
East Europe & Central Asia	10	1,085	74	16	1,077	51
Latin American & Caribbean	2	18	1	3	22	1
Middle East & North Africa	0	0	0	1	5	0
<b>Total</b>	<b>19</b>	<b>1,464</b>	<b>100</b>	<b>38</b>	<b>2,099</b>	<b>100</b>

*Source: MIGA Annual Report 2011*

### *Allocations by Sector*

Since the onset of the global financial crisis, the Agency focused primarily on supporting the recapitalization of banks in Eastern Europe and Central Asia as part of the World Bank Group's Financial Sector Initiative. In FY11, those activities were reduced as demand subsided, and investors' needs shifted and the Agency placed more emphasis on infrastructure (43 percent) and financial sectors (24), which accounted for 67 percent of the total investments. Interestingly, MIGA supported 17 projects in this sector, including the financing of 14 projects for ProCredit Holding, which target SMEs market. As can be seen, the sector distribution in Table 2.10, Sectoral Allocation of New Guarantee Business shows significantly better diversification of MIGA's investments as compared in FY10, when the Finance sector accounted for 64 percent of gross new business.

**Table 2.11: Sectoral Allocation of New Guarantee Business**

Sector	FY 2010			FY 2011		
	No of Projects	Guarantees issued		No of Projects	Guarantees issued	
		Amount (US\$M)	In % of total		Amount (US\$M)	In % of total
Agribusiness, Manuf. & Services	5	124	9	15	471	23
Financial	9	937	64	17	513	24
Infrastructure	4	178	12	5	908	43
Oil, Gas & Mining	1	225	15	1	207	10
<b>Total</b>	<b>19</b>	<b>1,464</b>	<b>100</b>	<b>38</b>	<b>2,099</b>	<b>100</b>

*Source: MIGA Annual Report 2011*

MIGA Guarantees by Country and Sector shows that in our AFGI Constituency; Ethiopia, Uganda, Mozambique, Zambia, Liberia, Kenya, Sierra Leone and Rwanda benefited with a total sum of US\$213 million in the manufacturing, agribusiness, financial, energy and services sectors. Africa as a whole accounted for US\$243 million, which represented 11.5 percent of the total guarantees for FY11 (see Table 2.11). It is worth mentioning that despite attempt by the Agency to improve its investment in the low-income countries, Africa is still lagging behind in the overall investment strategy.

**Table2.12: MIGA Guarantees by Country & Sector**

Host Country	Sector	Gross Exposure (US\$ million)
<b>Africa Constituency Group 1</b>		
Ethiopia	Manufacturing	4.0
Uganda	Manufacturing	2.1
Mozambique	Manufacturing	9.1
Zambia	Manufacturing	13.5
Zambia	Agribusiness	5.2
Liberia	Agriculture	142.2
Kenya	Financial	2.0
Mozambique	Financial	2.5
Sierra Leone	Services	3.6
Rwanda	Power	28.6
<b>Africa Constituency Group 2</b>		
Congo, Dem. Republic of	Financial	5.0
Congo, Dem. Republic of	Services	5.6
Togo	Services	4.6
<b>Africa Constituency Group 3</b>		
South Africa	Agribusiness	15.0
<b>Total Africa</b>		<b>243.0</b>
<b>Other</b>		
Asia, Latin America & Europe	Infrastructure/Financial/Manufacturing	1856.0
<b>Grand Total</b>		<b>2099.0</b>

Source: MIGA Annual Report 2011

### ***MIGA's Investment Support in Sub-Saharan Africa (SSA)***

Liberia and Democratic Republic of Congo (DRC) were added to the list of countries in SSA Region where MIGA supports investments. This brought the number of projects in the region mainly in IDA countries to 15 and in such sectors as agribusiness, manufacturing, energy, and finance. It must be noted that the total number of projects represent approximately 50 percent of the number of projects financed in the previous financial year. So far the guarantees issued were not large enough as a number of the projects were supported through the Small Investment Program (SIP).

### ***Technical Assistance through Investment Climate Advisory Services***

In fiscal FY11, MIGA's Investment Climate Advisory Services (ICAS) responded to the increase in demand for advisory services and devoted considerable resources to IDA countries, particularly in Sub-Saharan Africa. An independent external evaluation found that programs in Burkina Faso, Liberia, Sierra Leone, and Rwanda helped ease regulatory burdens and enabled the registration of 23,000 new firms. This in turn led to the creation of additional investments in the private sector ranging from \$75 to \$90 million and in the process created 51,500 jobs. With the support of ICAS, 16 West African countries took steps to increase access to credit and reduce hurdles to business startup. For the first time since its creation in 1993, the Organization for the Harmonization of Business Law in Africa has amended its laws on secured lending and commerce, thus creating a

simplified legal regime for small entrepreneurs. It is expected that this move will facilitate access to credit in its member states and encourage thousands of informal entrepreneurs to join the formal economy.

### ***Investment Dispute Resolution***

Consistent with Article 23 of the MIGA Convention, the Agency seeks both to remove impediments to the flow of investment to developing member countries and to encourage the settlement of disputes between investors and host governments. MIGA is actively pursuing the resolution of disputes affecting the Agency-supported projects. During FY11, the Agency engaged with investors and governments in relation to projects located in Argentina, Guinea, Guinea-Bissau, Senegal and Sierra Leone.

### ***Research and Knowledge Services***

MIGA carries out research and disseminates information to promote investment in its developing member countries. In the year 2011, the flagship report, *World Investment and Political Risk*, looked at general trends in the global economy and FDI, corporate perceptions of political risk and risk-mitigating strategies. In view of the concerns for conflict-affected countries, FY11's report also focused much attention on political risk perceptions and management in conflict-affected economies. Further development also took place in June 30<sup>th</sup> 2011, when the Agency warehoused its online service "FDI.net" and redeployed its resources to research on political risk issues.

# Chapter 3

## Update on Selected Bank Strategies, Policies and Instruments

### 3.1 Key World Bank Group Strategies

### 3.2 Summary of IDA 16 Policies and Implementation Issues (FY 2012-2014)

1. Discussions of the Sixteenth Replenishment of IDA (IDA16) ended in December 2010, with donors pledging substantial resources to IDA. Compared to IDA15, resources available for IDA16 increased by around 18 percent to reach SDR 32.8 billion (equivalent to US\$ 49.3 billion).

2. The IDA16 Replenishment report, which sets out the financial and policy framework for the period between July 1, 2011 and June 30, 2014, was approved by IDA's Board of Executive Directors and the IDA16 Resolution was subsequently adopted by IDA's Board of Governors. IDA financed operations and strategies approved by the Board starting July 1, 2011 will be based on the IDA16 policy framework. The key points that would guide IDA operations over the IDA16 period are therefore highlighted for our Constituency Member countries.

3. The overarching theme of the IDA16 Replenishment is delivering development results with crisis response, gender, climate change, and fragile and conflict-affected countries as "special themes". The implications for Country Assistance Strategies (CASs), lending and non-lending operations and resource allocation are summarized below.

#### I. A Stronger Focus on Results

**IDA Results Measurement System:** During IDA16 efforts to strengthen IDA's focus on results will continue. In particular, the IDA Results Measurement System (RMS) will be expanded from two tiers to four tiers of indicators on (1) IDA Countries Progress, (2) IDA-Supported Development Results, (3) IDA Operational Effectiveness and (4) IDA Organizational Effectiveness. These tiers include indicators in the areas detailed below.

#### Tier 1. Country Progress

- Key Development Outcomes in Growth and Poverty Reduction
- Governance
- Private Sector Development
- Infrastructure
- Gender and Human Development
- Climate Change.
-

**Tier 2.** IDA’s Support to Development Outputs/Outcomes

- Assessment of Country Assistance Strategies, IDA operations, and Advisory and Analytic Activities (AAAs)
- Tracking sectoral outputs/outcomes in Education, Health, Infrastructure (including Roads and Water Supply) and in three additional sectors: Urban Development, Information and Communication Technology, and Micro, Small, and Medium Enterprises

**Tier 3.** IDA’s Operational Effectiveness

- Quality and results orientation of operations
- Portfolio Performance
- Impact Evaluation
- Use of Country Systems, including in M& E, financial management, procurement, and collaborative AAAs

**Tier 4.** IDA’s Organizational Effectiveness

- Internal reforms (investment lending, human resources and transparency through the Access to Information Policy and the open data initiative)
- Improve the speed and reduce the costs of preparation and implementation
- Improve decentralization

Most of the above information is aggregated from available information at the country level and from existing institutional systems and no additional actions are required from Bank staff to monitor their evolution. However, there are two specific areas of emphasis:

- Bank staff is encouraged to focus on strengthening country statistical capacity to measure results. Furthermore, staff should monitor that, in their sectors and themes, statistical systems in countries are generating the required Tier 1 information.
- Tier 2 sectoral outputs and outcomes are aggregated from information (baseline data and periodic updates) that staff enter into Implementation Status Reports and, hence, timely updating of such data is important.

**Communicating IDA Results.** There will be regular updates of IDA results and briefs on the IDA website and progress will be made in utilizing geo-coding techniques in demonstrating results in IDA16. Bank country and task teams are best positioned to identify successful achievements at country, sector and project levels and are encouraged to continue to prepare briefs in conjunction with regional and network representatives in the Results Steering Group.

## **II. Emphasis on Four Special Themes**

**Country Assistance Strategies:** Given that IDA programs are implemented using a country-based development model, there are no specific sectoral or thematic lending amounts committed that are associated with the four special themes. It is, however, expected that in designing Country Assistance Strategies attention will be given to the special themes. Specifically, it is important that: (i) all CASs draw on and discuss the findings of the institutional gender assessment; and (ii) all CASs discuss climate change vulnerabilities as



part of the discussion of the country's development challenges and priorities and include activities in climate change mitigation and adaptation areas when requested by the recipient country.

**Enhancing IDA's capacity to respond to crises:** A dedicated Crisis Response Window (CRW) was established in IDA16 to provide additional flexibility to respond to severe economic crises and major natural disasters while protecting IDA's core financing to address client countries' long term development needs. The CRW can provide additional allocations to IDA countries (i) in the aftermath of a major natural disaster and (ii) in the case of a severe economic crisis that is caused by an exogenous shock and affects a significant number of IDA countries. The size of the CRW is capped at 5 percent of total IDA16 resources, including an exceptional allocation of SDR 329 million for Haiti to support reconstruction after the earthquake in 2010.

**Accelerating progress on gender mainstreaming and gender-related MDGs:** IDA will intensify its support for the efforts IDA countries are making to promote gender equality, including by: (i) drawing on and discussing findings of gender assessment in 100 percent of CASs; (ii) increasing gender-informed investments and monitoring progress through the Results Measurement System (RMS); (iii) tracking indicators to measure IDA's support to gender-based country outcomes; (iv) preparing and implementing Regional Gender Action Plans; (v) implementing the Reproductive Health Action Plan with a focus on 52 priority countries with high maternal mortality and total fertility rates, including 25 countries in the Africa Region; and, (vi) completing the Education Sector Strategy and subsequently implementing a program of action targeting gender issues in high priority countries. The World Development Report (WDR) for 2012 with a focus on gender and development identified obstacles to mainstreaming gender, articulated and disseminated the case for gender equality, and will hence help generate partner country demand.

**Achieving climate resilient development:** IDA will focus its efforts to address climate change in five closely linked areas: (i) the CAS commitments discussed above; (ii) scaling up IDA AAAs on adaptation and mitigation from the IDA15 level; (iii) establishing a coding system to measure the share of IDA investments that provide climate adaptation and mitigation co-benefits and reporting on the number of projects that aim at climate co-benefits in their design; (iv) analyzing in all projects in climate change sensitive sectors the potential climate impact of project activities to ensure that they are consistent with the climate change mitigation and adaptation strategies of the country; and (v) continuing dialogue with development partners on Rio-Markers with the objective of developing and agreeing on quantitative measures of global financing for climate change adaptation and mitigation.

**Strengthening support to fragile and conflict-affected countries (FCC):** In addition to providing financial support, IDA will strengthen its operational and organizational engagement in fragile states including through staffing and decentralization initiatives, improving partnerships and aid coordination, adapting CASs/ISNs to conflict-affected environments, building institutional capacity and strengthening country systems, and developing indicators for measuring progress. Furthermore, IDA will draw on the WDR 2011 on Conflict, Security and Development to further improve its operational approach in FCC. Finally, the Post-Conflict Performance Indicators that IDA uses as tailored measurements of country performances of FCC will be publicly disclosed in IDA16.

### III. Implications for Resource Allocation

- **Performance-Based Allocations (PBA):** Continued adherence to the Performance-Based Allocations (PBA) is critical for IDA to deliver results in client countries and maintain its credibility vis-à-vis the donors. In the PBA, the Debt Sustainability Assessment (DSA) Framework will continue to be used as the primary basis for grant allocation, and thus counterparts in countries should be informed of the continued links between the DSA and IDA grant allocations. In addition, grant allocations will continue to be subject to a 20 percent discount. Furthermore, for countries receiving MDRI debt relief, the deduction of foregone debt service from their allocations will be capped at 30 percent of their gross PBA allocations as the continuation of a policy change implemented in FY11. Finally, to enhance transparency, annual country allocations and commitments will be disclosed at the end of each fiscal year on IDA's external website from FY12.
- **Allocation share of Africa:** Around half of IDA16 resources, subject to performance, are expected to go to countries in Africa. This includes resources for regional projects and arrears clearance. In view of the increased IDA16 resources, this also means that commitments (and disbursements) will be scaled up in all regions.
- **Financial support to post-conflict and re-engaging countries:** Eligible new post-conflict and re-engaging countries will continue to receive exceptional support. In addition, to enhance support to fragile states, the phase-out period for existing post-conflict and re-engaging countries will be extended for some countries following a case-by-case approach based on a predetermined set of criteria. In IDA16, the phase-out period will be extended to FY14 in three post-conflict countries, Afghanistan, Burundi and Congo (DRC), and two re-engaging countries, Central Africa Republic and Togo. Moreover, Haiti will receive increased support from the Crisis Response Window.
- **Small states:** To enhance support to small states, the maximum per capita allocation ceiling is eliminated and the base country allocation is raised from SDR1.5 million per year to SDR3 million per year in IDA16.
- **Regional projects:** Topping-up funds for regional projects have been increased to SDR 1.5 billion during IDA16 up from SDR 1.2 billion in IDA15. These funds can provide up to 2/3 of eligible IDA financing in regional projects that meet the eligibility criteria. In IDA16, the eligibility criteria remain largely the same but the minimum number of participating countries required to qualify for a regional project is reduced from three to two if at least one IDA fragile state participates to better support fragile states in regional integration. Furthermore, country contributions to a regional project will continue to be capped at 20 percent of their annual allocations for countries with small allocations.

### IV. Other Institutional Commitments

- **Adjustment of IDA's terms of assistance:** IDA's blend credits and hardened term credits will be harmonized into one instrument with a final credit maturity of 25 years with a 5-year grace period, and instituting a 1.25 percent per annum interest rate. Hard term credits will also be harmonized with a maturity of 25 years and a 5-year grace period and continue to

feature an interest rate based on the IBRD fixed rate equivalent minus 200 basis points. Access to hard term credits will be expanded to all blend countries in proportion to their PBA. In addition, the terms for the small island countries under blend terms will be changed to regular credit terms. Finally, agreements to exercise the acceleration clause included in the legal agreements for regular and blend credit since 1987 will be implemented starting from July 2011.

- **IDA Operations:** IDA will mainstream new processes, procedures and policies for implementing the Investment Lending Reform; facilitate the use of IDA Guarantees; and make further progress on the application of conditionality in Development Policy Operations under the Good Practice Principles. IDA will achieve this by ensuring ownership and criticality of the prior actions chosen, working with development partners whenever appropriate and possible, using Poverty and Social Impact Analyses, and conducting transparent progress reviews conducive to predictable and performance-based financial support; and increasing the use of impact evaluations to enhance learning from IDA supported interventions.

- **Governance:** IDA will continue to support recipients to improve their governance environment, increase transparency and reduce corruption for better service delivery and development outcomes. At the country level, IDA will help strengthen state capacity and accountability; public management and governance; transparency in decision-making; private sector reforms; and involvement of beneficiaries and other stakeholders in policy-making and oversight including Parliamentarians, civil society and local government bodies. IDA will also ensure the highest fiduciary standards in its operations by preventing opportunities for corruption through improved project design, greater disclosure, enhanced participation and strengthened monitoring and supervision. Lastly, to enhance accountability and ownership, IDA will strengthen its contacts in recipient countries with parliaments and Civil Society Organizations as well as continue to work through international organizations such as the Parliamentary Network on the World Bank.

**Strengthen debt management:** (i) accelerating ongoing efforts in terms of building debt management capacity in IDA-eligible countries in coordination with other development partners, (ii) maintaining IDA's Non-Concessional Borrowing Policy; and (iii) encouraging governments to stay current on their debt reporting requirements under the Debt Reporting System.

### 3.3 IFC Business Strategy (FY 2012-2014)

The International Finance Corporation (IFC), a member of the World Bank Group, promotes sustainable economic growth in developing countries by financing private sector investment, and providing advisory services to businesses and governments as a way to reduce poverty and improve people's lives.

As the developing world's largest provider of multilateral financing to the private sector, IFC offers investment services in areas that are not traditionally a focus for private sector capital in developing countries. IFC emphasizes five strategic focus areas for maximizing its sustainable development impact:

- Strengthening its focus on frontier markets, particularly the SME sector;
- Building long-term partnerships with emerging global players in developing countries;
- Addressing climate change, and environment and social sustainability activities;
- Addressing constraints to private sector investment in infrastructure, health, and education; and
- Developing domestic financial markets through institution building, and the use of innovative financial products.

The three pillars of IFC's business – Investment Services (IS), Advisory Services (AS), and the Asset Management Company (AMC) – address the corporation's strategic focus areas through the provision of financial products and advisory engagements with clients.

Advisory services often accompanies IFC's investment services, and includes assistance to banks and specialized financial institutions in improving their ability to provide financial services to micro, small, and medium enterprises.

In frontier and conflict affected countries where there is significant poverty and where riskiness deters others to provide finance, IFC embraces these challenges and is often breaking new grounds with its investments. However, overall, commitment volume in these markets tends to be smaller. For this reason, IFC emphasizes the number of projects rather than commitment volume.

Over FY12-14, total AS spending is projected to increase 6 percent annually, reaching about US\$348 million in FY12 and US\$391 million in FY14. IDA countries will continue to be the primary focus, increasing from 62 percent of the AS program in FY10 to 65 percent in FY12 and 67 percent by FY14. Fragile and conflict affected countries will also continue to be a major focus area, accounting for around 16 percent of AS business.

The AMC is a wholly owned subsidiary of IFC and was created in 2009 to augment IFC's traditional mobilization for clients by providing a vehicle for large institutional investors to invest in IFC projects while benefiting from the rigorous financial, social and environmental standards through which IFC filters its investments. At the end of the first quarter of 2011, AMC had more than US\$4 billion in assets under management, including US\$3 billion in IFC Capitalization Fund, US\$1 billion in the IFC African, Latin American and Caribbean Fund (ALAC) and US\$55 million in the African Capitalization Fund.

The African Capitalization Fund is an equity fund, formed as a Mauritius private limited liability and limited life company, with a capital commitment target of up to US\$200 million. The Fund will make equity investment to capitalize important commercial banks in IFC member countries in North Africa and Sub-Saharan Africa. The Fund will seek a minimum ownership stake of 5 percent jointly with IFC or the other AMC-managed Funds it will co-invest.

### **IFC Regional Strategy for Sub-Saharan Africa**

IFC's regional distribution of investments, reflect the reality that different regions have different development needs and offer varying business opportunities for the private sector. In Africa, IFC's key focus areas for IFC's activities during FY12-14 include climate change, infrastructure, agribusiness, equity investment and South-South Investment.

Given the cross-cutting nature of climate change, IFC is mainstreaming climate considerations into all its activities across all industries and regions and increasing its climate friendly investment from 13 percent in FY10 to 20 percent in FY13. IFC is developing a comprehensive strategy to address water access and agricultural water use; promote sustainable forestry; identify adaptation strategies for key sectors; accelerate renewable energy; and support capacity building.

On infrastructure, IFC proposes an Africa Infrastructure Initiative to expand the private infrastructure market in Africa, with a focus on power. IFC is working closely with IDA on a WBG approach to private infrastructure in the region. This effort includes expanding the range and scope of current Public Private Partnership (PPP) approaches, expanding current project development efforts, and utilizing a wide range of instruments to customize IFC's approach to conditions on the ground. The initial focus will be on four to five selected countries for in-depth engagement on policy reform and project development support

IFC's strategy on agribusiness in Africa focuses on increasing rural incomes, improving food security, and diversifying exports through inclusiveness, wholesaling, processing, and large-scale agriculture. IFC will use an integrated investment-advisory services approach to address investment climate and policy constraints, upgrade supply chains, expand mechanisms for crop finance, and risk management.

With respect to equity investment, IFC anticipates new opportunities in rapidly growing sectors such as banking, restaurant and retail chains, consumer products, health and education services, and mobile services. Therefore, IFC plans to increase equity investment to over 20 percent of new commitments and leverage additional funds through the AMC.

On South-South investment, IFC will move from one-off projects in originating countries to a more programmatic, collaborative approach to leverage client relations in the originating region. IFC proposes a South-South Emerging Markets to Africa Initiative to catalyze investment from Brazil, China, India, Morocco, Russia, and Turkey into Sub-Saharan Africa.

### **3.4 MIGA Business Strategy (FY 2012-2014)**

The financial year 2011 was characterized by gradual economic recovery led by the developing countries. As credit constraints eased and FDI flows to developing countries began to recover, the demand for Political Risk Insurance (PRI) products increased. The increase in demand for such financial product was triggered principally by events in the Middle East and North Africa (MENA) region. As a result of extraordinary events taking place in this part of the world, MIGA's guarantee holders continued to show a certain level of caution and risk aversion. The Agency is thus extending their political risk coverage for existing projects at longer periods than in the years prior to the global financial crisis.

As mentioned last year in our Annual Report, even prior to the turn of those events in the MENA region and the rest of the world, MIGA was in the process of restructuring its commercial activities. The Agency had to reposition itself to take advantage of increased demand for Political Risk Insurance (PRI) coverage. This exercise came at an opportune time this year, when the amendments of its Convention were approved by the Council of Governors. These changes were the first since its corporate establishment and were undertaken in order to help modernize the organization so that it might be able to insure more productive investment and thereby increase its development impact.

The most important change was the modification enabling the Agency to insure project debt even, when not insuring a portion of the equity investment. This is a crucial step for the Agency in its relationships with lenders. It must be mentioned that previously MIGA had to turn away business, when lenders were concerned about project risk, because the equity investor was not eligible or interested in purchasing coverage.

In recognition of the business potentials emerging from the crisis, the Board of Directors also endorsed an operational direction paper: *FY12-14 Strategy; Achieving Value-Driven Volume*. This strategy remain broadly in line with the Agency's corporate evolutionary process and operational priorities, which hinge on four critical aspects, namely (i) investments in IDA countries; (ii) investments in conflict-affected countries; (iii) investments in complex project; and (iv) support for South-South investments. The rationale for selecting and retaining these four specific areas were driven by two assessments (i) the degree of development impact that each potential project brings, and (ii) the level of contribution that the Agency can bring to bear versus other PRI providers.

MIGA recognizes that putting a special focus on IDA countries remains an obvious choice for the Agency, as there is a substantial amount of FDI going to IDA countries. Given the World Bank close engagement in these countries, it means that the Agency must be strategically well positioned to play a more critical role in supporting WBG's strategic priorities.

With regard to the internal cooperation amongst the WBG entities, the IFC/MIGA Joint Business Development and Partnership Initiative has already produced good results, with projects in 16 countries, of which 10 are in IDA countries.

At the regional level, a major development took place in FY11, when MIGA launched a hub in Asia and started operations in Hong Kong, South Asia Region (SAR), China, and Singapore. The hub is geared toward providing better and more efficient access for the Agency's clients and other stakeholders in Asia. Because of the operation of the hub, the regional team has developed a strong pipeline of viable business leads and underwriting has commenced on several projects for that region.

As for the sectoral approach, the Agency has highlighted its strategic move to focus on: infrastructure; energy, oil, gas, mining and chemical sectors; telecommunications; finance; and agribusiness, manufacturing and services. At this level, the Agency plans to support AMS projects in Africa as well marketing the Small Investment Program in post-conflict and fragile states.

Another notable change to policy has been the revision of the single country and single project limits, which was in force since FY07. As from FY11, the new single country limit has been revised to US\$720 million, and the single project limit was raised to US\$220 million. This revision will allow MIGA more flexibility to implement its business strategy while improving risk-based framework.

Despite the rapid changes taking place at its Headquarter to better align the Agency's goals with that of the WBG's development priorities, MIGA is still committed to promoting projects that are economically, environmentally and socially sustainable that promises a strong development impact. MIGA will continue to provide complimentary activities, such as, providing dispute resolution, technical assistance, research and knowledge services to support FDIs.

## 3.5 Selected Sector Strategies

### 3.5.1 New Strategy for the Africa Region 2011-2016

The Executive Board of Directors of the World Bank approved the Africa Regional Strategy 2011-2016 on March 1, 2011. The new Strategy replaces the Africa Action Plan (AAP). The Strategy was developed after wide consultations with all stakeholders and drew lessons from the AAP. It will guide the World Bank Group (WBG) engagement with Africa.

Africa still faces several development challenges that have persisted over the years despite efforts of various stakeholders, including governments and donors. Among these, the Strategy intends to address low human capital, undiversified production structure, weak governance institutions especially in countries that have recently emerged from conflict, women's empowerment, youth unemployment and climate change.

The Africa Regional Strategy 2011-2016 therefore has two pillars: (i) Competitiveness and Employment, and (ii) Vulnerability and Resilience, and with its foundation in Governance and Public Sector Capacity. Its ten-year vision covers accelerated growth and diversification, employment creation and poverty reduction, human capital development and women's empowerment, improving governance, and climate change.

The Strategy's ten-year vision which is assessed on a five-year results framework has set ambitious growth targets. Per capita GDP is targeted to grow annually by 3-4 percent in 20 countries, while five countries are expected to graduate to middle-income status during the period. Some 15 countries are expected to register an output growth in agriculture of at least 5 percent annually.

The two pillars and foundation of the Strategy are designed to maximize the benefits of globalization. These will be realized through improved competitiveness and output growth. The export led growth strategy will depend for its success on continued economic recovery in developed countries. In addition, the Strategy will assist African countries built resilience to external shocks and protect vulnerable groups. The Strategy's foundation is governance and public sector capacity, which are important in attracting private capital inflows. To attract private investment government should provide a stable and transparent policy and regulatory framework, a fair tax regime and public sector investments to support private enterprise.

The Strategy also addresses youth unemployment through appropriate interventions in education, and creation of job opportunities through infrastructure investment and support to small and medium scale enterprises (SMEs). This strategy will have a positive impact on poverty reduction. In its 10 year vision, the Strategy targets to reduce the poverty rate by 12 percentage points.

On climate change, the Strategy offers several options to mitigate the problems that are estimated to cost Africa a 1-2 percent loss in GDP annually. The Strategy estimates that between 75 and 250 million people in Africa will suffer water scarcity by 2020, and up to 560 million people in the region did not have access to modern energy, and access rates to such energy are as low as 6-6 percent in some countries. Mitigation measures proposed in the Strategy include irrigation, water resource management, more investments in hydro electricity, climate resistant infrastructure (e.g. roads in Ethiopia), soil carbon sequestration (could yield an estimated US\$1.5 billion annually for Africa), avoiding deforestation, and other carbon finance.

The World Bank plans to implement the Strategy in partnership with host governments, other regional development institutions, civil society, private sector and development partners. The Bank will transform into a knowledge bank and work closely in information sharing with other research institutions while making its information readily available to the public. This will enhance transparency and ownership of the programs supported by the Bank. Finally the Strategy will leverage resources from domestic markets, IDA, IBRD, IFC, MIGA and donors.

### **3.5.2 Africa Regional Integration Assistance Strategy Update**

Increasing emphasis is now being placed on regional integration as a means of accelerating development and poverty reduction in Africa. Considering the peculiarities of the African economies and the general predominance of small and landlocked countries, one of the most compelling rationales for this school of thought is that regional integration can facilitate pro-poor growth through, among other things, securing economies of scale, expanding interstate infrastructural networks, enhancing regional governance, and increasing access to larger markets and other means of trade facilitation.

To assist African countries, the World Bank Group (WBG) formulated a Regional Integration Assistance Strategy (RIAS) for Sub-Saharan Africa that covered the IDA 15 Period. The strategy provides a comprehensive framework for engagement and focuses on the following strategic priorities:

- Regional infrastructure with a focus on improving selected trade corridors and transport networks; access to and reliability of clean energy supply; and improving telecommunication connectivity.
- Institutional cooperation for economic integration with a focus on reducing Africa's external trade tariffs towards the rest of the world and the tariff and non-tariff barriers to intra-regional trade as well as improving the regional environment to facilitate private sector activities including industrial cooperation and regional financial markets
- Coordinated interventions to provide regional public goods with a focus on improving management of shared water resources, raising agriculture productivity, managing climate change more effectively and the rationalization of research and tertiary education to strengthen regional knowledge assets and technical capacity. These coordinated interventions also include providing support for the prevention and preparedness to respond to the incidence of malaria, HIV/AIDS and other trans-border pandemics and pest control.
- Strengthening regional strategic planning and linkages with national development plans with a focus on capacity development of AU, NEPAD and other regional economic communities.

According to the most current progress report, lending program and co-financing support during the RIAS period have increased substantially. Results reported include the development of more than 8,000 kilometers of fiber optic backbone, the implementation of power transmission projects, which cover about 7,000 kilometers and transportation projects covering about 9,000 kilometers of regional roads. In the energy sector, there has also been investment in power pools that has supported institutional development and policy reforms, albeit not as fast as anticipated due mostly to the slow pace of the physical construction phase of these operations.



The strategy has also reaped initial benefits in the transport sector through trade facilitation measures such as dwell time in ports, transit times on main networks and customs clearance times at border crossings. Moreover, investment in infrastructure is being facilitated through an analytical, advisory and capacity building program. This program has contributed to improved efficiency of payments systems, harmonization of regulations and capital market deepening. Other results achieved include improvement in trans-border water management and the agriculture and health sectors.

In trans-border water management, institutional capacity and enabling framework for regional collaboration in the Senegal and Niger Basins have been established. In the agriculture sector, programs for more effective control of locust and the management of fisheries in West Africa on a sub-regional basis have commenced. In addition, measures are being initiated to generate and disseminate agricultural technology on a sub-regional basis in West and East Africa through which economies of scale are being realized. In the health sector, projects to tackle diseases and pandemics, including HIV/AIDS, in high risks populations have generated promising results.

The report highlighted the following three shortcomings in the implementation of the strategy and the proposed measures to address them:

- (i) Limited progress on capacity building of Regional Organizations. It was determined that providing grants directly to these organizations would minimize this constraint. Grants are now being extended as approved during the IDA 15 mid-term review.
- (ii) Unevenness in the quality of the project portfolio exacerbated by delays in disbursement and implementation. A regional action plan to improve results of the portfolio is now in use.
- (iii) Delays in the preparation of regional implementation plans envisioned under RIAs due to the additional time required by the RECs to finalize their development strategies and investment plans. These plans are now completed or expected to be shortly.

Following the review of the strategy, its updated version is expected to be aligned with the New Africa Strategy. It will be implemented by leveraging partnership, knowledge, and financing. It would also accelerate support to conflict and conflict-affected states and middle-income countries. Its main thrust would be to enhance results through multi-sectoral approaches, decentralizing staffing and by strengthening the role of the Bank's Country Directors in regional integration work.

### **3.5.3 Social Protection Strategy-Social Safety Nets Update**

The WBG support for Social Safety Nets (SSN) has been operationalized within the Social Protection Sector and the program has been guided by the sector strategy. This strategy has been traditionally geared towards addressing chronic poverty and improving human capital as mechanisms for redistributing income and improving the welfare of those unable to effectively participate in productive socio-economic activities. In recent years however, increasing concern is being expressed on the necessity for developing more flexible, shocks-responsive and robust SSN as an intrinsic and focused aspect of the Social Protection Sector Strategy. This concern was partly triggered by the recent food, fuel, financial, and economic crises.

In response, SSN programs have become a dynamic and focused area of the WBG's operations. In the current operational context, SSN may be defined as non-contributory transfers targeted in some way to the poor and vulnerable with the aim to address chronic poverty and inequality as well as to provide protection for individual and systemic shocks including those emanating from crisis and the adverse impact of economic reforms. The common SSN programs usually include cash transfer/conditional cash transfers; food-related programs; price and other subsidies; public works; health care services; and education, electricity and housing.

Over the period 2000-2010, the WBG's support for SSN has been provided through increased lending, grants, knowledge sharing and analytical and advisory services. During the last two years its support has been most pronounced as it constituted one of the main mechanisms through which the Bank responded to the recent triple crises. A recent IEG report indicates that throughout much of the decade (FY2000-FY2008), the loan portfolio doubled from three percent of total Bank lending to six percent (FY2009-FY2010). In terms of regional distribution, Latin America and the Caribbean region dominates with about 53 percent. The Africa region share was about 12.2 percent. In terms of the number of projects the regional distribution is spread mainly over Latin America and the Caribbean (31 percent), Africa (25 percent), and Eastern Europe and Central Asia (21 percent).

With regard to performance, the report indicates that the SSN operations have generally achieved satisfactory outcomes. Positive results were particularly notable in LICs where as 88 percent of the projects were ranked at least moderately satisfactory relative to an average of 74 percent for other sectors.

Overall, while the results are encouraging, the Report advised that there are key areas of support that require strengthening. These areas include (i) the development of national and regional SSN systems and institutional capacity; (ii) enhanced engagement in LICs; (iii) stronger cross-network coordination of SSNs; and (iv) improvement in the results framework to incorporate longer-term results perspectives, increased specificity on the objectivities, coverage, duration, and performance indicators to facilitate more effective monitoring of the effects on the targeted groups.

On the way forward, the Bank is in the process of developing a new Social Protection Strategy. This strategy is expected to address the above concerns and other major global gaps in social protection.

### **3.5.4 Infrastructure Strategy Update**

It has been established through evidence-based mechanisms that infrastructure development contributes to economic growth, jobs creation and poverty reduction. The WBG recognizes that the development of the infrastructure sector (water, transport, energy and information and communication technology) is among the indispensable factors for development. Thus far the WBG's support to infrastructural development has been guided by the WBG Sustainable Infrastructure Action Plan (SIAP) (FY2009-FY2011). The Plan serves as an umbrella framework that brings together the lessons of the Bank's infrastructure experiences from the past two decades and the achievements during its precursor, the Infrastructural Action Plan, (IAP).

The SIAP approach to infrastructure development involves: (a) focused development of cross sectoral themes to maximize effectiveness of core sector strategies; (b) strong WBG interaction to increase the effectiveness of each of its institutions and strengthened ways to work together; (c) sustainability at the core of infrastructure interventions through focusing on the "triple bottom line" -- economic/financial, environmental, and social sustainability based on a platform of strong

governance; and (d) augmentation to the WBG's direct financing through increased attention to leveraging its financing efforts in order to mobilize additional aid resources for infrastructure, using the full convening power of the WBG to support client countries.

According to the WBG Infrastructure Strategy Update: Issues and Concept Note, the SIAP's implementation is on-going, and it is currently premature to show any results. However, in taking stock of WBG's performance relative to SIAP's objectives, the following are indicated:

- WBG infrastructure commitments are exceeding SIAP targets by more than \$23 billion over FY2008-FY2011.
- Direct mobilization of private financing for infrastructure through IFC; slight increase in the number of public-private partnerships; most of the IBRD/IDA's leverage effect on the private sector continue to be largely indirect.
- High performing infrastructure projects in terms of safeguards (design and supervision).
- Beyond compliance to safeguards, increase integration of broader environmental concerns (especially climate change) in the design of infrastructure projects, with relatively less progress made on the social front (e.g. gender).
- Accelerated efforts to explicitly integrate governance risks and accountability frameworks in infrastructure projects.

In the Africa region, interventions included support to the West Africa Regional Communications Infrastructure Program, a complementary component of the Regional Infrastructure Connectivity and the Central African Backbone programs. It also provided support under the Infrastructure Recovery and Assets (INFRA) platform in response to the global economic crisis.

For the future, a new strategy is being developed that embraces a “transformational” approach to infrastructural development. This approach addresses broader developmental issues that take into consideration connectivity among infrastructure sectors and other sectors such as environment and agriculture with an overarching concern to ensure sustainability. This approach would also be aligned with the WBG Post-Crisis Directions and specifically its strategic priorities in the context of creating opportunities for growth and targeting the poor and the vulnerable.

### **3.6 Development Policy Issues in Focus**

#### **3.6.1 Energy Infrastructure in Africa**

Infrastructure, in general, plays a critical development role in every region. In the Africa region, the authorities are encumbered by daunting challenges in meeting infrastructural needs. The consequential impact of this situation is inimical to realizing pro-poor economic growth, human development and sustained socio-economic prosperity.

Among the various kinds of infrastructure, addressing the constraints in the energy sub-sector appears to be the greatest challenge. In most African countries, energy facilities and services are noted to be deficient in coverage and reliability. Moreover, accessibility is significantly constrained by an exceptionally high cost relative to international standards. This situation may be attributable to financial constraints, regulatory impediments and inadequate technical capacity. Other related contributory causes are the adverse effects of reoccurring droughts and seasonal flows on hydropower and inhibiting high oil prices that limit affordability to operate fuel-powered generators.

Moreover, these problems are exacerbated in conflict countries and those immediately emerging from conflicts since the facilities are deliberately damaged, destroyed or rendered non-operational due to managerial neglect during the crisis.

Addressing the problems necessitate the development of concrete, results-oriented policies from which a framework could be developed for the mobilization of national and international financial resources and the identification of ways and means to maximize the provision and utility of energy infrastructure to improve its development impact. It is against this background that this note reflects on the World Bank Group (WBG) initiatives regarding its role and actions in supporting energy infrastructure in Africa as well as the adequacy of the IDA facility in the delivery of such support in the case of most African countries.

The WBG is in the process of developing a new infrastructure strategy following the coming to an end in 2011 of the current Sustainable Infrastructure Action Plan. This new strategy is expected to emphasize scaling-up support and enhancing transformational engagement to ensure that it addresses broader developmental issues that take into consideration connectivity among infrastructure sectors and other sectors such as environment. It is also expected to continue to mobilize private capital and other sources of funding. The WBG is further expected to develop an energy strategy that would cover the modalities for increasing modern energy access, reliability and environmental sustainability with an emphasis on the poor and vulnerable population.

It is encouraging that, considering the WBG staunch support for poverty reduction and development, attention is being given to energy infrastructure, which is an absolute necessity. However, while the strategic focus of the support is evolving, it seems necessary to focus upon the intended scaling-up dimensions of the evolving strategy as a policy issue. With the high cost of energy infrastructure, one is inclined to question the efficacy of IDA utility as virtually the only source of WBG funding, specifically in the case of most African and other low-income countries. With IDA's underlying constraints and resource limitations, it would seem prudent to objectively rethink this mode of engagement in supporting energy infrastructure from a funding and development perspective.

# Chapter 4

## Development Policy Issues in Focus

### 4.1 Gender Equality and Development

#### 4.1.1 Introduction

Gender equality issues first featured in World Bank work in the 1970s. However, following the 4<sup>th</sup> World Conference on Women in Beijing in 1995 emphasis on gender equality increased. Currently, gender equality is a core element of the Bank's Strategy to reduce poverty in the world. In 2001, the World Bank adopted a gender mainstreaming strategy – “Integrating Gender into the World Bank's Work: A Strategy for Action”. To this end, the World Bank intended to establish an enabling environment to foster country-led and country-specific strategies for changing the gender patterns that hinder growth, poverty reduction and human well-being. The Bank aimed at working with governments, civil society organizations and other donors to diagnose the barriers, identify appropriate solutions, and garner the necessary support to reduce the barriers, and maximize the opportunities.

As stated in the strategy, gender mainstreaming entails “identifying gaps in gender equality using gender-disaggregated data; developing strategies to close the gaps; applying financial and human resources to implement the strategies; monitoring implementation; and holding all stakeholders accountable for results”, (ibid). Over the years, society has defined the roles of men and women, and the relationships between them. Sadly, in many cases these have left women disadvantaged. With Gender mainstreaming, there are conscious efforts to change the roles and relationships, for the benefit of society as a whole.

#### 4.1.2 The Gender Action Plan – Gender Equality as Smart Economics (GAP)

In 2007, the World Bank introduced the “Gender Action Plan (GAP) – Gender Equality as Smart Economics” to strengthen the gender and equality work in economic sectors. The World Bank management considered it necessary to have a plan to focus on economic opportunities for girls and women to match its strong achievements in health and education. Hence the GAP focused on Agriculture and Rural Development; Economic Policy; Financial Management; Private Sector Development; Public Sector Governance; and Infrastructure.

The overall objective of the GAP was to advance women's economic empowerment, ultimately promoting shared growth and accelerating implementation of MDG3 – *Promoting Gender Equality and Empowering Women*. The GAP framework focused on nine activities in four complementary action areas. The Actions were: (i) Engender operation and technical assistance in economic sectors; (ii) Implement Results Based Initiatives (RBI); (iii) Improve Research and Statistics; and (iv) Undertake

Targeted Communication Campaign. In the framework, Research and RBI fed into Operations and vice versa. In turn, Communication facilitated the execution of RBIs and dissemination of Research results and lessons learned. Availability of resources and regional priorities guided decisions by the regions and networks on which activities to undertake in each Action area.

The World Bank Group helped focus the development community on women's economic empowerment and gender equality. Thus, the IDA 16 replenishment made gender equality a special theme, while implementation of Initiatives, such as, the Reproductive Health Action Plan is set to take place in partnership with other international organizations. Further, gender equality is pursued as an integral part of the Country Economic Memorandum (CEM), Country Partnership Strategy (CPS), Country Assessment Strategy (CAS), Public Expenditure Review (PER), and Analytic & Advisory Activities (AAA).

#### **4.1.3 The World Development Report 2012: Gender Equality and Development**

The WBG plans to launch the WDR 2012 during the 2011 World Bank/IMF Annual Meetings. The report will focus on human endowments, economic opportunities and agency. It will highlight the relationship between economic development and gender equality; determine where there is progress, and the underlying reasons; and identify key entry points for policy. The Report will enumerate the achievements in reducing gender inequalities, reversals and the emergence of new inequalities. A companion note to guide WBG operations in implementing gender equality and development programs will be discussed by Governors at the 2011 Annual Meetings.

#### **4.1.4 Specific results for Africa Group 1 Constituency.**

##### *a. Gender in the Private Sector: Support for Female Entrepreneurs*

The IFC collaborated with different commercial banks to provide advisory services, training, and business loans to women – Exim Bank in Tanzania, under the Women Entrepreneurs Financing Facility (WEF), and dfcu Bank Ltd in Uganda, under the Women in Business program. In both cases, the focus was on small and medium enterprises. The loans enabled women to overcome such hurdles as lack of collateral to access credit. In addition, the banks' business grew, deposit base expanded and they became more innovative with specific bank accounts for women. The program availed commercial banks' staff with training in gender specific banking business. In Southern Sudan, besides training in basic business skills, women competed for and received grants to fund their businesses. Further, using GAP funds, the Finance Sudan Limited – a microfinance institution - offered financial services to about 270 women.

##### *b. Investing in Young Women as Smart Economics: Adolescent Girls Initiative (AGI)*

The objective of the program is to promote the transition of adolescent girls and young women from school to productive employment and economic empowerment. The WB launched AGI in October 2008, in partnership with private sector firms, such as, the Nike Foundation; government institutions, such as, The United Kingdom's Department for International Development (DFID) (Girl Hub) as well as donor and recipient governments. The latter included Liberia, Rwanda and South Sudan. Table 4.1 summarizes the characteristics of the programs in the three countries.

**Table 4.1: Summary of AGI features in selected countries**

Country/Theme	Liberia	Rwanda	South Sudan
<b>Target population</b>	2,500 out-of-school females aged 16-27	About 2,000 females aged 15-24	3,000 Females aged 15-24
<b>Training</b>	Technical, business development, and life skills	Technical, business development, and life skills	Technical, business development, and life skills
<b>Supplemental services for participants</b>	Performance based incentives for job placement, business plan contest, links to microcredit facilities, childcare, and mentorship.	Scholarships for secondary education for 120 girls, mentorship, childcare, psychosocial support and links to microcredit facilities.	Access to savings and credit facilities, leadership development, safe space for socializing.

*Source: Adopted from World Bank (2011) “Gender equality as smart economics: A work in progress”, World Bank Group’s Gender and Development Group in the Poverty Reduction and Economic Network.*

Evidence shows that transition into adolescence is more difficult for girls than boys. Therefore, the AGI seeks to improve their opportunities in school, the workplace and in the community. As a result, girls stay in school longer; avoid early pregnancies and marriage; build wealth; and improve the standard of living and quality of life in their families.

#### *c. Cash transfers in Malawi*

A two-year experiment in Malawi proved that cash incentives could enhance female well-being. GAP funded Condition and Unconditional Cash Transfers (CCTs and UCTs) to households with never married females aged 13- 22, with the objective of persuading them to stay in, or return to school. The condition to be satisfied was regular school attendance. Results point to higher levels of school enrolment and learning; reduced teenage pregnancy and marriage rates; and improved mental health among participants.

#### *d. Results Based Initiatives (RBIs)*

Through RBIs, female entrepreneurs had a better opportunity to increase their income and productivity. The focus was on enhanced women’s entrepreneurship, and access to markets and credit, and increased participation in rural development. These programs helped integrate gender issues into private sector human resource management, and communities were better able to link agriculture productivity to food security. Selection of activities for RBI was guided by a framework, which embodied better indicators and results oriented. The objective was to focus on activities, which would begin to yield results in a shorter time, and would be replicated and scaled up in future. In this context, impact evaluation is a key project component, to assess changes in livelihoods and provide feedback for future project design.

The first round of RBIs programs focused on building women’s business acumen and promoting participation in the market place in nine countries including Kenya, Liberia, and Tanzania. Table 2.5 gives a summary of programs in these countries under the RBIs.

**Table 4.2: Summary of RBIs Program features in Selected countries**

Country/Theme	Kenya	Liberia	Tanzania
<b>Direct beneficiaries</b>	29 Maasai women’s groups in traditional beadwork business	About 500 women	About 850 women who own small and micro enterprises
<b>Project</b>	Strengthening Export Competitiveness of Women Bead Workers	The Value Added Cassava Enterprise for the Ganta Concern Women’s Group (GCWG)	Mpango wa Kukuza Ujasiriamali na Biashara kwa Wanawake (MKUBWA)
<b>Aim of project</b>	Improve incomes and business management	Improve productivity in cassava production	Improve small and micro enterprises
<b>Activities</b>	Training, design and business development, linkages to export markets and identification of niche markets	Extension services, improved cassava cuttings and tools, support for marketing strategies, capacity building	Increase business and financial management skills, improve products and expand markets for the products
<b>Results</b>	Improved income; US\$4000 between Aug 2009 and Feb 2010, compare to US\$83 prior to project	Increased cassava yields from six tons to 10 tons per acre.	Better business management and improved well-being of households. (Detailed evaluation yet to be done)

Source: Adopted from World Bank (2011) “Gender equality as smart economics: A work in progress”, World Bank Group’s Gender and Development Group in the Poverty Reduction and Economic Network.

*e. Gender in Agriculture and Rural Development: Land titling in Ethiopia*

As part of the WB Sustainable Land Management Project, the Land Certification Program in Ethiopia changed the land ownership system in favor of women, granting new rights, status and confidence to them. The project instituted joint registration on a land title, thus granting women more security. The other objective was to improve agricultural productivity and halt land degradation. The key results included conflicts over land, improved women’s economic and social status, and sustainable land use.

**4.1.5. Applying Gender Action Plan Lessons: A Three – Year Road Map for Gender Mainstreaming (2011-2013)**

Drawing on lessons from the GAP, the World Bank drew up “A Three-Year Road Map for Gender Mainstreaming (2011-2013). The transition plan seeks to strengthen implementation of the gender policy, and places special emphasis on improving attention to gender CAS. The plan has two foci; internal and external. On the external focus, the plan identifies priority interventions based on gender equality trends. The emphasis is on risk and vulnerability of women and girls arising from the recent food, fuel and financial crises, and on opportunities to harness longer-term demographic trends. A Results Framework will guide internal operations, and it has six objectives, 11 priority areas and 20 targets and indicators, under Operations; Policy Dialogue; and Data and Statistics.

In 2010, the IDA Deputies agreed to make gender one of the four themes of IDA 16, thus emphasizing the integration of gender in Bank operations and coverage of key gender issues in analytical work. In this regard, one of the indicators in the Results Framework for Gender Monitoring is the number of gender-informed Economic and Sector Work (ESW) and AAA undertaken. Further, 100% of IDA CASs will draw on and discuss the findings of a gender assessment.

The decision by IDA Deputies to focus on gender in IDA 16 built on achievements under earlier IDA cycles. In 2001, the World Bank increased the focus on gender issues in its operations including



IDA funded activities. As a result, by 2006, 51 percent of all WB aid for IDA countries included gender issues in project design. However, the focus tended to be social operations (health and education); 63 percent compared to 33 percent in economic operations. Thus, the launch of the GAP in 2007 was a landmark, which deepened penetration of gender issues in WB operations in the economic sectors. By 2008, coverage of gender issues in economic sectors was at 41 percent, 0 compared to 77 percent in social sectors.

#### **4.1.6 The Future – Looking Ahead**

The achievements notwithstanding, a lot remains to be done to address lingering inequalities between men and women, and to support all efforts to integrate gender in government policies. One of the challenges is to build databases on sex-disaggregated and gender relevant data and statistics. This will entail building capacity, especially in IDA countries, in data collection, analysis and dissemination. Notably this is an indicator in the Results Framework. The gender relevant data is important for monitoring and evaluating of WBG projects.

Second, achievements such as reduced gaps between boy and girl child enrolment rates have brought to the fore a different set of inequalities. The WDRs 2011 and 2012 highlight the worsening situation for boys, especially in areas of conflict and in enrolment in institutions of higher learning, respectively. Therefore, efforts to address new sets of inequalities and to prevent reversals of the achievements are needed.

In addition, there are so many countries where more has to be done to achieve gender related MDGs, or at least make substantial progress by 2015. For example, according to the WDR 2012, maternal mortality rates remain high in SSA. In addition, the recent global economic crises highlighted the vulnerability of women and girls. Thus, empowerment of women and girls remains an agenda item for the international development community.

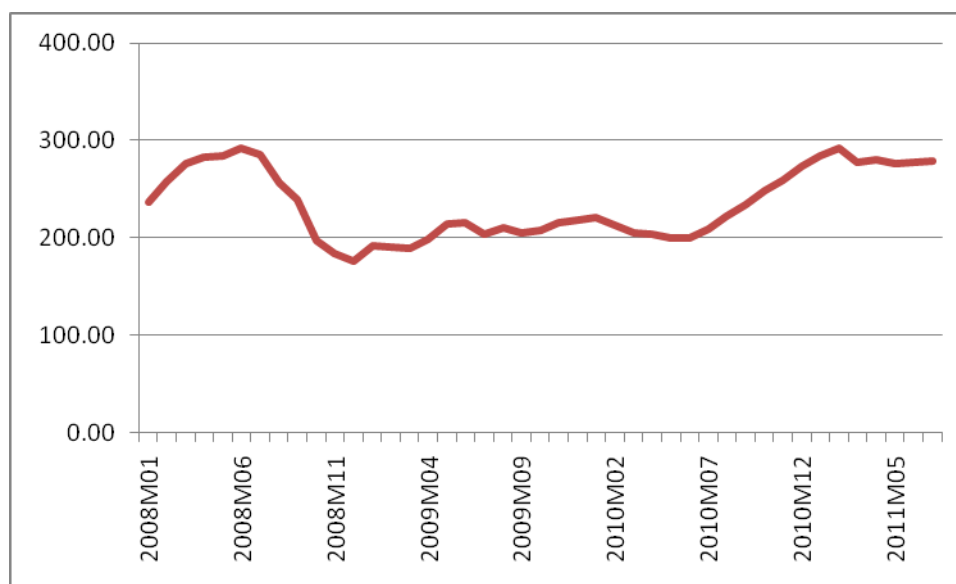
Third, there is the challenge to mobilize financial resources to sustain and replicate successful projects such as AGI, land titling for women, and credit and business management for women. The resource envelope for IDA 16 was US\$ 49.3 billion, an increase of 18 percent on the preceding replenishment, but insufficient for IDA countries requirements.

Fourth, there must be continued work to keep up progress in improving gender coverage in project design, supervision and monitoring, especially in economic sectors. There is need to build on the awareness which has been achieved by improving standards in monitoring, evaluation and analytical work.

## **4.2 Global Food Prices**

The international food prices are rising again, raising the same concerns about a repeat of the 2008 food price crisis and its consequences on the poor. As in 2008, soaring global food prices, led by grain, sugar, and oilseed, rose to a record high in February 2011. An index compiled by the World Bank reached its 2008 peak in February 2011 after rising by 47 percent since June 2010. Although in April 2011, the Index was slightly below its February 2011 levels, grain prices continued to be higher (see Figure 4.1).

**Figure 4.1**  
**Food Price Index (Current US\$ Prices (2000 = 100))**



There are several reasons for the spike in international food prices. According to the World Bank, a series of weather related shocks in developed countries depressed their grain production in 2010 by an estimated 8 percent and their stock by nearly 25 percent. As developed countries account for about 70 percent of world grain trade, the decline in production and stocks induced global food price increases.

In addition to weather related shocks, short-term variations in food prices were influenced by more volatile oil prices, macroeconomic policy, and financial investments. At the same time, long-term fundamentals, such as, changing diets in emerging countries, notably in China and India contributed to the increase in food prices.

Available data show that the impact of food price increases on poverty has been severe. World Bank estimates show that between June and December 2010, the increase in global food prices resulted in a net increase of 44 million more people in poverty, and 68 million net food buyers falling below the extreme poverty line. Low-income countries, where consumers often spend more than half of their income on food, were the hardest hit. The resurgence in global food prices has also aggravated balance of payments problem, thus adding pressure on government budgets.

### **World Bank Response**

In an effort to play its counter-cyclical role, the World Bank Group responded with both a short-term rapid response and a longer-term scale-up of investment in agriculture, tailored to differing client desires, needs, and circumstances. The short-term response has focused on implementation of the Global Food Crisis Response Program (GFRP) in three main areas: (a) food price policy; (b) targeted social protection actions to ensure food access and minimization of nutritional impacts of the crisis on the poor and vulnerable; and (c) enhanced domestic food production and marketing. As of early May 2011, total Bank funded GFRP projects amounted to US\$1.24 billion. According to the

Bank, GFRP has reached the most affected regions in Africa and Asia, with 58 percent of support going to Sub-Saharan Africa.

In addition, the Bank has shifted its focus from short-term intervention measures to combat hunger to medium and long-term response. This has included improving access to agricultural inputs, such as seeds and fertilizers, by small holders and investing in irrigation infrastructure in order to achieve long-term solutions to agricultural production and food security through implementation of its FY10-12 Agricultural Action Plan (AAP). Overall, the Agricultural Action Plan has seen an increase in lending from US\$4.1 billion annually in FY06-08 to between US\$6.2 billion and US\$8.3 billion over FY10-12.

The aim of AAP is to raise agricultural productivity growth, particularly through irrigation investment to improve drought tolerance and raise yields and through research and extension services and linking farmers to markets. To ensure effective impact at the country level, the World Bank has been working jointly with development partners through the establishment of the Global Agricultural and Food Security Program (GAFSP). GAFSP was established to pool donor grant resources to further scale up support to country-led agriculture investment plans. IFC also participates actively through its various programs for lending to the private sector in support of improving food security, including the set up of a private sector window for GAFSP and a planned Global Agriculture Price Risk Management Facility.

### **4.3 Jobs**

The recent political turmoil in the MENA region, civil and political tension in high income countries of Western Europe and North America, and the deepening poverty in SSA may have one thing in common i.e. rising unemployment. The recent global crisis had a direct impact on job markets, in particular in Europe and North Africa. The crisis slowed down the pace of economic recovery and growth in the industrialized world, resulting in massive restructuring of private firms and job losses. Recovery in these countries remains sluggish and unemployment levels close to double digits. This has created political and social tension in those countries.

Middle and low-income countries have also witnessed tension in their labor markets. Unlike Europe, where the problem of unemployment has been compounded by an ageing population, the MENA and SSA are experiencing pressure arising especially from youth unemployment. This since become a threat to sustained recovery and growth and has created social and political instability. These countries are seeing more of their young university graduates loitering around in the streets unemployed, and in some cases, for years.

Most countries in the SSA region are agro-based, employing over 80 percent of their economically active people in that sector. Over the years, subsistence farming has been the main activity in the region where productivity is low, and earnings similarly poor, hence the deepening poverty. For most of these countries the immediate challenge is to increase earnings from farming, through commercialization and higher productivity, and create enough off-farm jobs to absorb the growing army of unemployed youth.

An integrated approach to this problem would be the most effective way in coming up with a long term and sustainable solution to rising unemployment. Fundamentally, policies that promote pro-job growth would be most appropriate. These would need to be supported by appropriate technologies and relevant education strategies. The strategy should also address infrastructure development,

competition and innovation, and skills development. Further, it should also ensure social inclusion and promote political stability.

The jobs agenda should address the issue of women. Jobs which empower women result in a better allocation of resources, particularly at household level. Some jobs maybe politically and socially desirable as they reduce temptation appeal to criminal activity and violent behavior particularly among the youth, and instead turn them into economically productive and socially responsible people.

Finally, the jobs agenda goes beyond national boundaries and should therefore be addressed in regional and international strategies. The pace of economic globalization has created demand for a variety of skills in different parts of the world that can effectively be met through some measure of labor mobility across borders. A coordinated approach by different countries is required to ensure that this does not create further social and political tension in host countries.

Through its Education Strategy, the WBG now focuses on assisting its member countries prepare their labor force to cope with recent structural transformation by acquiring not just more and better education, but also skills that enable better productivity, innovation and entrepreneurial skills and thereby create opportunities for more jobs.



## Chapter 5

### African Caucus and Constituency Matters

#### 5.1 Overview

This chapter provides an overview of the constituency activities relating to how the Sub-Saharan African Chairs and Governors have been coordinating during FY 11 to ensure effective use of the enhanced voice of the subcontinent in the World Bank Group. It highlights the outreach activities of the Office of the Executive Director during the period, throwing light on the common concerns and observations on modalities for facilitating improved engagements between the World Bank Group and Constituency member countries. Some highlights on the Bank's relations with and interventions in our Constituency countries are also provided.

#### 5.2 Sub-Saharan Africa Voice and Representation

As part of its voice and governance reform efforts, the Board continued to pursue several initiatives. Following the approval of the first phase of the voice reforms, which, among others, increased the Board size from 24 to 25 members, Sub-Saharan African countries are now represented by three Executive Directors on the Boards of the World Bank Group (IBRD/IDA, IFC and MIGA) as of November 1, 2010.

The three Sub-Saharan African Chairs have since been actively collaborating to ensure effective use of the enhanced voice of the sub-continent on the Boards. In the course of the year, they have taken a strategic approach aimed at supporting the extensive Board and corporate agenda, amplifying Africa's voice on key global issues and ensuring regular focused discussions with senior management to facilitate transformative engagement between the Bank and African countries.

More specifically, the three chairs focus on two key objectives: (i) ensuring effective implementation of the Bank's Post Crisis Directions strategy and the New Africa Strategy, and (ii) improving the institutional effectiveness of the Bank with respect to the developmental needs of the African countries. In pursuing these objectives, the SSA Chairs have been guided by the African Caucus as articulated in the African Caucus Memoranda to the World Bank President.

#### **SSA Representation on Standing Committees of the Board**

Executive Directors play a significant oversight role, on behalf of the Board of Governors, in guiding the general operations of the Bank and its strategic direction. They do so through the Board and its five key Standing Committees, namely, the Audit, Budget, Committee on Development Effectiveness (CODE), Committee on Governance and Administrative Matters (COGAM), and Human Resources committees. Currently, the three Executive Directors together serve on all these committees. Moreover, two serve as Chair and Vice Chair of the Human Resources Committee,

and the Committee on Development Effectiveness, respectively. The Executive Director for our (Africa Group 1) Constituency apart from being the Vice Chair of the Committee on Development Effectiveness is also a member of the Budget Committee.

## **Senior Management Representation**

In recent years, Sub-Saharan Africa has had appreciable representation at the senior management of the Bank Group with nationals of member countries serving as Managing Director of the Bank, Vice President for the Africa Region of the Bank, Vice President for Africa and the Caribbean at the IFC, and Vice President for Integrity (INT). It is important that strong SSA representation at the senior management level is sustained to give credence and legitimacy to the overall governance arrangement of the institution. This is more so, given the recent changes at the level of Managing Directors and the imminent developments at the Vice Presidency of the Africa Region of the Bank. The SSA Executive Directors have taken keen interest in these developments and held various levels of consultations with senior management drawing attention to diversity issues in the institution, especially for Africans. Governors are therefore called upon to sustain their advocacy in this regard.

### **5.3 SSA Governors' Dialogue with the President and Senior Management of the WBG**

Two key African Governors' 1 consultations are held annually with the President and senior management of the Bank. The first of these takes place during the Annual Meetings of the IMF/WBG, while the second is a follow up during the subsequent Spring Meetings.

- ***African Consultative Group Meeting***

The 2011 African Consultative Group met in the margins of the 2011 Spring Meetings with the President of the World Bank and Senior Management to follow up on the 2010 African Caucus Memorandum and emerging issues of concern to the continent. The Governors prioritized regional infrastructure (energy and transport, in particular), food price volatility and agricultural productivity and innovative development financing as key interest areas for follow up action. The President underscored the advances recorded on voice and representation for Africa and the record IDA 16 Replenishment. Attention was drawn to the new World Bank Strategy for Africa, which put accent on the priorities highlighted by African stakeholders. Efforts at prodding the G20 to set up a preparatory facility for infrastructure financing for Africa and the Global Agriculture and Food Security Program were reported. The issues of climate change and underpinning implementation of the findings of the WDR 2011 on Conflict, Security and Development relevant to the Bank were highlighted as important areas for Africa. Note was also made of the efforts to promote and boost the private sector in Africa as well as keeping focus on health and education in view of the 2015 MDGs.

- ***Preparations for the FY2011 African Caucus Dialogue***

The forthcoming African Caucus meeting with the President of the World Bank was preceded by a preparatory meeting of the African Governors of the International Monetary Fund (IMF) and the World Bank Group (WBG) in Kinshasa, Democratic Republic of Congo (DRC) on August 3-4, 2011, under the Chairmanship of the Governor from the DRC, the Minister of Finance of the DRC. The first day of the Caucus was devoted to a seminar on topical issues that would form the basis of the key messages of their

Memorandum to the President of the World Bank Group and the Managing Director of the International Monetary Fund during the Annual Meetings in September 2011. The seminar centered on transformative regional interventions in the energy sector in Africa and food and fuel price shocks and their impact on Africa. The second day was focused on the draft African Caucus Memorandum to the Heads of the Bretton Woods Institutions and the review of the African Caucus Accord. The main highlights of the preparatory meetings are summarized in the “Kinshasa Declaration,” reproduced herein.

## **KINSHASA DECLARATION**

### **Overcoming Africa’s Energy Deficit and Addressing Rising Food Prices**

#### ***Statement of the African Governors to the Bretton Woods Institutions***

**Having** met in Kinshasa, the Democratic Republic of Congo (DRC), at our 2011 Caucus, hosted and chaired by His Excellency MATATA PONYO Mapon, Minister of Finance of DRC and Chairman of the African Caucus of the International Monetary Fund (IMF) and the World Bank Group (WBG);

**Noting** that, although Africa is well endowed with diverse sources of energy resources, only a small fraction of its potential has been developed;

**Aware** that deficit in energy infrastructure remains one of the most binding constraints to the Continent’s growth, competitiveness, and development;

**Mindful** of the impact of the drought and a repeat of the 2008 food crisis on the poor, as best illustrated by the current famine and hunger crisis in the horn of Africa;

**Having** exchanged views with representatives of the WBG, the IMF, the African Development Bank (AfDB), and other development partners on ways and means to overcome energy deficit and address rising food and fuel prices in Africa;

**Recalling** our 2010 Freetown Declaration on scaling up funding, including leveraging other sources of funding, for the high-yielding infrastructure projects; welcoming the IDA16 replenishment and related policy flexibility for supporting regional solutions; and reaffirming that the limited IDA country allocations can hardly address the growing challenges in particular areas such as infrastructure, agriculture, and regional integration;

**Welcoming** the IMF’s policy advice as well as financial and technical support to mitigate the impact of rising food and fuel prices; the WBG’s focus on Africa’s priority regional transformational infrastructure projects; AfDB’s commitments to scale up lending from the ADB window and introduce new lending instruments; and G20’s commitments to finance a Project Preparation Fund (PPF) in support of bankable high transformational projects, particularly in the energy sector, and to commission a joint MDB infrastructure action plan;

**Noting** the decision of the Advanced European countries to reduce their combined representation at the IMF Executive Board by two chairs in favor of a greater voice and representation of emerging developing countries; and calling for an increase in the representation of Africa at all levels of the BWIs;

**Concerned** about the impact of energy deficit, low agricultural productivity, and food and fuel price volatility on the overall state of economy, macroeconomic policies, and fundamental security risks for consumers and governments; and about the under-representation of Africa on the IMF Board;

## **WE, THE AFRICAN GOVERNORS TO THE BWIs, AGREE TO:**

- a) Strengthen and stimulate our regional power pools in South, West, East, and Central Africa;
- b) Pursue the goal of pooling energy resources to achieve scale economies in power sector development and be proactive;
- c) Fully develop our power export potential; and pursue regional power trading;
- d) Improve agricultural productivity to spur growth and reduce famine and poverty in Africa;
- e) An increase in the representation of Africa at all levels of the BWIs;
- f) Put in place a Task Force to interact with BWT's designated technical team on ways and means to overcome energy deficit, improve agricultural productivity, and increase the representation of Africa on the Executive Board of the IMF.

## **TO OVERCOME ENERGY DEFICIT, AFRICAN GOVERNORS**

**CALL** for extra and urgent support by the WBG, for four projects – namely Inga III and Grand Inga, in DRC, for the Southern Power Pool ; Lom Pangar Hydro Power, in Cameroon, for the Central Africa Power Pool; and Souapiti and Kaleta, in Guinea, for the West Africa Power Pool; the Rift Valley Geothermal Project, in Kenya, for the East Africa Power Pool - given that they have high transformational and regional integration potential for the development of Africa; that they are well aligned with NEPAD priority infrastructure projects; and that they benefit from a strong continental political support.

### **URGE**

#### **1. The World Bank Group, to:**

- a) Put these projects at the core of the WBG's energy and updated infrastructure strategies;
- b) Use its strong convening power, global reach, and extensive knowledge to mobilize the financial resources and technical support required to effectively and efficiently advance the realization of these projects;
- c) Open these projects, where feasible, to enclave financing, through access to IBRD financing window; and increase use of various WBG instruments , including guarantees;
- d) Ease the conditionalities associated with the enclave financing in order to make the facility more attractive and suitable to the needs of our countries;
- e) Advocate support for these regional transformational energy projects at different for a, including the G20.

#### **2. The International Monetary Fund, to:**

- a) Increase the concessionality of Fund lending to our countries and extend beyond 2012 the zero-interest policy on Fund concessional resources;
- b) Further increase the current access limits and norms applicable to its concessional lending facilities, in line with those applicable to General Resources Account (GRA) facilities;
- c) Push forward the proposal to allocate the windfalls profit from the gold sale to the funding of the concessional Trust;
- d) Bring into effect the proposal of topical trust funds intended to finance efforts to increase domestic revenue in our countries;
- e) Support more proactively efforts by our countries to access international markets.

## **TO IMPROVE AGRICULTURAL PRODUCTIVITY, AFRICAN GOVERNORS**

**CALL** for short and long-term measures to enhance resilience to agricultural risk and improve agricultural productivity, because of its strong multiplier effect in enhancing growth and its high potential to reducing poverty

### **URGE The World Bank Group, to:**

- a) Put more resources and take concrete actions in support of expansion of water supply and irrigation infrastructure; strengthening security of land rights and investing in agricultural research;
- b) Support the development of value chains that strengthens market integration;
- c) Develop country-specific versions of the Comprehensive African Agriculture Development Program;
- d) Use its leverage and convening power to crowd-in private sector contributions and catalyze donor financing to secure adequate resources needed in the sector;



- e) Scale up investments, particularly in private agribusiness enterprises;
- f) Adopt regional integration approaches, with a clear focus on multipurpose and large scale regional transformative projects in order to achieve faster agriculture-based growth in Africa;
- g) Support our efforts in easing physical constraints that are impeding the region to address, in particular, cross-border custom formalities and agriculture-related infrastructure gaps.
- h) Extend, as a precautionary measure, the closing date for the Global Food Crisis Response Program to allow the continued expedited processing of IDA and IBRD funds, should country needs arise.

**ENCOURAGE the BWIs to continue advocating on our behalf for:**

- a) A quick and effective delivery of the G20 pledges under the Global Agriculture and Food Security Program;
- b) A swift and efficient implementation of the recommendations of the April 2011 G20 meeting of Agriculture Ministers to reduce food price volatility that hurts mostly our economies and population;
- c) The removal of developed countries' protection and trade restrictions, which are among critical impediments to boosting rural value added in the continent, increasing Africa's participation in international markets, and building the necessary capacity to respond to importing markets' standards.

**TO INCREASE THE REPRESENTATION OF AFRICA IN BWIs, AFRICAN GOVERNORS**

**REITERATE** their longstanding call for a third chair at the Executive Board of the IMF, with the objectives of enhancing the representation of Africa and reducing the heavy workload of the two existing chairs for sub-Saharan Africa.

**URGE**

**1. The International Monetary Fund, to:**

- a) Support our request for the third chair for sub-Saharan Africa at the Fund;
- b) Review the IMF quota formula so as to enhance the quota shares of emerging and developing countries;

**2. The World Bank Group, to:**

Review the existing eligibility criteria determining the nationality of focus, which impede most African countries to qualify as nationality of focus.

**3. The Bank and the Fund, to:**

- a) Set more ambitious goals for the underrepresented regions and urgently take concrete steps to achieve these diversity targets at all levels;
- b) Enhance the representation of African nationals at all levels of staff;
- c) Achieve more progress in the recruitment, promotion, and career development of the African staff in the Bank and the Fund.

**CONCLUSION**

To push for, and monitor implementation of, the above, we have put in place a Task Force consisting of Constituency Chairs, Governors and Ministers of energy of DRC, Guinea and Kenya, and willing Governors, under the leadership of the President of the Caucus, with the assistance of our Executive Directors at the IMF and the Bank. We have mandated the Task Force to interact with BWI's designated technical team and report on progress in problem areas targeted during our 2011 African Caucus meeting in Kinshasa, the Democratic Republic of Congo.

**ACKNOWLEDGEMENT**

We, African Governors, thank the President, the Government and the People of the Democratic Republic of Congo, for the hospitality and support they accorded us throughout our stay in the country.

Kinshasa, August 4, 2011  
The African Caucus

During the reporting period, the Executive Director undertook outreach activities to Constituency member countries. These included country visits, participation in the Regional Development Bank meeting, United Nations Summits on Least Developing Countries and countries' donor consultative fora etc. The Office of the Executive Director also participated in the visit by the World Bank President to Zambia. The outreaches served the purpose to meet and discuss with Authorities and the World Bank field officials and keep abreast with the development efforts and challenges of Constituency member countries, follow up on portfolio/project implementation issues and seek out ways of strengthening countries' relations with the World Bank Group.

The Constituency countries visited during FY11 included Botswana, Ethiopia, The Gambia, Lesotho, Liberia, Kenya, Malawi, Namibia, Rwanda, Sierra Leone, Swaziland, Tanzania, Uganda, and Zambia. All these countries have good relations with the World Bank Group and underscored the relevance of the World Bank's contribution to their development efforts. Most of the countries are far advanced in the implementation of their current Country Assistance or Partnership Strategy and on the verges of commencing consultations for new Assistance or Partnership Strategies.

The FY 11 assessment of the world Bank Group operations which points to a long standing challenge of low implementation performance in the Africa Region and the new World Bank Strategy for Africa which aims at addressing this challenge, provided the lens through which most of the visits deliberations were undertaken.

### **Common Concerns on Countries' engagement with the Bank group**

A number of common concerns that undermine the effectiveness of these countries' engagement with the World Bank Group were discussed. These issues, which include among others, access to resources, limited knowledge of the facilities to support countries and project implementation challenges, relate to both the World Bank Group and Member countries alike.

In all the countries, status of implementation of the various Bank supported projects was provided. The authorities underscored the following implementation issues:

- That project conceptualization and design need to carry more country ownership. It was noted that institutional arrangements for projects if not thoroughly thought out at design phases, complicate project implementation and render challenging reporting requirements (particular reference was made to the on-going infrastructure support project in Uganda, Sierra Leone etc).
- That the No Objections process (for procurement, hiring of project staff etc) which is centralized with World Bank Task Team Leaders is cumbersome and slows implementation. They call for some form of decentralization at least at the country office level or rather improve on the level of authority given to implementing agencies
- Unpredictability of Disbursements, in particular, budget support, creates complications for broader national budgetary management
- Counterpart contributions – there was call for more innovative ways for countries to demonstrate commitment other than financial counterpart funding, which sometimes prove burdensome for government budget and undermine effective implementation of approved and effective projects
- Need to consolidate and sustain support in key social sectors to avoid creating donor orphans sector in countries, for example the Education sector in the Gambia.

Countries expressed appreciation of the expansive services provided by the World Bank across the different client groups, but expressed concern about the limited knowledge within our Constituency members on the nature of and modalities for accessing the existing and new WBG instruments, both financial and non-financial. Also, of concern was the limited access of some countries to a category of financing instrument as a result of country classification based on estimated income levels. This is particularly the case of the lower middle-income countries that could not benefit fully through the IBRD window while having no access to the IDA window of financing.

Several of the small countries and countries in fragile situations expressed concern of being caught in a “low equilibrium trap” in relation to IDA resource allocations. It is noted that despite the record increase in the IDA 15 and IDA16 replenishment and the SSA share of IDA allocation maintained at 50 percent, their respective countries’ allocations have either been flat or declined, meanwhile their CPIA performance have been improving. While acknowledging the efforts of the IDA 16 framework for fragile states, countries underlined the importance to review the CPIA taking into account the special concerns of this group of countries.

Great potentials are noted in regional solutions across the countries visited. However, countries observed that the size of regional programs is generally low relative to the region’s legitimate needs. They urged for a more forceful intervention on the regional scale especially on selective strategic transformational investment in the energy and transport sectors.

### **Key observations for enhancing effective engagements**

World Bank Group’s Post Crisis Direction and the new World Bank Strategy for Africa reflect the on-going shift towards according Africa’s development as a priority on the Bank’s agenda. Keen attention to the implementation of these strategies have been emphasize by the Executive Director in various strategic discussions in the Board and senior management, if the concerns above are to be effectively addressed.

The World Bank Group Country Assistance Strategy (CAS) for these countries present a unique opportunity for an intense, open and participative dialogue between the governments and all development stakeholders on the national visions and possible role and contribution of the World Bank. In view of observations during the missions, we believe that the Bank is spread too thin in many sectors relative to the resource envelop available to most of the countries. In the upcoming CASs or review of existing ones, there is the need to make World Bank engagement in these countries selective and focused on few projects with deep and tangible development impact.

Parts of the project implementation challenges are among the factors undermining countries’ CPIA ratings and in turn their IDA resource allocations. The on-going Investment Lending Reform and Program for Results Lending instrument being developed by the World Bank presents opportunities to address these challenges. Management is being urged to keep countries fully informed of the prospective improvements in the Bank’s lending approaches. CAS consultations and portfolio reviews provide a good opportunity to take up these issues.

On the issue of access to resources, it is has been emphasized that a strategy for engaging lower MICs in Sub Sahara Africa be articulated. The Bank must also provide tailor-made solutions, where expedient, to strengthen its support to these set of countries. Access to IDA/IBRD blends facilities and promotion of public private partnerships as possible options to lend access are sources that

have been urged for the Bank to consolidate efforts. On-going efforts are being intensified to ensure streamline procedures for fast access to available Bank instrument especially for regional solutions.

## Next Steps

In view of the long standing challenge of low implementation performance of the World Bank in Sub Sahara Africa relative to other region and the urgency to ensure effective implementation of the new World Bank Strategy for Africa, the Executive Director has consistently brought all of these observations to the attention of the senior management. Various strategic engagements between Governors and the senior management are further appropriate avenues for re-emphasis and reiterations.

## 5.5 Country Portfolio Highlights

### BOTSWANA



#### *Overview*

Botswana is one of the most successful development stories. A small, landlocked country of 1.9 million people, Botswana was one of the poorest countries in Africa with a GDP per capita of about US\$70 at independence from Britain in 1966. In the four decades following independence, Botswana has transformed itself, moving into the ranks of middle-income status to become one of the fastest growing economies in the world, with an average annual growth rate of about 9 percent.

While Botswana has found itself in a stronger position than many other mineral producing economies in the continent because of its past prudent fiscal policies, it faces the near-term challenge of ensuring a return to sustainable levels of public spending. Large fiscal deficits were accumulated during the crisis – estimated at 5.2 and 14.2 percent of GDP for 2008-2009 and 2009-2010, respectively. These deficits are projected to remain high (12.2 and 7 percent of GDP for the coming two years) as major investment projects are completed. Reduced South African Customs Union (SACU) revenues and a secular decline in mineral revenues will add to the fiscal burden. On the positive side, the non-mining private sector has proved to be resilient, growing at an estimated 5 percent during 2009 compared to a year earlier (but down from peak levels of 10 percent in 2007), despite the global crisis.

The key long-term challenge facing Botswana is how to grapple with the predicted decline in previously buoyant diamond revenues. While projections of future diamond revenues are uncertain, it is clear that these have already entered a period of gradual decline, with a rapid fall projected within 10-15 years. The public sector will have to shrink substantially, from about 40 percent of GDP today to a more typical middle-income country share of 25 to 30 percent. Declining public revenues will have to address a long agenda of outstanding social and economic needs. Botswana's public sector therefore faces two key challenges: ensuring fiscal sustainability and improving the effectiveness and efficiency of service delivery. The transition to a new reality of significantly more

constrained resources will require a fundamental review of Botswana’s highly successful economic model that is facing a new set of challenges in the 21st century

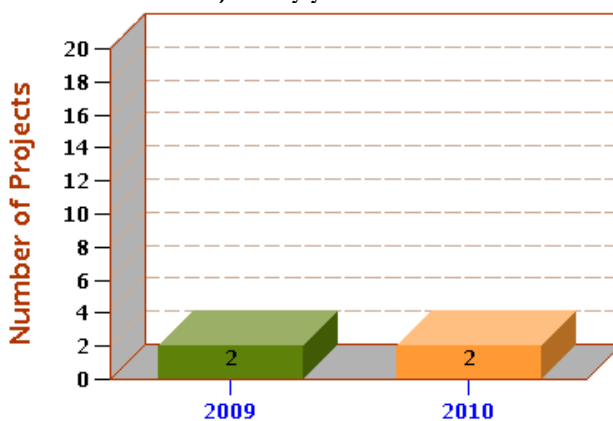
### ***World Bank Relations and Strategic Engagement***

The current CPS for Botswana approved by the Bank’s Board of Executive Directors in May 2009 presents the World Bank’s indicative program for Botswana for the period of FY09 to FY13. This first-ever Bank strategy for Botswana comes in response to increased interest from the Government of Botswana for a scaled up WBG program. The strategy, developed in consultation with the Government of Botswana, is linked to the national development priorities as set forth in Botswana’s long-term development strategy “Vision 2016”, and the National Development Plans (NDPs).

The WBG’s Botswana program currently focuses on the following four elements of the Government’s short and long-term development agendas:

- Enhancing Public Sector Effectiveness
- Fighting HIV/AIDS and Improving Education Outcomes
- Increased Competitiveness – Infrastructure and the Climate for Investment and Growth
- The Environment

**Chart 5.1: Number of World Bank Projects by year**



The Bank’s portfolio had four active projects: (i) HIV/AIDS Prevention Support (US\$50 million); (ii) Integrated Transport (US\$186 million); (iii) Morupule B Electricity Generation and Transmission (US\$379 million financing package); and (iv) Human-Wildlife Conflict Prevention (US\$5.5m grant from the Global Environment Facility).

Chart 5.2: World Bank Lending by year

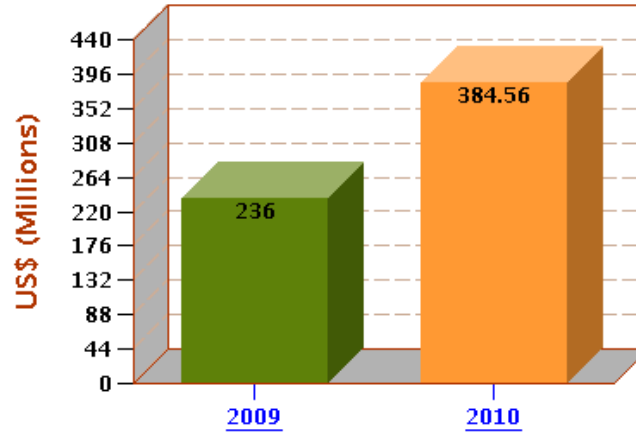
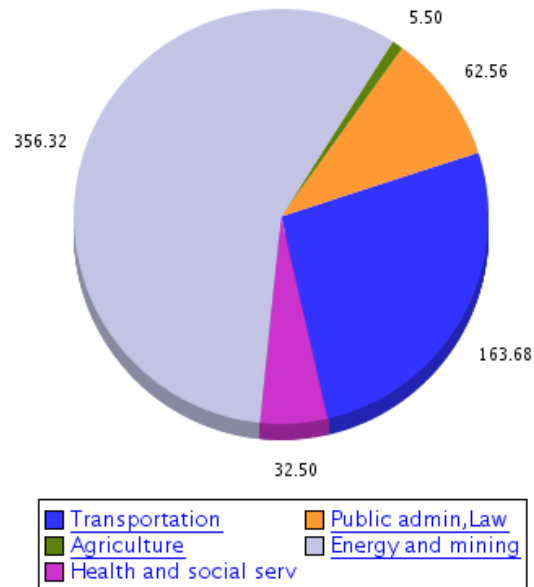


Chart 5.3: Lending by Sector - 2008-2011



In addition to the lending program, the Bank is undertaking analytical work to fill a number of gaps in order to better understand the apparent contradiction between the strong track record in governance, macro-fiscal management and growth vis-a-vis high levels of poverty, inequality and human development indicators, and to continue identifying key bottlenecks to economic diversification.

Botswana joined IFC in 1979 and MIGA in 1990. The IFC supports the competitiveness agenda through selective strategic interventions; IFC Advisory Services has been appointed as transaction advisor to the Government on a public-private partnership for the new Botswana University of Science and Technology (BIUST) and the privatization of the Botswana Telecommunications Corporation (BTC). The Corporation is also exploring options for providing finance to mining beneficiation and advisory services in the health sector.

MIGA is poised to also support the country's competitiveness agenda through the provision of political risk insurance, when needed by foreign investors active in the country. To date few investors have sought such support from MIGA, primarily due to the market's perception of low political risk. Specifically, MIGA's insurance can be used as a credit enhancement tool (to improve lending terms and conditions of private projects) in middle-income countries like Botswana. In this regard, MIGA commits to continue to work closely with the Bank and IFC, especially in respect of projects in the infrastructure and extractive sectors, given their significant impact on growth.

## BURUNDI



### *Overview*

Burundi has, since the Arusha Accord in 2000, seen a slow economic recovery with a 3 percent average growth rate from 2001 to 2008, but stagnant GDP per capita (US\$110). Per capita GNI (Atlas method) fell by almost 40 percent during the war, from US\$170 in 1993 to US\$100 in 2005.

Burundi's annual population growth at an estimated 2.4 percent (2008) is among the highest in Sub-Saharan Africa. It will be difficult to increase living standards without both a slow-down in population growth and a significant acceleration of the annual GDP growth rate. 2008 estimates showed that annual GDP growth needs to reach at least 8 percent per year from 2009 to 2012 for the country to reach its pre-war level of per capita GNI by 2012.

The economy depends on the highly volatile agricultural sector, which accounts for about half of GDP and approximately 90 percent of employment. Coffee is the main export, accounting for more than 60 percent of export revenues. The share of the secondary and tertiary sectors has been increasing. The secondary sector—which includes manufacturing, processing, construction, and related industries—represents the smallest overall share of the economy. It averaged about 16 percent from 2005 to 2008, with manufacturing and construction as its main subcomponents. The tertiary sector—services, transport, and commerce—represents a relatively large and growing share of economic output, contributing about one third of GDP between 2005 and 2008.

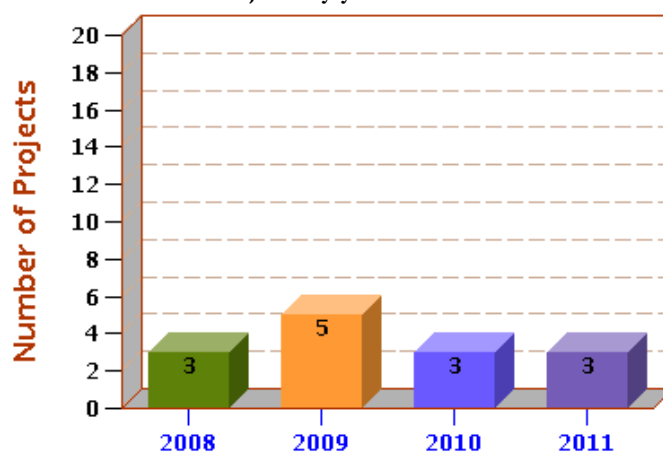
Since 2000, the Government of Burundi has implemented a program of financial and structural reforms to stabilize the economy and revive economic activity. These have included: prudent monetary policy implemented by a more independent central bank in the context of a liberalized foreign exchange regime, prudent fiscal policy with poverty-focused expenditure priorities, and steps to strengthen and improve the transparency of public financial management.

### ***World Bank Relations and Strategic Engagement***

Burundi's relations with the Bank continue to strengthen. Successful implementation of the government's economic reform program enabled Burundi to reach the HIPC decision point in August 2005 and HIPC completion point in January 2009. Debt relief to Burundi under the enhanced HIPC Initiative will total about US\$832 million in net present value (NPV) terms, with IDA contributing to more than half of it (US\$425 million).

In June 2008, the World Bank's Board of Executive Directors discussed the current CAS for Burundi. The World Bank then provided an estimated US\$280 million in IDA resources to support the development program of Burundi over the following four years (mid-2008 to mid-2012). Based on Burundi's Poverty Reduction Strategy Paper (PRSP), the Bank's strategic directions is attuned to support Burundi's transition from a post-conflict economy to a developing economy by selectively assisting the government to implement the PRSP. The Bank's strategic focus has been to help the country: (i) promote sustainable and broad-based economic growth through increased productivity of food crops, larger exports base, improved business environment, and improved infrastructural services thanks to regional integration; (ii) improve access to social services to consolidate social stability through more efficient and transparent public financial management and improved access to quality basic services; (iii) diffuse good governance and anti-corruption practices by strengthening Burundi's governance strategy and institutions to improve public financial management.

**Chart 5.4: Number of World Bank Projects by year**



The World Bank is currently providing financing for 12 projects, with commitments of US\$399.4 million, to provide budget support, assist economic reforms, and support improvements in agriculture, community development, education, electricity, healthcare, HIV/AIDS, transport, and water supply. Three new projects and one additional financing program were approved in FY11 in the total amount of US\$ 67.4 million.



Chart 5.5: World Bank Lending by year

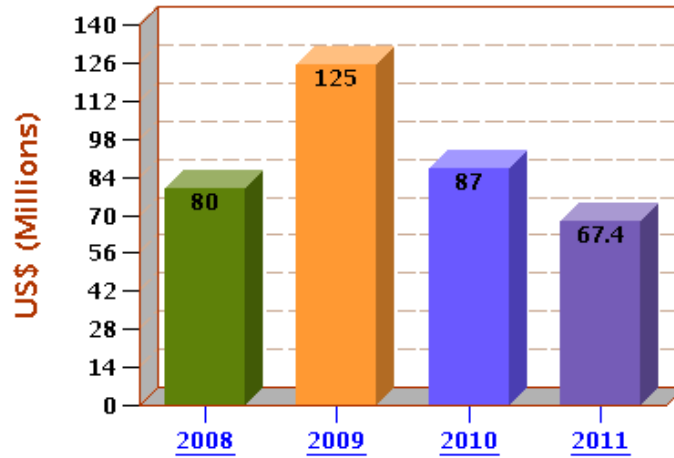
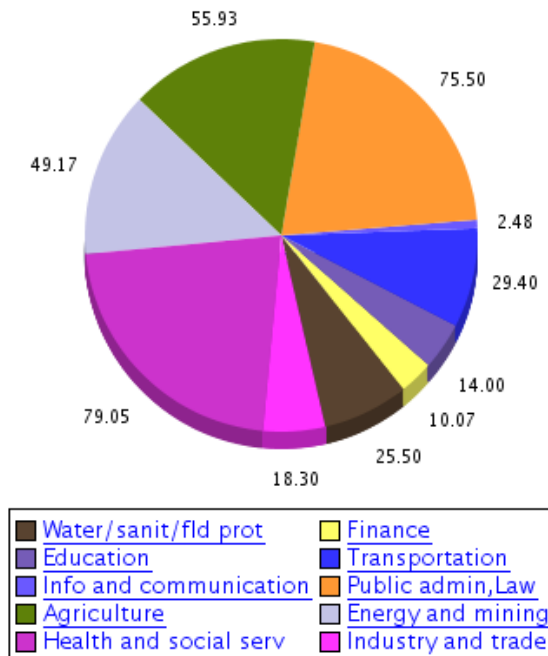


Chart 5.6: World Bank Lending by Sector



IFC and MIGA are yet to be actively engaged in Burundi.

## ERITREA



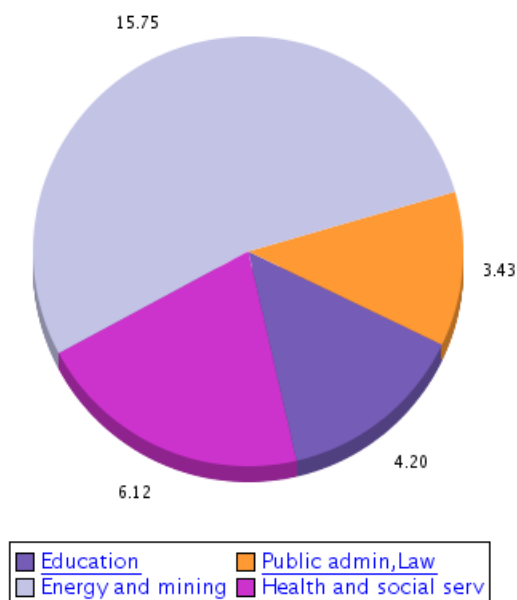
### *Overview*

Eritrea is a young nation-state. Its GDP was estimated at US\$1.87 billion in 2009, for a population of about 5.0 million, with an average annual per capita income of US\$336 in 2009. Rain-fed agriculture, the predominant economic activity for more than half of the population, is a very risky enterprise and food security remains one of the government's main concerns. Economic conditions remain challenging because of the external environment, macroeconomic situation and limited physical and human capital.

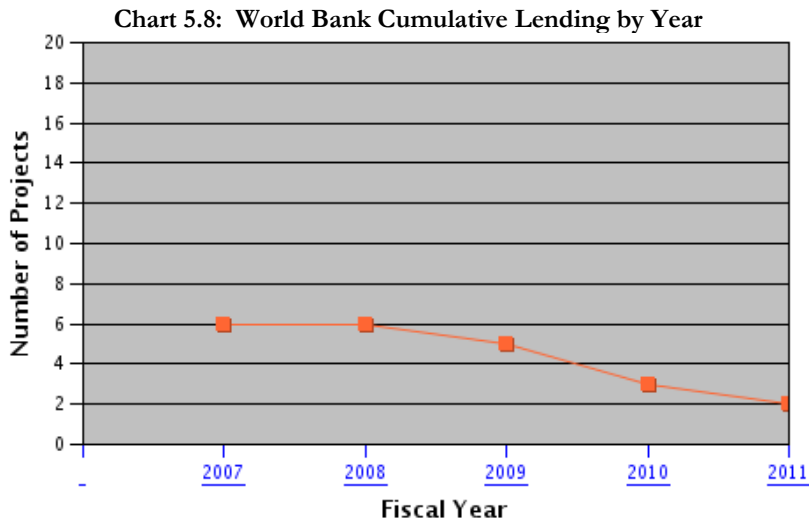
### *World Bank Relations and Strategic Engagement*

The World Bank's activities in Eritrea date back to 1992, supporting the country's efforts towards broad-based economic growth, improve education and nutrition for Eritrean children, and implement critical economic and governance reforms.

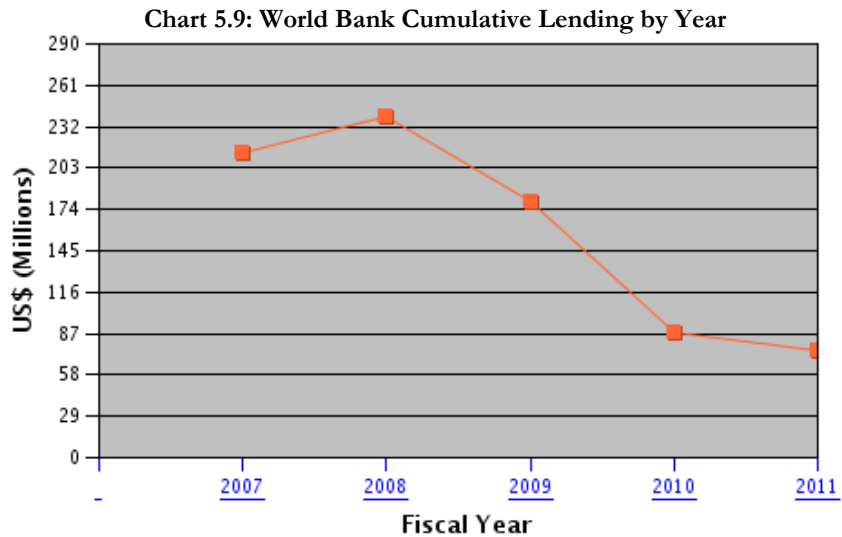
**Chart 5.7: World Bank Lending by Sector - 1998-2011**



The **Interim Strategy Note (ISN)** for Eritrea for the period June 2008 to 2010 which the Bank Board of Executive Directors endorsed in June 2008 was geared at strengthening the Bank's engagement with the government and the people of Eritrea by building on the knowledge base for analytical and advisory activities. The objective of this ISN was to support the government to deliver improved human development and infrastructure services.



As of July 2011, the Bank’s portfolio of lending in Eritrea consisted of only two active projects in education and transport with a total commitment of US\$75.3 million.



IFC has not made any new investment in Eritrea since 1997. The border conflict with Ethiopia shifted IFC’s focus to providing technical assistance in the fish, marble and granite, and banking industries. In line with IFC’s new Strategic Initiative for Africa, activities in Eritrea are in support of improving the investment climate, for example in working with government to develop and attract investors to the mining sector. IFC will look at improving investment climate conditions and investment opportunities in industries with a comparative advantage and export potential, such as tourism, fishery, marble and granite, mining, aquaculture and horticulture. Furthermore, IFC will

look to assist the government with its privatization program through financing and technical assistance.

Although MIGA does not have an active program in Eritrea, it remains a priority country due to its IDA and conflict-affected status. With progress in the peace process, opportunities could emerge for MIGA to support foreign involvement in Eritrea.

## **ETHIOPIA**



### ***Overview***

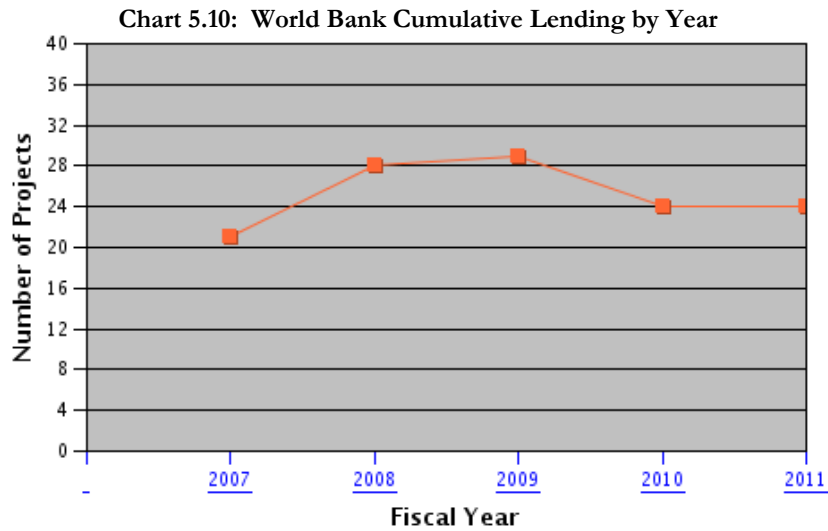
Ethiopia, with a population of about 81 million, is the second-most populous country in Sub-Saharan Africa. At US\$350, Ethiopia's per capita income is much lower than the Sub-Saharan African average of US\$1,077 in FY 2009 (GNI, atlas Method). In recent years, Ethiopia has been one of the fastest growing economies in Africa. Nevertheless, its robust growth performance and considerable development gains from 2003 to 2007 came under threat during 2008 and 2010 with the emergence of twin macroeconomic challenges of high inflation and a difficult balance of payments situation. The problem was exacerbated by the high fuel and food prices in the global market. However, the Ethiopian economy has navigated the global economic crisis much better than most developing countries. Exports, remittances and foreign investments, after falling modestly in 2008 and 2009, have recovered and exceeded their pre-crisis level.

The government has taken a number of measures in the last two years (e.g., tightening fiscal policy and reducing government's domestic borrowing, mitigating the impact of high food prices on the poor through import of cereals, reducing the domestic borrowing of public enterprises, tightening money supply, and depreciating the local currency in several steps and introducing price caps on selected goods) to address the macroeconomic problems.

While Ethiopia's economy is expected to continue to grow at a healthy pace, its macro situation will remain under stress in the foreseeable future. The economy is likely to slow down in the coming years, though the growth rate will remain respectable from a global perspective. The main challenge for Ethiopia is to continue and accelerate the progress made in recent years toward the MDGs and to address the causes of poverty among its population. The government is already devoting a very high share of its budget to pro-poor programs and investments. Large-scale donor support will continue to provide a vital contribution in the near-term to finance the levels of spending needed to meet these challenges.

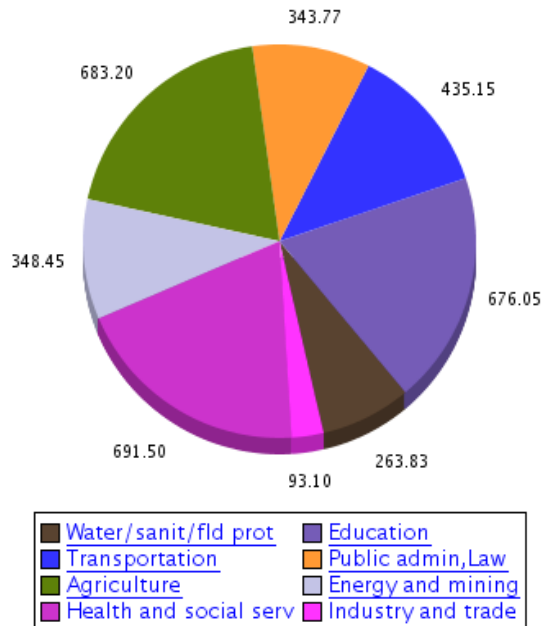
### ***World Bank Relations and Strategic Engagement***

Ethiopia is among the founding countries of the World Bank Group. Since it became a member in 1945, Ethiopia has received financial support from the Bank for over 140 projects related to all major sectors of the economy. IDA is Ethiopia's largest provider of official development assistance: it has committed over US\$7 billion to more than 60 projects in Ethiopia since 1991, most notably for the protection of basic services, productive safety nets, and roads.

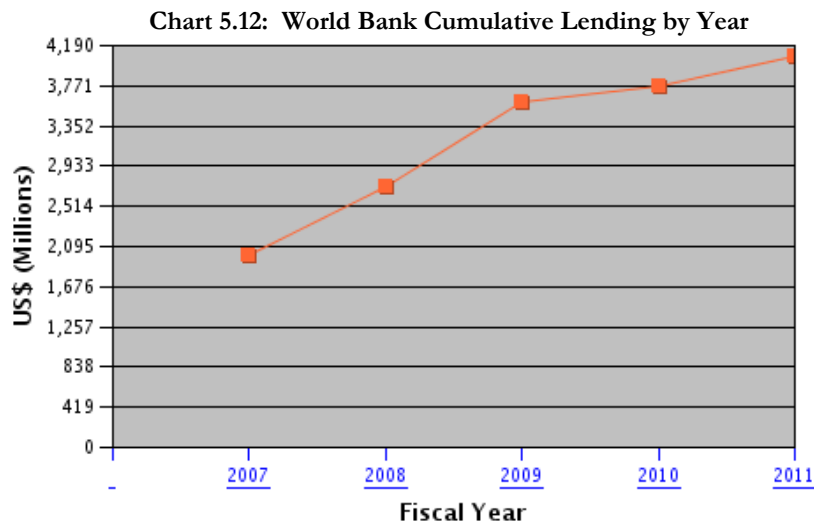


The Bank has worked to promote economic growth and address systemic poverty challenges across many sectors such as education, health, water and sanitation, decentralization, private sector, and regional cooperation.

**Chart 5.11: World Bank Lending by Sector -2007-2011**

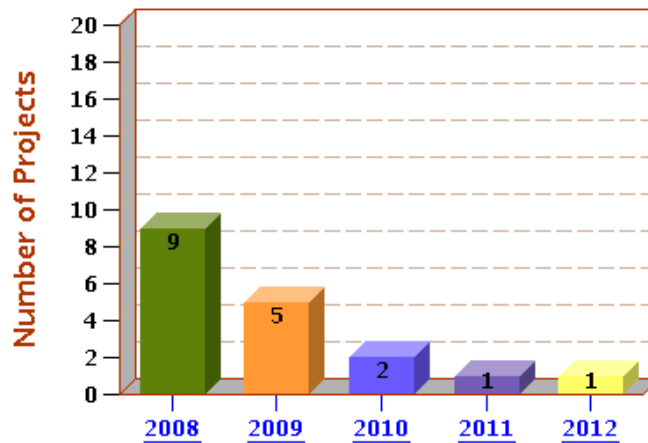


It currently has a portfolio of 27 active projects worth over US\$3.7 billion.



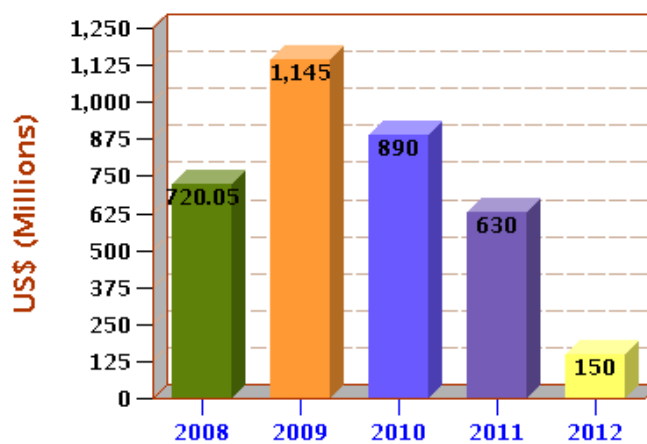
The current CAS for Ethiopia covers the period FY 2008-2011. The CAS aims to support Ethiopia in achieving four main strategic objectives, consistent with the Government’s Plan for Accelerated and Sustained Development to End Poverty (PASDEP): (i) fostering economic growth to sustain the emerging economic ‘take-off’; (ii) improving access to and quality of basic service delivery to sustain the emerging basic service ‘take-off’; (iii) reducing Ethiopia’s vulnerability to help improve prospects for sustainability; and (iv) fostering improved governance to support progress on the previous three objectives and empower citizens.

**Chart 5.13: Number of World Bank Projects by year**



The Bank’s lending and non-lending activities aim to support Ethiopia in sustaining high levels of investments in key areas (both physical and human capital as well as institutional capacity building), while addressing priority policy issues to maximize the impact of such spending.

Chart 5.14: World Bank Lending by year



After eight years of absence, IFC has re-established its role in developing the private sector. It now has staff in Addis Ababa and is more actively engaged in key sectors. MIGA is exploring new opportunities to support investment in Ethiopia.

## GAMBIA, THE



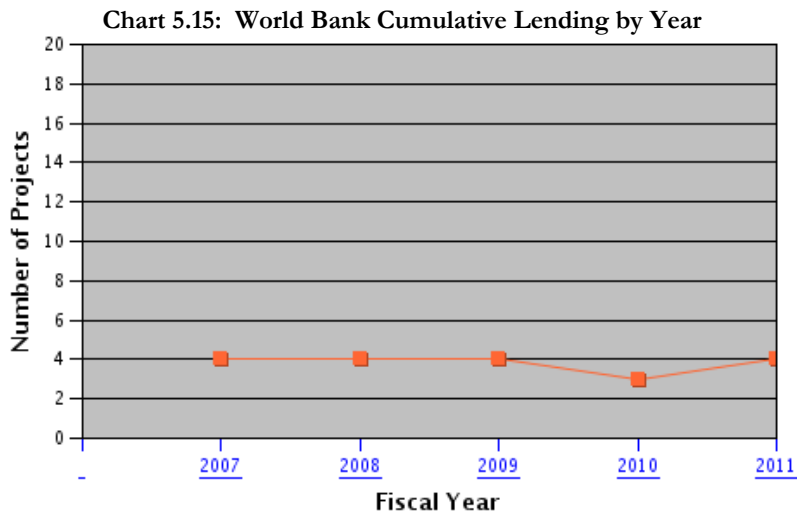
### *Overview*

The Gambia, one of the smallest country in Sub Sahara Africa, has a population of 1.7 million. Its 2009 GNI per capita is US\$440. Despite challenging global, and by extension domestic, conditions, the Gambian economy has performed well in recent years. Real GDP grew by an average of 6 percent a year between 2007 and 2009, up from an average of 3.6 percent between 2004 and 2006. Even during the global economic crisis in 2009, real GDP growth was strong at 5.6 percent led by a continued rebound in agricultural production, which helped cushion the impact of sharp drops in tourism and remittances from Gambians working abroad.

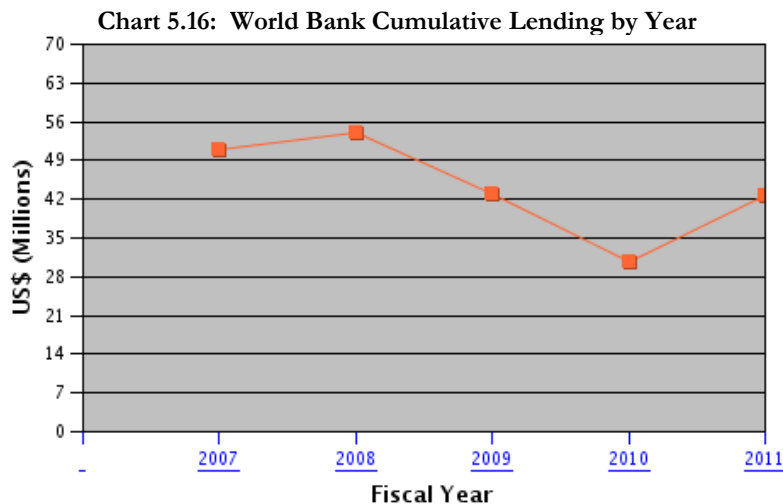
The economy is relatively undiversified and limited by a small internal market. Services account for over half of GDP, reflecting the importance of the re-export trade, which has been driven by liberal trade policies and an efficient port infrastructure. Tourism is also a key driver of the economy and the country's most significant foreign exchange earner. Agriculture accounts for approximately one-third of GDP and over 70 percent of employment. It is dominated by groundnuts, which account for 60 percent of domestically produced exports. The sustainability of the recent economic performance is contingent on the completion of actions aimed at further reducing energy costs; modernizing transport logistics and infrastructure; increasing growth and innovation in tourism; encouraging private sector-led agricultural export diversification; revitalizing the groundnut subsector; and promoting greater regional integration.

## World Bank Relations and Strategic Engagement

The Gambia joined the World Bank in October 1967, two years after independence. The first loan financed the rehabilitation of the Bathurst (Now: Banjul) port. Since then, IDA has approved 39 projects for The Gambia amounting to about US\$336 million. The Gambia's IDA-15 allocation, covering fiscal years 2009 to 2011, was SDR 12 million (about US\$18-19 million), in addition to debt relief under the HIPC initiative and the MDRI.



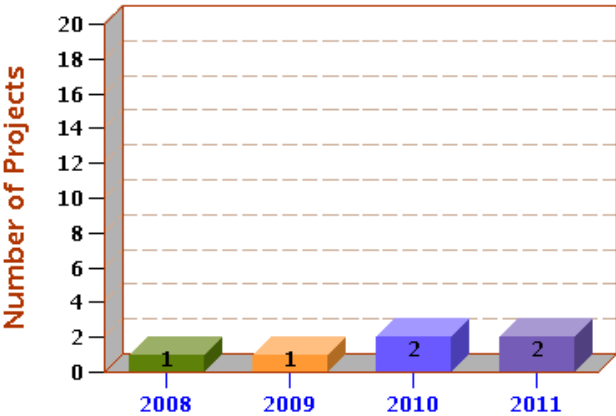
World Bank operations in the Gambia are based on a Joint Assistance Strategy for 2008 to 2011 prepared with the African Development Bank. Its two pillars focus on the institutional framework for economic management and on growth and competitiveness. IDA is the largest donor partner after the EU, with a four-project, US\$42.75 million IDA portfolio, a US\$48 million TF portfolio and a US\$24.2 million pipeline for FY2010 to 2011 that is funded both by regular IDA and by other resources.





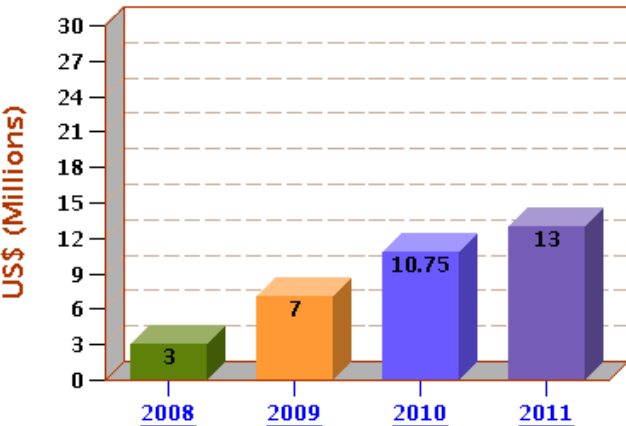
The current portfolio consists of four IDA-funded projects totaling about US\$42.75 million equivalent, covering the areas of community-driven development, basic education (complementary to the Education-for All/Fast Track Initiative), public financial management, and private sector development for growth and competitiveness.

Chart 5.17: Number of World Bank Projects by year



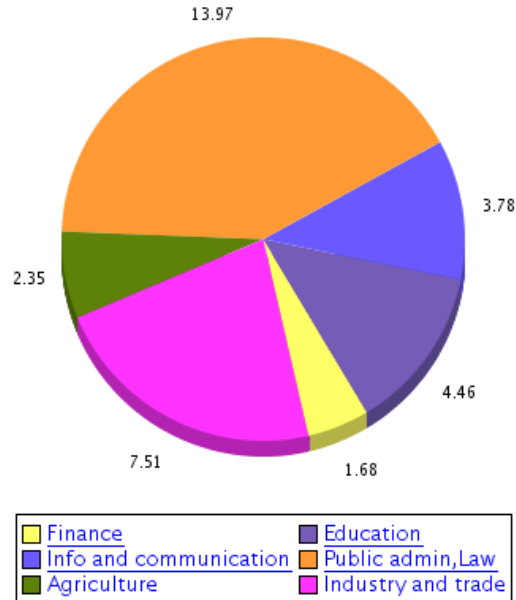
The Gambian component of the West Africa Agricultural Productivity Program, which will focus on sub-regional cooperation in order to strengthen agricultural research, was approved by the Board of Executive Directors in March 2011.

Chart 5.18: World Bank Lending by year



Several Trust Fund grants cover operations to increase agricultural production, strengthen basic education, provide support towards improving the nutrition of, specifically, disadvantaged women and children, and environmental protection. The bank's lending to the Gambia by sector is shown in the figure below.

Chart 5.19: World Bank Lending by Sector 2008-2011



## KENYA



### Overview

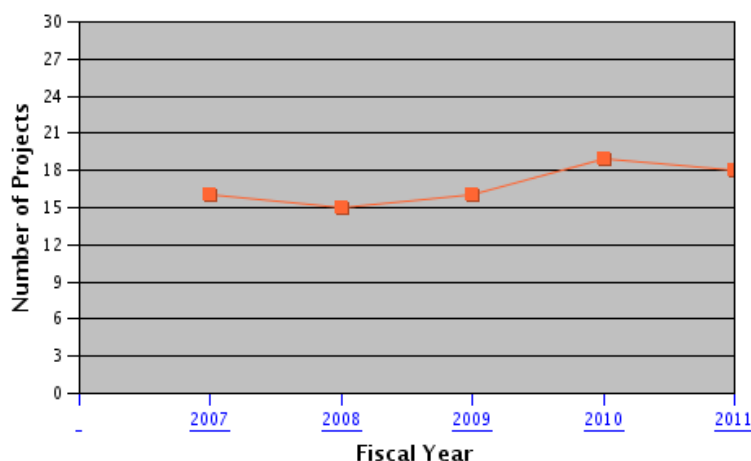
With a GDP of US\$ 29.4 billion in 2009 and per capita GDP of US\$ 738, Kenya is an economic hub in Eastern Africa. The Bank estimates a growth in GDP of 5 percent for 2010, from 2.6 percent in 2009, with a higher forecast of 5.3 percent in 2011. The GDP and per capita GDP growth rates matched the average growth of Sub-Saharan Africa, though lower than those of several neighboring countries. However, recent external shocks including a surge in oil prices attributed to instability in Middle East and North Africa, and the recent earthquake and tsunami that hit Japan (one of Kenya's major development partners) have raised concerns about the country's economic outlook. There are also concerns about the impact of domestic factors including persistent dry weather especially on agriculture, weak exports due to underperforming manufacturing sector and food prices. Despite these shocks, the growth momentum remains strong underpinned by structural reforms, a new constitution and a dynamic private sector.

## ***World Bank Relations and Strategic Engagement***

The first loan by the World Bank to Kenya was in 1960 for an agriculture project. Since then there have been close to one hundred credits and grants by the IDA with a total net commitment of over US\$ 4.6 billion.

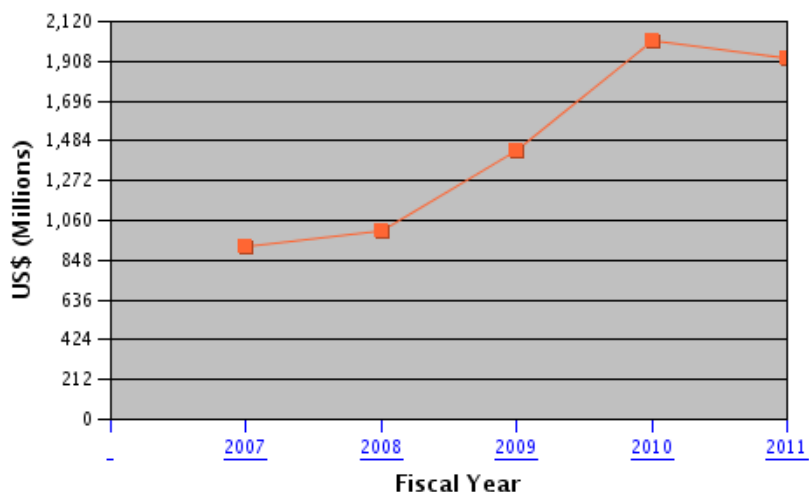
The Bank's strategy for Kenya is to support the government's Vision 2030 and with the new constitution, the Bank is considering expanding support towards implementation of key areas including decentralization, land reform and judicial reform. This will expand and deepen the Bank's commitment to Kenya in line with the Bank's CPS, which was endorsed by the Board in April 2010. The CPS supports the key pillars of the government's Vision 2030 development strategy, which aims to accelerate sustainable growth, reduce inequality, and manage resource scarcity. It builds on the Bank's CAS for 2004 to 2008.

**Chart 5.20: World Bank Cumulative Lending by Year**



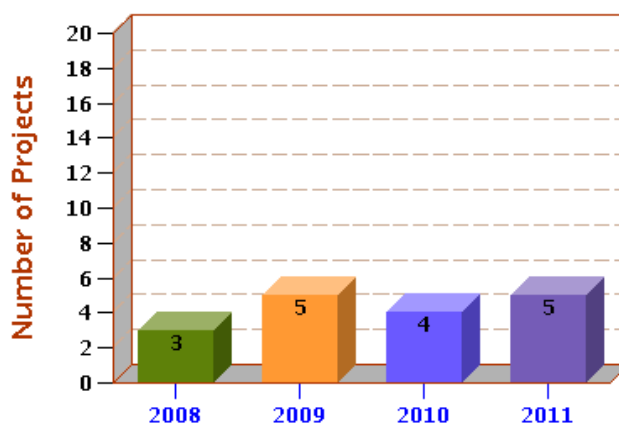
The Bank's commitment to Kenya presently amounts to over US\$2.34 billion, including over US\$2 billion in 22 national projects and US\$318.5 million in five regional projects. The largest share of commitments is in infrastructure (US\$1.1 billion) including transport (US\$460 million), energy (US\$490 million) and water and sanitation (US\$150 million) which are critical to reducing the cost of doing business and improving Kenya's competitiveness in the East African region and globally. This is followed by agriculture and rural development (US\$360 million).

Chart 5.21: World Bank Cumulative Lending by Year



Other project sectors include education, health, private sector development, public sector governance, and economic policy. In addition, the Bank is financing six regional projects with a total commitment of US\$343.5 million for Kenya, including the Telecommunications Infrastructure Project (US\$114.4 million), the East Africa Trade and Transport Facilitation Project (US\$120.6 million), Lake Victoria Environmental Management Project (US\$30 million), East Africa Agricultural Productivity Program (US\$30 million), Regional Trade Facilitation Project (US\$25 million) and East African Public Health Laboratory Project (US\$23.5 million). In fiscal year 2011 (June-July), the Bank's Executive Board of Directors approved five (5) projects in the total amounts of US\$506 million.

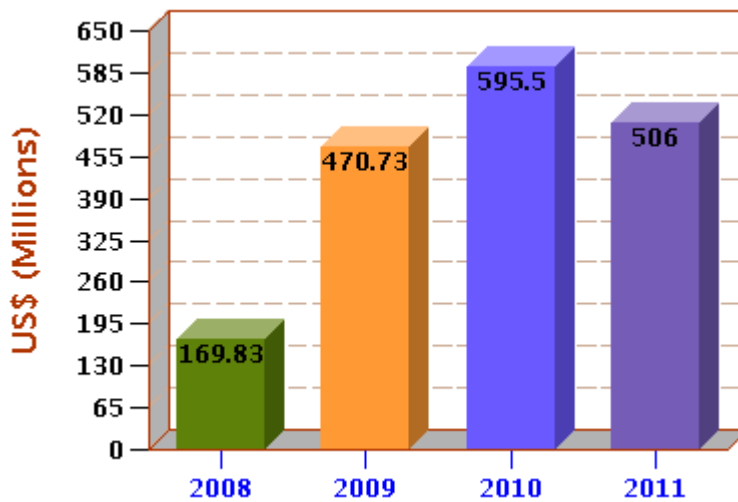
Chart 5.22: Number of World Bank Projects by Year



The Bank focuses on transparency initiatives (including transparency in the judiciary, and capacity building in the prosecutorial and judicial services); broadening stakeholder involvement, including additional private participation in infrastructure services (e.g. transport corridors and ports);

accelerating public financial management reforms; and improving governance in high-priority sectors (e.g. education, HIV/AIDS, health, and roads).

Chart 5.23: World Bank Lending by Year

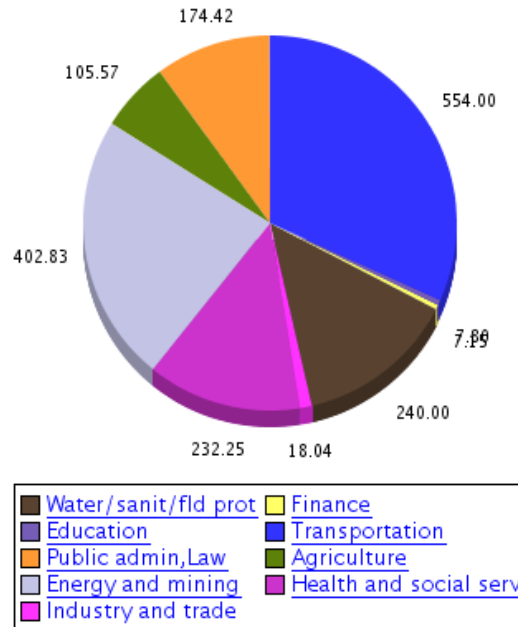


Analytic work in such areas as media development, parliamentary and judicial capacity, and police oversight mechanisms will help lay the foundation for the development and governance agenda. At the same time several measures have been introduced to protect Bank-financed projects against corruption, while strengthening country systems. For example, lending by the World Bank in Kenya involves undertaking safeguards and due diligence analysis in areas where corruption risks are high, before proceeding with lending. This approach was developed after earlier reviews of some World Bank financed projects confirmed corruption risks.

IFC's activities in Kenya range from direct investment to advisory services that enhance access to finance for Small and Medium-Size Enterprises (SMEs) and that improve the investment climate. Within the context of the Strategic Initiative for Africa, IFC's activities in Kenya focus on pro-active project development especially in financial markets, agribusiness, infrastructure and telecommunications. IFC's committed portfolio in Kenya stands at about US\$170 million and is one of the largest in Sub Saharan Africa. It consists of projects in the manufacturing and services, agribusiness, tourism, education, telecommunications, power and financial sectors.

IFC is offering support through several technical assistance programs including the following: the SME Solutions Center; SME Development Initiatives; a program to facilitate women entrepreneurs' access to finance through local banks; a program to develop credit bureaus; and a program to facilitate better access to finance for private schools in Kenya. It also manages the Grassroots Business Initiative (GBI), a trust fund working with several social enterprises in Kenya that target disadvantaged youth and rural and urban poor.

Chart 5.24: World Bank Lending by Sector 2008-2011



IFC is also supporting curriculum development in business schools, including on issues of governance and ethics, through its Global Business School Network program. IFC will partner with the World Bank's IDA to prepare the Corporate Governance ROSC (Report on the Observance of Standards and Codes), a review of the corporate governance of state-owned enterprises, and additional work on governance in the financial sector.\

As part of joint World Bank/IFC outreach and dialogue with the private sector, IFC will explore additional opportunities for company-level programs, especially among MSMEs, to provide training and build awareness, address problems in particular companies, and help create governance reform champions.

MIGA is providing guarantees for several projects in Kenya including for a 45 megawatt private geothermal power plant. It is also receiving increasing interest from other investors and sectors in the country.

## LESOTHO



### Overview

Lesotho, a small country of 2.1 million people, is landlocked and completely surrounded by the Republic of South Africa. Over the past 15 years, Lesotho has successfully diversified its economy away from relying heavily on subsistence agriculture and remittances, to a more competitive economy based on manufacturing, services, and export of abundant water resources. The garment sector plays a critical role in generating employment, output, and exports. The economy is open, with imports amounting to about 111 percent of GDP, and depends heavily on inflows of workers'

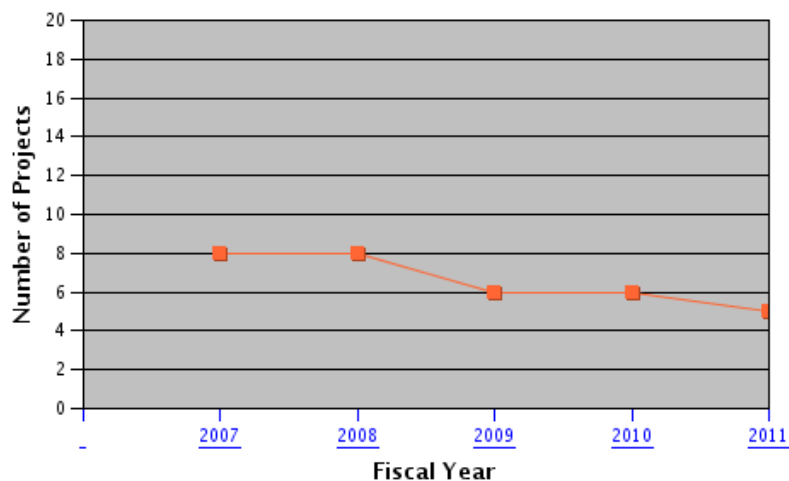
remittances and receipts from the SACU. Lesotho's is on the verge of progress in moving from a predominantly subsistence-oriented economy to a lower middle income with per capita GDP of US\$752 (Atlas \$). However, the combined impacts of the global economic and financial crises now risk unraveling the good, hard-earned overall progress made by Lesotho. In 2009, GDP growth slowed to 0.9 percent, and an estimated 10,000 jobs were lost in the textile sector in late-2009. The challenge faced by the economy, which is expected to last through the medium term, is the precipitous decline in SACU revenues and its impact on the budget. Net SACU revenues are expected to drop from an estimated 35 percent of GDP in 2009-2010 to just 14 percent of GDP in 2011.

### ***World Bank Relations and Strategic Engagement***

Lesotho joined the World Bank and the IDA in 1968. It joined IFC in 1972 and MIGA in 1988. The World Bank provides support to the government's strategy to reduce poverty and to improve the country's competitiveness through greater integration into the sub-regional economy.

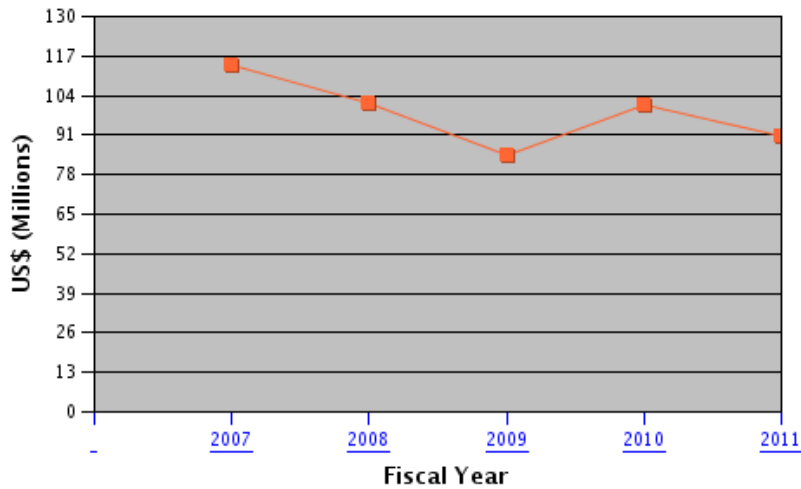
IDA portfolio in Lesotho comprises five projects and several grants with net commitments of US\$75.7 million as of end FY11.

**Chart 5.25: World Bank Cumulative Lending by Year**



The bulk of IDA financing is for infrastructure development—transport, water, and urban development. IDA is also funding projects in education, health and HIV/AIDS, and private sector development. The Poverty Reduction Support Credit (PRSC) series has created a policy reform framework.

Chart 5.26 World Bank Cumulative Lending by Year



The IDA portfolio is supplemented by several grants. A Fast Track Initiative grant supports primary education. A Global Partnership on Output-Based Aid grant supports a public-private partnership to replace the country's 50-year-old main public hospital in Maseru through a joint undertaking with the International Finance Corporation (IFC), the transaction adviser for this project. As a pioneering initiative, the project seeks to provide high-quality health care services to public patients at an affordable cost to the Government. IFC has also provided technical assistance on private sector development in tourism and export promotion.

Chart 5.27: Number of World Bank Projects by year

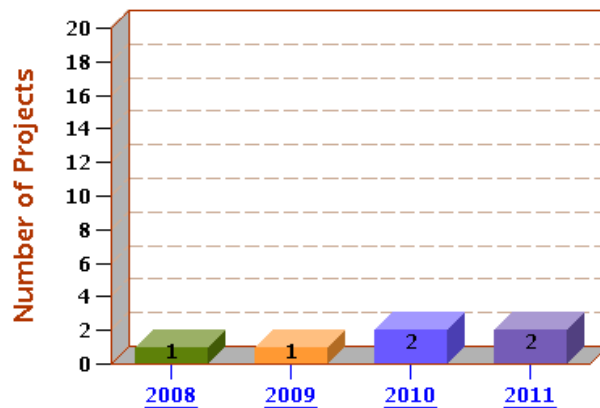
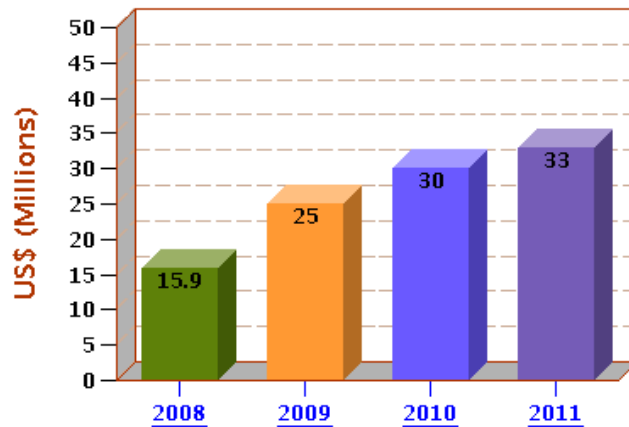


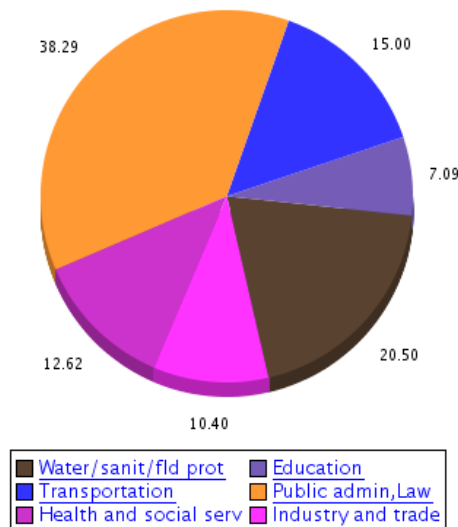


Chart 5.28: World Bank Lending by year



IFC has provided technical assistance to private sector development in tourism and export promotion, as well as in health reform. The IFC has been acting in an advisory role to the government on plans for public-private partnership to develop a new hospital in Maseru. The work is a pioneering joint initiative by the World Bank and IFC who are currently exploring ways to assist Lesotho in setting up a small and medium enterprise financing scheme with possible IFC risk capital and provision of technical assistance.

Chart 5.29: World Bank Lending by Sector 2008-2011



MIGA's outstanding portfolio consists of two contracts of guarantee with \$10.0 million in gross and net exposure in the services sector.

## LIBERIA



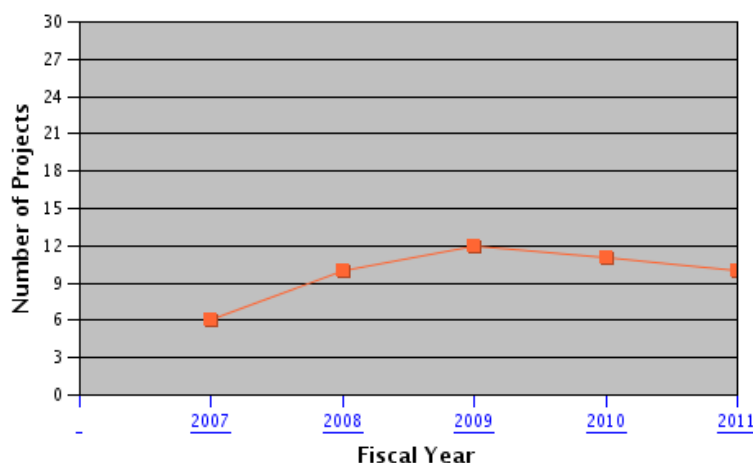
### Overview

Liberia's strong postwar economic recovery continued, although the difficult international environment (Global Financial Crisis) has created substantial challenges for the country's fledgling economy. Despite the challenges, growth -- although substantially lower than the level projected before the crisis -- has been positive. The Government's macroeconomic framework projects GDP growth to average 7.7 percent per annum for the 2010-2012 period down from the average of 14.3 percent per annum projected prior to the global economic slowdown, driven largely by new investments in key sectors including mining, agriculture, and infrastructure. The on-going global crisis has affected the country's near-term outlook and highlighted its economic fragility. However, Liberia's medium-to-long-term prospects are good and the government recognizes that a stable macroeconomic environment will be critical to the achievement of rapid, inclusive and sustainable growth and is committed to sound economic management towards that end.

### World Bank Relations and Strategic Engagement

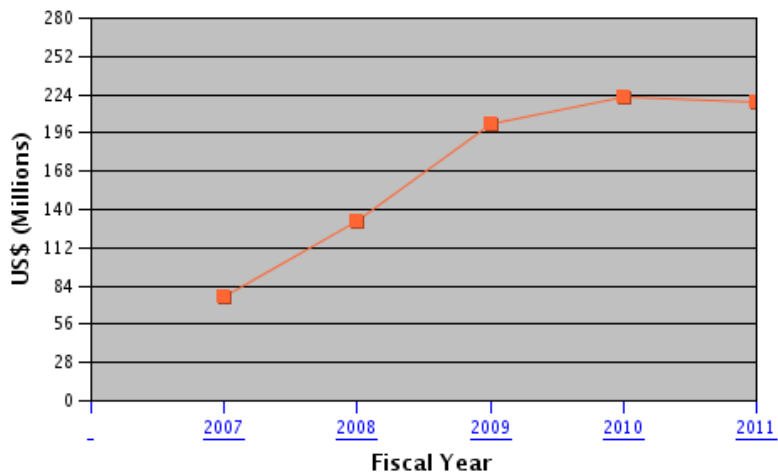
Liberia joined the World Bank in 1962. The World Bank provides technical and financial assistance to Liberia through the CAS, jointly prepared by the World Bank Group, the African Development Bank (ADB) Group, and IFC. The CAS sets out planned lending and non-lending support over the period FY09-12. The CAS has three main objectives: (i) rebuilding core state functions and institutions; (ii) rehabilitating infrastructure to jump-start economic growth; and (iii) facilitating pro-poor growth, with capacity development as an important crosscutting theme.

Chart 5.30: World Bank Cumulative Lending by Year



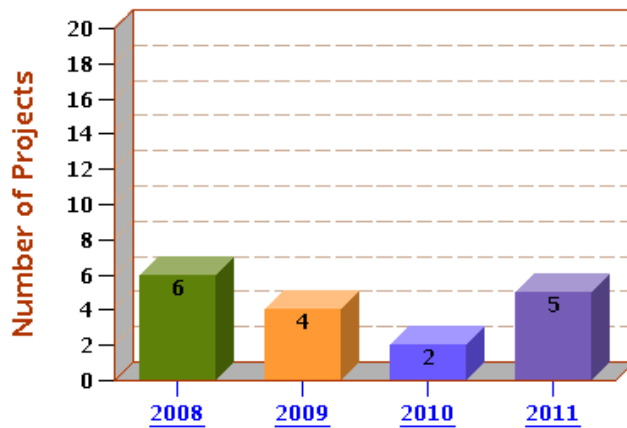
The Bank currently has US\$212 million in commitments with another US\$400 million of Bank-managed projects in the pipeline from various financing sources. With the completion of the CAS, the Bank's three-year annual IDA allocation is approximately US\$138 million.

**Chart 5.31: World Bank Cumulative Lending by Year**



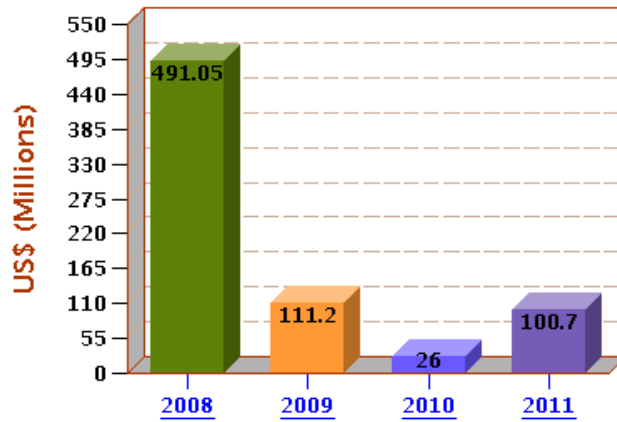
The existing portfolio includes US\$136.63 million in infrastructure and basic services (road rehabilitation, port rehabilitation, energy, water urban works, health, education and community-driven development projects); US\$19.75 million for economic revitalization projects (forestry, public financial management, procurement reform and budget support); and US\$4.67 million for governance and judicial reform.

**Chart 5.32: Number of World Bank Projects by year**



In FY 11, the Board of Executive Directors approved 5 operations for Liberia in the total amount of US\$100.7 million. The sectoral allocation of lending shown in the figure below reflected the support for arrears clearance to the World Bank following reengagement and sizeable support to the transport sector.

Chart 5.33: World Bank Lending by year

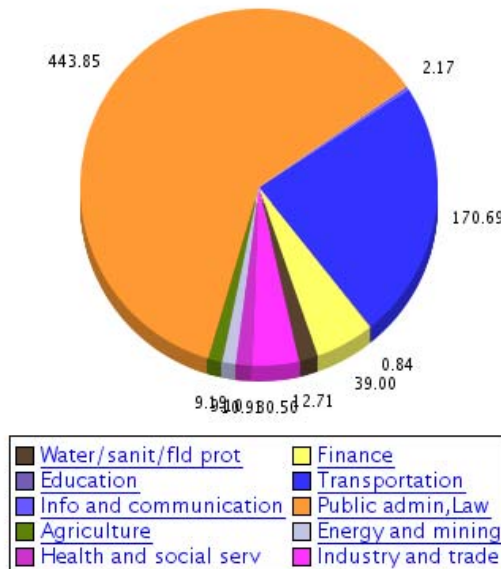


IFC’s involvement in Liberia dates back to 1965, when the Corporation took an equity stake in the Liberian Bank for Development and Investment.

IFC’s strategy in Liberia includes:

- Strengthening the financial sector and increase access to finance;
- Support private participation in infrastructure and finance select private companies;
- Provide technical assistance and advocacy support for improving the investment climate
- Support capacity building programs in both the private and public sector; and
- Increase investments and advisory services support to SMEs.

Chart 5.34: World Bank Lending by Sector 2008-2011



IFC's total committed portfolio in Liberia as of March 30, 2009 was \$12.4 million, including a \$10 million loan to Salala Rubber Company and a \$1.08 million equity investment in AccessBank Liberia. In July 2008, IFC committed to invest US\$1.1 million in AccessBank Liberia, the first Greenfield microfinance company, this was accompanied by a US\$1.2 million advisory services package to support the management and build capacity within the institution.

Within the same month, IFC made its first real sector investment in Liberia. IFC committed to provide a US\$10 million line of credit Salala Rubber for the rehabilitation of plantations affected by the conflict.

IFC also engaged the services of Development Alternatives Inc (DAI) consultants to work with Liberia Bank for Development and Investment towards improving their (i) Credit Risk Management; (ii) Treasury/Operational/Market Risk Management; (iii) Information Technology/MIS; and (iv) Microfinance Services.

MIGA's made its first insurance guarantee in Liberia in late 2010 for the amount of US\$28 million. This guarantee covered the Vattenfall AB and its Subsidiaries for their Equity Investment in, and a Shareholder Loan to, Buchanan Renewables Fuel, Inc. The project is expected to yield significant developmental impact in the rubber industry, a traditional source of growth in the Liberian economy. It would also be expected to generate employment, increase national income and contribute to infrastructural development, all of which are critical factors in the promotion of poverty reduction.

The second MIGA insurance in the amount of US\$3.5 million covered Greentech Renewables, Ltd regarding Gazprom Marketing and Trading Joint Venture (GMT) of the United Kingdom in Liberia's Whein Town Landfill Gas Recovery Project. The project consists of the construction and operation of facilities for the capturing and flaring of methane gas at the existing Whein Town Landfill with a view to significantly reduce the landfill's emission.

## **MALAWI**



### ***Overview***

Malawi continued to enjoy solid and uninterrupted growth for the fifth consecutive year in 2010, with an average real GDP growth of 7.3 percent. The strong stabilization policies implemented since 2004 and the debt relief from the HIPC initiative brought about a rapid turnaround in government finances through better management of public spending, and created the fiscal space needed to generate the momentum for the resumption of growth. This growth was supported by several bumper tobacco harvests (US\$472 million in the 2007-2008 season), good weather and, availability of fertilizer and seeds through the government's farm input subsidy program.

Agriculture is the mainstay of the economy, and will continue to be a significant driver of growth through regional exports and import substitution. Malawi remains a food surplus country in the region, largely due to a comprehensive farm input subsidy program for agriculture, and favorable weather conditions in the past seven years. Also the role of the mineral sector in the economy has

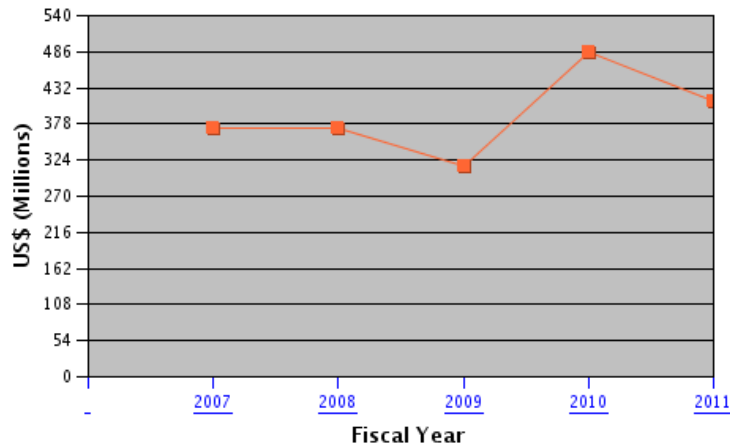
increased with the commissioning of the uranium mine in 2009 and the sector is projected to become one of the main sources of FDI, provide up to 25 percent of export earnings and account for some 5 to 6 percent of projected GDP.

Despite encouraging growth in recent years, Malawi continues to face numerous supply-side constraints such as persistent energy constraints and foreign exchange availability, and the economy remains vulnerable to terms of trade, weather and other exogenous shocks.

***World Bank Relations and Strategic Engagement***

Malawi has enjoyed a long standing relation with the World Bank. Since 1966, the Bank Group has committed about US\$2.7 billion to Malawi supporting over 120 operations. Of the five World Bank Group agencies, IDA funded most of the operations followed by the IFC.

**Chart 5.35: World Bank Cumulative Lending by Year**



As of end FY 2011, the current Bank portfolio in Malawi had nine investment projects amounting to US\$ 411.5 million, slightly down from eleven investment projects amounting to US\$485 million in commitments in FY2010. Four new projects were approved in FY 11 with total commitment of US\$ 270.6 million.

**Chart 5.36: Number of World Bank Projects by year**

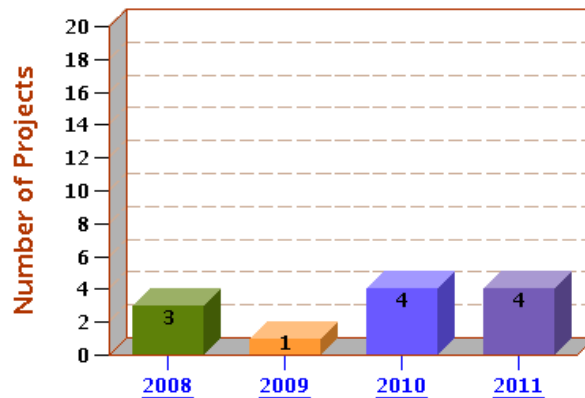
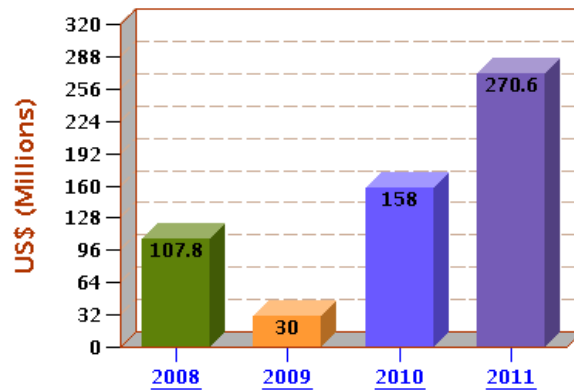
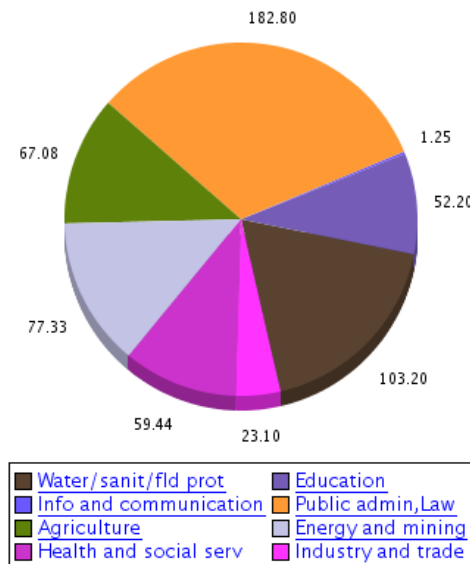


Chart 5.37: World Bank Lending by Year



Of this amount, 36 percent are credits and the rest grants. As shown in the chart below, the cumulative bank's support by sector in the last five years are largely in the areas of poverty reduction and economic management, human development; infrastructure development; agriculture, rural development, and natural resources. Private sector development receives a smaller share. The Bank also supports two regional projects in telecommunications and trade insurance where Malawi is a participating country.

Chart 5.38: World Bank Lending by Sector 2008-2011



Other than financing investment projects, the Bank also provides direct budget support through a series of annual Poverty Reduction Support Grants. These grants support the government's efforts to undertake the policy and institutional reforms necessary for the successful implementation of the MDGs. The Bank has already provided two such grants in 2008 and 2009 totaling US\$55 million and provided the third and last of the 2007-2010 CAS amounting to US\$54 million in June 2010.

Beyond financial support, the Bank also provides technical assistance and advisory services on formulating sector investment strategies, economic assessments, and expenditure reviews. In 2009, the Bank in collaboration with other development partners delivered a Country Economic Memorandum analyzing how Malawi can grow its economy further through regional trade and integration. The Bank also delivered a mineral sector review report and a country status report on education and a nutrition study on Infant and Child Feeding.

The fourth CAS for Malawi expired in June 2011. The fifth CAS (2012-2015) is at advanced stage and is closely aligned to the objectives of the new Africa Strategy. It will also assist Malawi to meet the MDGs. The new CAS will specifically focus on diversified and inclusive growth, enhanced human capital and reducing vulnerabilities and strengthening public sector systems and capacities.

## MOZAMBIQUE



### *Overview*

Mozambique has emerged from decades of armed conflict to become one of Africa's best-performing economies. The country has enjoyed a remarkable recovery, achieving an average annual rate of economic growth of 8 percent between 1996 and 2008, the highest growth rate among African oil-importers. This has resulted in more than three million people being lifted out of poverty over the same period. The country also made substantial progress in achieving some milestones towards the MDGs. For instance, net primary school enrollment reached 95 percent in 2010 and infant and under-five child mortality reduced from 201 per 1,000 new born in 1997 to 138 per 1,000 in 2008.

However, the global food and fuel crises continue to cloud Mozambique's economic outlook. The riots of September 2010, a rerun of 2008 price hike-related demonstrations, were another reminder of the country's vulnerability to external shocks, and underscore Mozambique's chronic dependence on food imports, and the need to stimulate agricultural productivity and rural development in general, given that approximately 70 percent of the population live in rural areas.

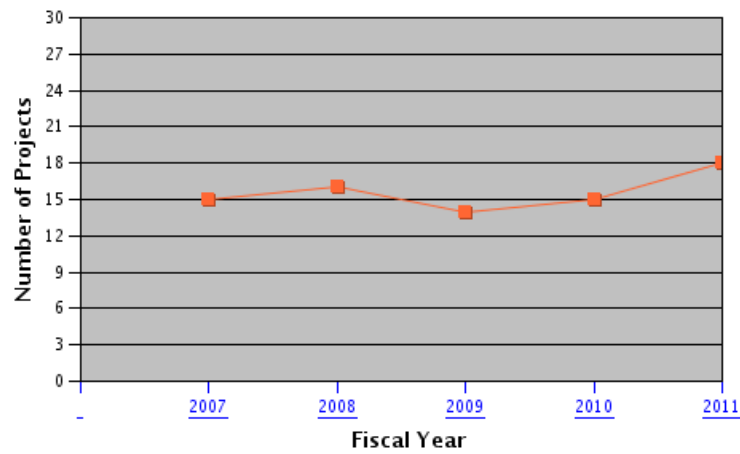
Sustaining the country's impressive performance over the last two decades will require further investments to expand the country's infrastructure networks, including roads, railways, energy, water, and ports. Other major challenges include the need to step up job creation; accelerate and sustain economic growth in an inclusive manner; foster a competitive and diversified productive and export-based economy; boost production and productivity in labor-intensive sectors, with special focus on agriculture.

### *World Bank Relations and Strategic Engagement*

Since the World Bank began operating in Mozambique in 1984, its assistance has evolved from helping to stabilize the economy in the 1980s, to post-war reconstruction in the early 1990s, to a comprehensive support strategy in the late 1990s, to the current strategy that involves close collaboration with the Government, development partners, and civil society. The World Bank is currently revising its strategy for its support to Mozambique.

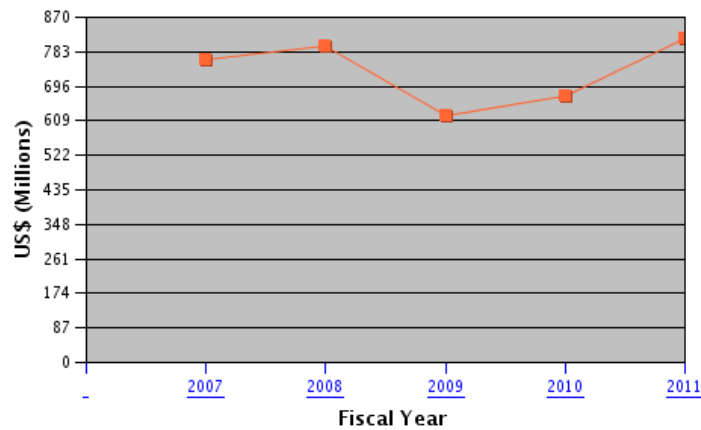


**Chart 5.39: World Bank Cumulative Lending by Year**



IDA is financing a total of 17 projects in Mozambique. In addition, the Global Environment Facility (GEF) is financing another three projects. The country portfolio also includes two regional projects as well as donor-funded Trust Funds under Bank’s administration. Together, the above operations represent a total net commitment of US\$976.1 million, of which about 90 percent are credits and the remaining 10 percent are grants. As shown below, 7 projects were approved in FY11 in the total amount of US\$413 million. As of August 2011, an amount of US\$34 million has been approved for FY12.

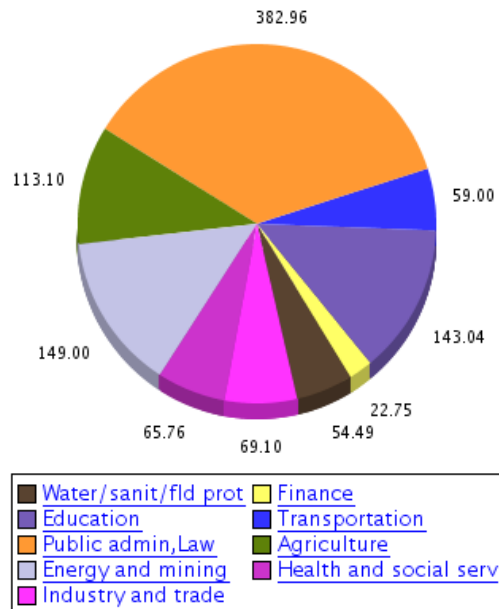
**Chart 5.40: World Bank Cumulative Lending by Year**



The operations cover five sectors with the largest share of commitments going to infrastructure development (including rail, ports, roads, energy, and water), followed by human development, public sector and decentralization, agriculture, rural development and environment, and finance and private sector development. Mozambique benefits from an important number of analytic work and

technical assistance that are prepared in collaboration with the Government of Mozambique, development partners, and other stakeholders.

**Chart 5.41: World Bank Lending by Sector**



Mozambique also benefits from the IFC’s support in the areas of tourism, mining and energy, and financial services. This support encompasses the cross-cutting issues of mobilization of both local and foreign direct investment to key sectors of the economy; improving private sector access to finance; developing infrastructure; improving the investment climate; increasing linkages between large investments and the local economy; increasing private sector awareness of HIV/AIDS issues; and supporting private sector involvement in the water sector. IFC’s main investments have been in the Mozal aluminum smelter near Maputo, and the Mozambique-South Africa gas pipeline.

**Chart: 5.42: Number of World Bank Projects by year**

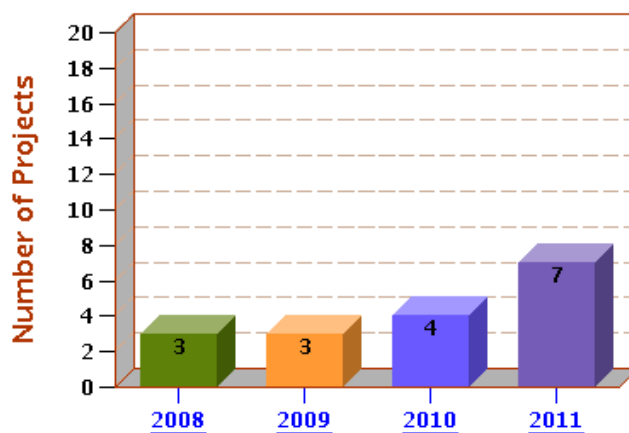
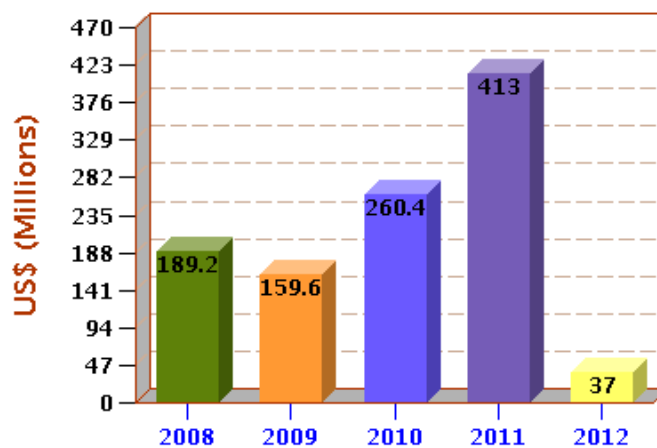


Chart 5.43: World Bank Lending by Year



Mozambique is one of MIGA's largest host countries. MIGA cooperated with IDA in relation to the previous IDA-funded Enterprise Development Project (PoDE) by providing assistance to Mozambique's Investment Promotion Center. MIGA is working on several applications for guarantee coverage of investments, and its newest program in Mozambique is a small investment guarantee program for investments of less than US\$5 million.

## NAMIBIA



### *Overview*

A politically stable upper middle-income country with a per capita income of approximately US\$4,310, Namibia's economy is closely linked to South Africa's economy, and the Namibian dollar is pegged to the South African rand. As a result, economic trends including inflation closely follow those in South Africa. Prior to the global financial crisis, Namibia had experienced steady growth, moderate inflation, limited fiscal debt, a robust mining sector, a fairly developed infrastructure, and a strong legal and regulatory environment. From 1990 to 2008, economic growth averaged 4.5 percent per year.

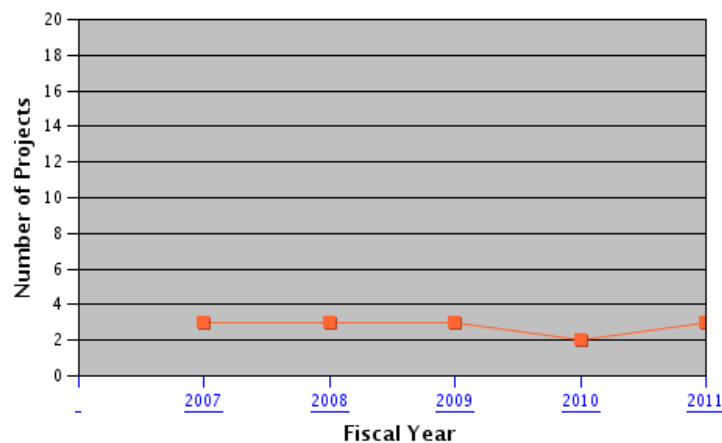
However, the onset of the global economic crisis has not only lowered demand for Namibia's commodity exports, mainly diamonds, but also reduced the transfer payments the country receives due to its membership in the SACU. Following years of successive growth, the Namibian economy recorded a negative growth of 0.8 percent in 2009. Following three consecutive years of budget surpluses, the government responded to the sudden economic downturn by running a budget deficit, and fiscal deficits are expected to widen. Nevertheless, in since 2010 the economy has shown signs of a significant rebound due to government investment and rising commodity exports, and economic forecasters are now predicting a growth rate of 4.4 percent.

Although Namibia has sustained a noteworthy track record on economic growth and macroeconomic stabilization, certain daunting development challenges remain. A central policy challenge in Namibia is to achieve higher rates of growth, create jobs, alleviate poverty, reduce inequality, and raise living standards.

### ***World Bank Relations and Strategic Engagement***

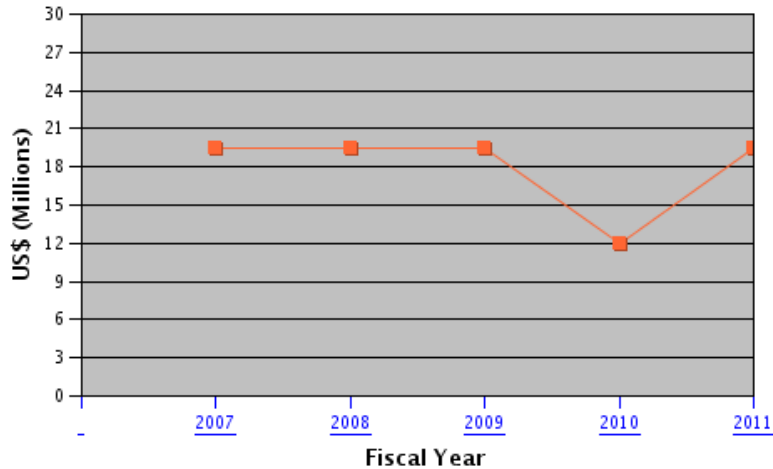
Namibia became a member of IBRD, IFC, and MIGA in 1990. In the early years, a number of analytical and advisory activities were undertaken, some jointly with the government focusing on the development challenges it faced.

**Chart 5.44: World Bank Cumulative Lending by Year**



Namibia has benefited from Global Environment Facility (GEF) grants. There are two active GEF projects at present: *the Integrated Community-based Ecosystem Management Project (ICEMA, US\$7.1 million)* and *the Namibian Coast Conservation and Management Project (NACOMA, US\$4.9 million)*. In response to the government’s request for support with the floods in the northern part of the country the World Bank mobilized a team in 2009 to undertake a *Post-Disaster Needs Assessment (PDNA)* jointly with the United Nations Development Program (UNDP) and other development partners. The joint PDNA report was finalized and published in 2010. Long term reconstruction and transformation costs were estimated at US\$460 million, about five percent of Namibia’s 2009 GDP. The World Bank is assisting the government in its efforts to increase the country’s resilience to natural disasters in a variety of ways, including through analytical work and technical assistance programs.

Chart 5.45: World Bank Cumulative Lending by Year



Annual business planning discussions between the Namibian government and the World Bank took place on March 26, 2010. The following key areas of engagement – comprehensive study of unemployment, poverty assessment, assistance with macro-modeling and climate change -- were identified as priorities for FY11.

The first IBRD loan for Namibia – an Education Development Policy Loan (DPL, US\$7.5 million) – was approved in May 2007. A second DPL was approved in November 2008, and signed on Sept. 17, 2010. The DPLs support development of specific policies and instruments to implement the Government’s education sector reforms and build institutional capacity required for effective implementation of reforms.

Chart 5.46: Number of World Bank Projects by year

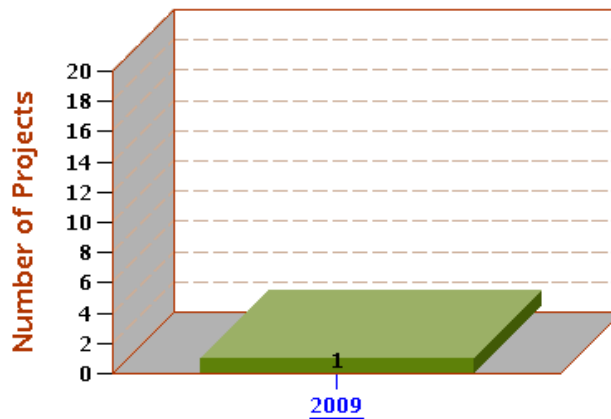
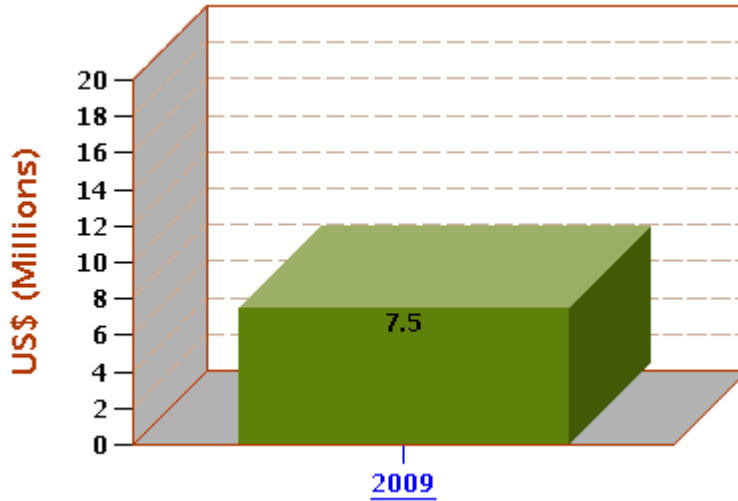
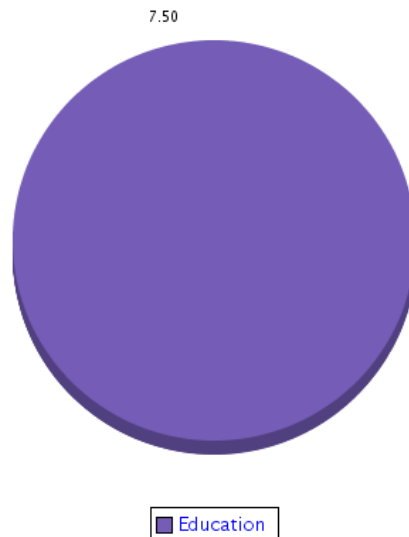


Chart 5.47: World Bank Lending by year



IFC has been involved in small investments: a fisheries project (Pescanova), and an equity investment in the country's first indigenous life insurance company (Namibia Life). An IFC loan supported the construction of a 110-room Best Western hotel in northern Namibia. On the technical assistance front, IFC worked with the Namibian Agronomic Board to raise trust funds for a feasibility study for a cotton ginning industry. In August 2008, IFC extended a \$10 million loan for the construction of a Protea Hotel in Central Windhoek by United Africa Group, marking its second investment. MIGA is not yet active in Namibia.

Chart 5.48: World Bank Lending by Sector 2008-2011



## RWANDA



### *Overview*

Rwanda has achieved impressive development progress since the 1994. It is now consolidating gains in social development and accelerating growth and, ensuring that they are broadly shared to mitigate risks to eroding its hard-won political and social stability. Rwanda's economy remained resilient over the five years to 2010, sustaining macroeconomic stability. It experienced a slightly delayed impact of the global economic crisis but is already showing signs of recovery.

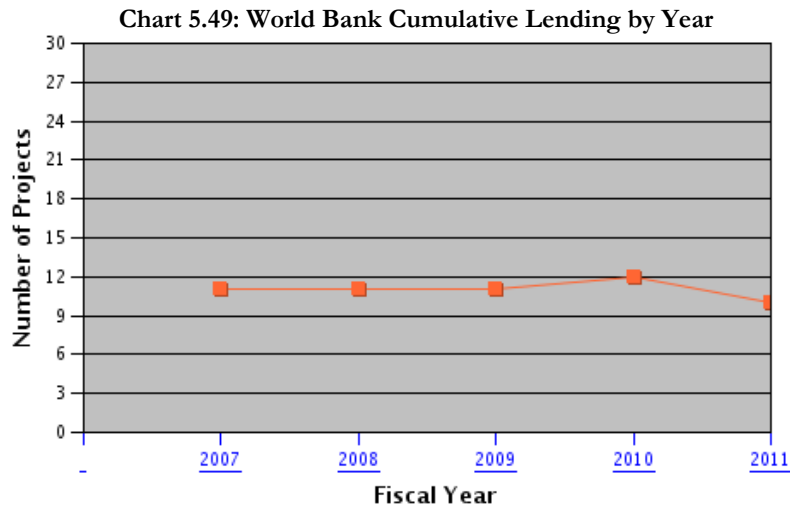
The economy is still dominated by low productivity subsistence agriculture, which contributes over 36 percent of GDP, 80 percent of employment and 45 percent of exports. Expensive and limited supply of energy—electricity costs \$0.22 per kWh compared to \$0.08-\$0.10 in the rest of the region—and high transport costs at \$165 per ton per km compared to \$95 per ton per km in the rest of the region, significantly raise the costs of doing business in Rwanda. Key labor market skills are also lacking—almost 75 percent of Rwanda's labor force is unskilled and only around 10 percent of its working age population has post primary education. There are still major challenges in service delivery at the district level, caused by weak administrative capacity in the areas of targeting, upward reporting, and program monitoring.

### *World Bank Relations and Strategic Engagement*

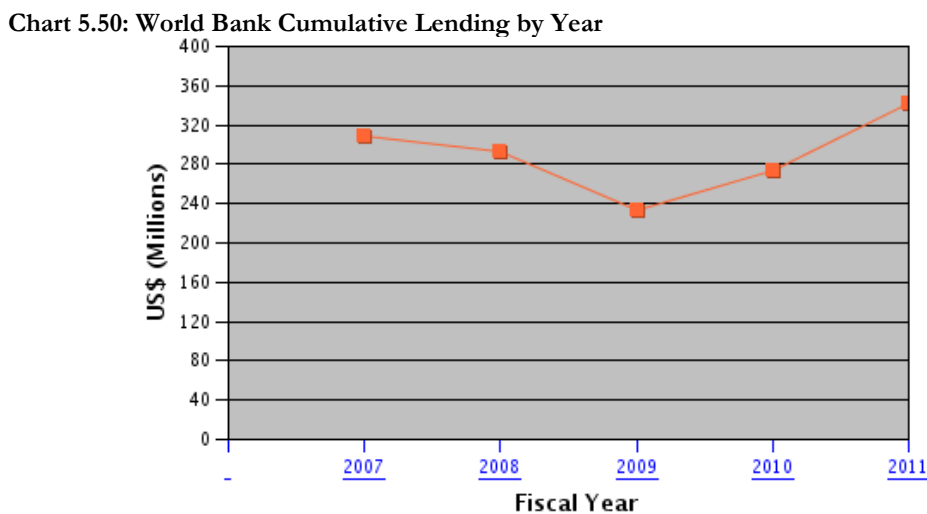
The World Bank Group's FY09-12 CAS for Rwanda was jointly prepared by IDA, IFC, and MIGA in an effort to achieve greater synergies and catalyze higher volumes of private resources to support Rwanda's development. It supports the Government of Rwanda's Economic Development and Poverty Reduction Strategy (EDPRS) and seeks to achieve greater impact through selectivity in line with Government of Rwanda's preferences for engagement with the Bank, and to enhance harmonization with other donors. The CAS is therefore framed around two strategic themes:

- **Promoting economic transformation and growth.** The primary objective is to help Rwanda make progress in activating new drivers of growth that can be sustained over time. The substantial part of the financial envelope over the period thus focuses on the achievement of four key outcomes: (i) raising agricultural production in a sustainable way; (ii) improving access to and quality of key economic infrastructure services; (iii) improving the environment for private sector development; and (iv) strengthening management of public resources at central and local levels.
- **Reducing social vulnerability.** A secondary objective is to build on progress to date in the reform of basic service delivery mechanisms and thus to help ensure that the most vulnerable Rwandans also benefit from growth, and to help Rwanda make further progress in building a more stable society. A smaller financial envelope will involve support to: (i) the Flagship Vision 2020 *Umurenge (village)* initiative; (ii) reducing vulnerability of Rwandan children and mothers to high rates of mortality; and (iii) promoting peace and social cohesion through demobilization and reintegration.

A recent CAS Progress Report shows that the delivery of the planned IDA lending program remains on track overall, while there have been some slippages, mainly in regional or infrastructure projects. As a key challenge, it identifies the weak implementation capacity in the central administration.



The portfolio currently comprises 11 projects with net commitments of US\$348 million. The top three sectors are energy (33 percent), agriculture (29 percent) and private sector development (19.6 percent). In addition, the World Bank provides one general budget support operation each year; US\$104.4 million has been provided in FY11.



In accordance with the Government of Rwanda's division of labor among the different Development Partners, starting in FY12, the Bank's investment lending will be in the sectors of energy, agriculture and transport and ICT.



Chart 5.51: Number of World Bank Projects by year

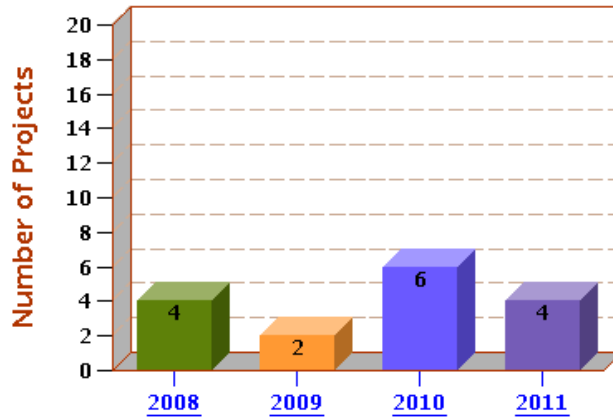
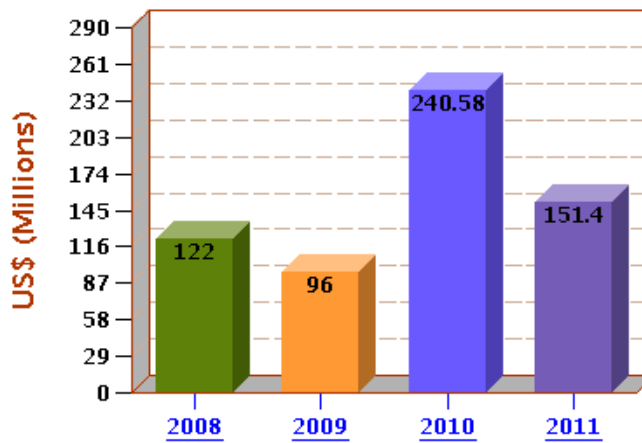
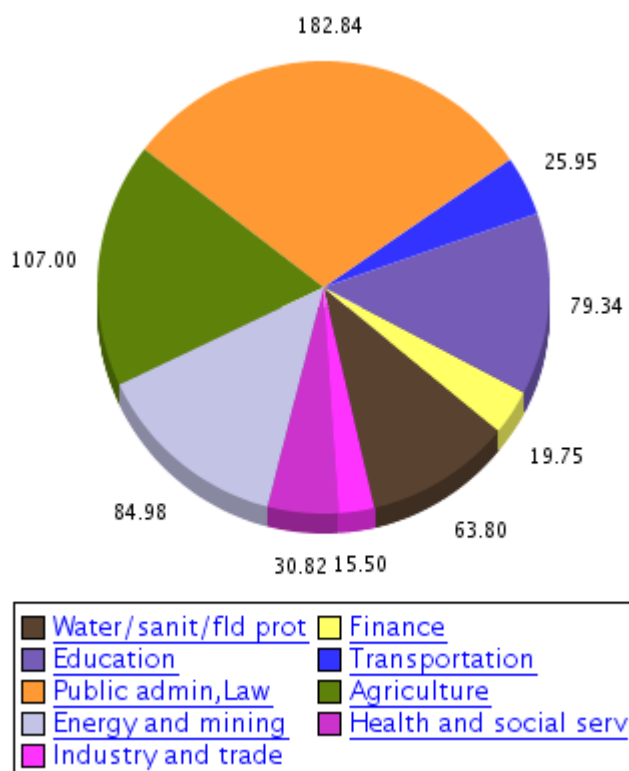


Chart 5.52: World Bank Lending by year



Reflecting the importance of the regional integration agenda, Rwanda is also participating in four regional projects (total commitment US\$59 million), some 90 percent of which is focused on regional infrastructure programs and trade facilitation issues

Chart 5.53: World Bank Lending by Sector



## SEYCHELLES



### Overview

The Republic of Seychelles is a remote, small island-state with middle-income country characteristics and an estimated population of 86,335 (2008). Per capita income — around US\$10,290 (2008) — is among the highest of the Middle Income Countries (MICs). As with other island states, the size of the economy is small (US\$833 million GDP in 2008) and is predominantly service-based and highly vulnerable to global shocks and climate change due to its isolation and small size. Seychelles comprises 115 tropical islands spread over 1.374 million square kilometers in the western Indian Ocean, covering 455.3 square kilometers in land area. Habitation is limited to 10 of the islands and around 90 percent of the population of Seychelles live in the largest island, Mahé (60 percent urbanized), where the capital, Victoria, and the main fishing port are located. The limited land space, capital, and human resources restrict Seychelles' ability to benefit from economies of scale in production and economic diversification. Seychelles relies on imports for almost all raw materials, products, and specialized services. Fisheries and its processing are important activities, both for industrial and artisanal ends.

Seychelles faces constraints typical of a small island state; including, lack of economic diversification, vulnerability to external shocks, distance from markets, and risks of environmental degradation and weather-related disasters. Seychelles has extensive marine space and accessible coastlines. Tourism is

the predominant sector, accounting for 25 percent of GDP, 30 percent of employment and 70 percent of foreign exchange earnings. The fish canning industry, especially tuna processing, contributes 15 percent to GDP, 97 percent of goods exports and employs 17 percent of the workforce.

After suffering a huge balance of payments and debt crisis in 2008, Seychelles has now achieved a two-year successful track record. Macroeconomic stabilization was attained thanks to bold fiscal reforms and fundamental exchange liberalization.

Despite progress made in the macroeconomic conditions, this small, open economy remains vulnerable to a variety of exogenous shocks (piracy acts, increasing food and energy prices, possible financial shocks) which may impact seriously on few concentrated sectors of the economy (tourism and fisheries) and its debt level (decreasing but still 84 percent to GDP).

Raising competitiveness to boost private sector development is limited by the absence of institutions and proper incentives. There are limited backward linkages between foreign investors and local firms and thus the potential for spillovers from the tourism and fishery sectors to the domestic economy remains untapped. The shortage of adequate skills and expertise, exacerbated by complex and lengthy procedures for hiring foreign qualified workers, is also an obstacle to create a diversified economy with a well developed financial services and knowledge industry, as per the vision of the Government.

***World Bank Relations and Strategic Engagement***

Since Seychelles joined IBRD in 1980, only three IBRD loans for a total of US\$19.7 million have been approved. These are: (i) a US\$6.2 million loan approved in fiscal year 1986 to help finance the Mahe East Coast Development Project, principally for port improvement and the rehabilitation of the road network on the main island; and (ii) the US\$4.5 million Environment and Transport Project approved on December 22, 1992, together with the Country Assistance Strategy (CAS), for improvement of infrastructure in Praslin Island (the second most important tourism destination in Seychelles), protection of the unique environment of the Aldabra ecosystem (protecting the giant land tortoises) and control of marine pollution in the Port of Victoria, and (iii) two Development Policy Operation (DPL) approved in FY10 and FY11 equivalent to US\$9 million each.

**Chart 5.54: Number of World Bank Projects**

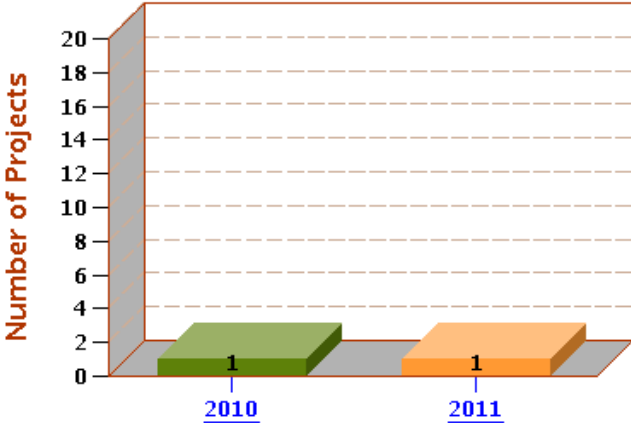
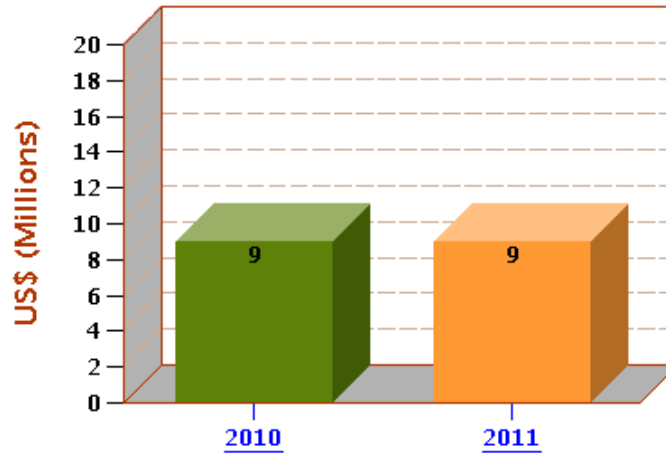


Chart 5.55: World Bank Lending by year



Following fruitful engagement based on an ISN for the years FY 2010-2011, approved by the Board in 2009, the Bank is currently preparing a four-year CPS in consultation with stakeholder in Seychelles. The Strategy will be presented to the Board in FY 2012. This strategy should be guided by the short-term and medium term challenges of the country as well as the long-term vision of the country as outlined in the “Seychelles Strategy 2017”.

IFC is developing its business model in Seychelles. Seychelles has had modest engagement from IFC in recent years. In 2004, IFC's FIAS reviewed the policy, regulatory and administrative environment for investment in Seychelles and issued a report. In April 2006, IFC approved a US\$10 million loan to Nouvobanq, the country's leading bank, but IFC cancelled the credit line because Nouvobanq was unable to comply with the disbursement conditions. Currently, IFC is in the process of finalizing the financing of a hotel, Labriz, pending the completion of the environmental impact study. IFC is also in discussion with the government to over the potential privatization of two banks.

MIGA is considering underwriting a large guarantee in support of a hotel investment. A MIGA guarantee is envisioned for a large investment in the tourism sector of over US\$300 million, but progress will depend on improved global conditions for high-end tourism products. In the meantime, a number of reviews have already taken place, including a review of the macroeconomic situation, the legal environment, the investment climate in the country, and the environmental circumstances of the project.

## SIERRA LEONE



### *Overview*

Sierra Leone has strongly matured from a post-conflict economy after 9 years of the end of its war and now poised to take on a development path. Sierra Leone is richly endowed in natural resources, which provide good prospects to support this drive. The year 2011 promises higher economic prospects for Sierra Leone based on activities in the extractive and agricultural sectors following the

country's sprawl in the previous three years owing largely to the global economic downturns, which undermined impressive gains in growth enjoyed since the end of the war.

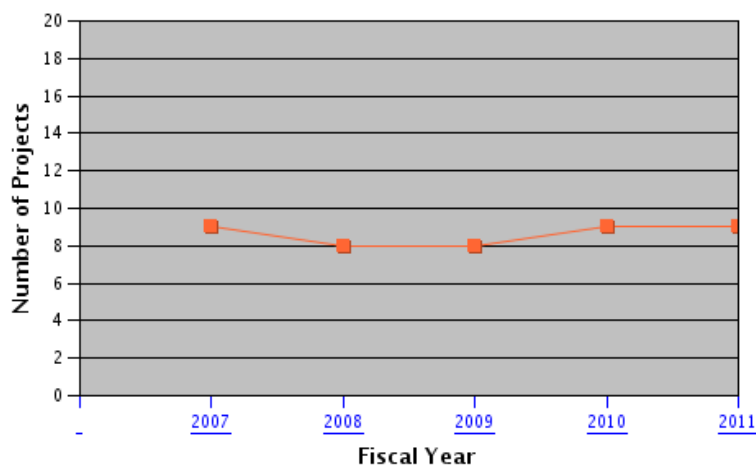
Public spending is now receiving a big boost through domestic revenue recuperation, direct budget support by key donors including the World Bank, various investment lending and key policy reforms that stimulate domestic demand and attract foreign direct investment. These reforms have allowed for a higher real level of recurrent spending on the social sectors, including health, education and economic services, with a diminishing share accruing to defense and other non-poverty reducing expenditures. These expenditures are now helping to secure improvements in service delivery, sector outcomes and overall poverty reduction.

In spite of remarkable strides and reforms, problems of infrastructure, including roads and energy, low capacity, youth unemployment, high maternal and infant mortality, widespread rural impoverishment, and impact of the global economic downturn.

### ***World Bank Relations and Strategic Engagement***

Through the World Bank Joint Country Assistance Strategy (JCAS) with the Africa Development Bank (AfDB) and the International Finance Corporation (IFC), the World Bank continues to work closely with other development partners to support Sierra Leone in fighting poverty, promoting economic development and improving living standards. The JCAS is fully aligned with Sierra Leone's second Poverty Reduction Strategy (2008 to 2012), "Agenda for Change", building on ongoing reforms in economic growth, the energy sector, rural and private sector development, decentralization, infrastructure, public financial management and the social sectors.

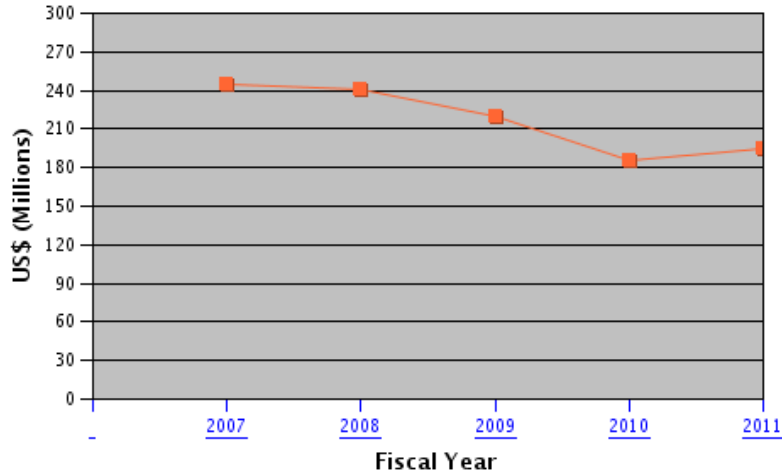
**Chart 5.56: World Bank Cumulative Lending by Year**



The Bank's support has also included support for policy reforms and macroeconomic management through budget support (provided in harmonization with other budget support donors), and in the areas of human development, infrastructure & productive sectors, and governance. The Bank is also focused on strengthening country systems, including through support to decentralized services and

public finance management, rural private sector development and helping to build the demand for good governance.

**Chart 5.57: World Bank Cumulative Lending by Year**



At end FY11, the portfolio consists of 17 active projects, including regional projects with a total net commitment of US\$ 344 million of which approximately 40% has been disbursed. During FY 11 the portfolio acquired 5 new projects including 2 additional financing. Two (2) regional projects with a total commitment of \$ 82 million for Regional Telecommunication infrastructure and regional Agricultural programs were approved.

**Chart 5.58: Number of World Bank Projects by Year**

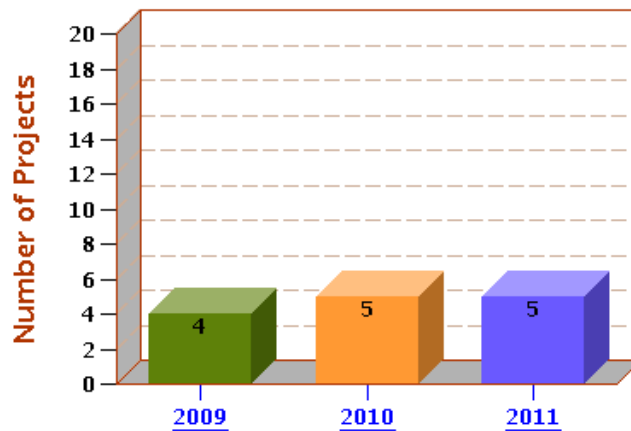
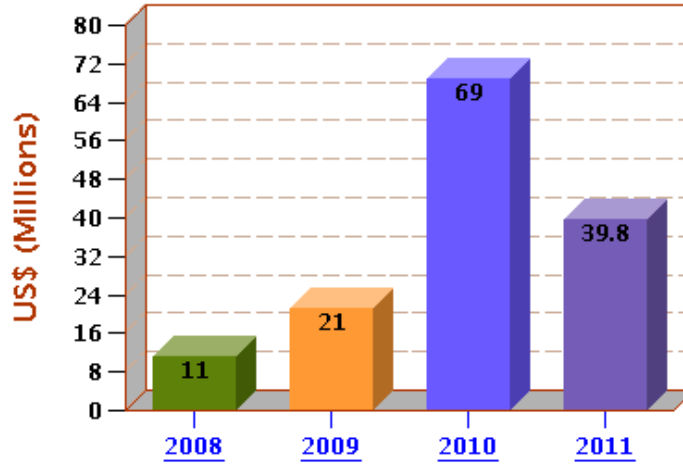
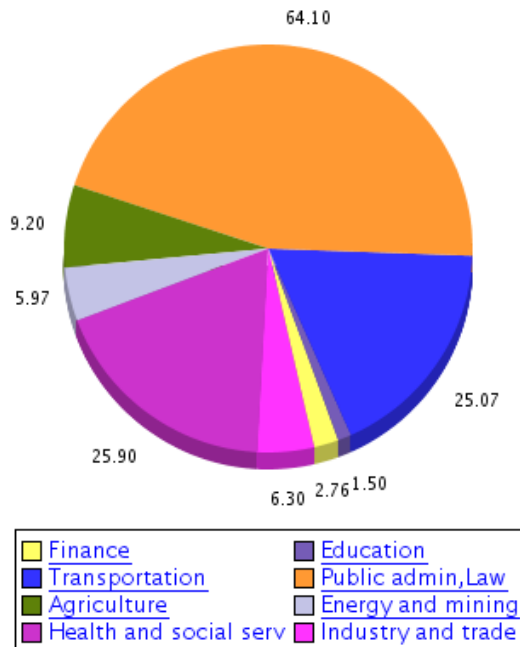


Chart 5.59: World Bank Lending by Year



Sectoral allocation of Lending in the last five years is focused largely on the public sector support, transport, agriculture and health and social services.

Chart 5.60: World Bank Lending by Sector 2008-2011



IFC established a field presence in 2007, and has deployed its advisory services for private sector development and improving enabling environment for doing business in Sierra Leone. MIGA has been active and seeing increasing interest in business engagement in Sierra Leone.

## SUDAN



### *Overview*

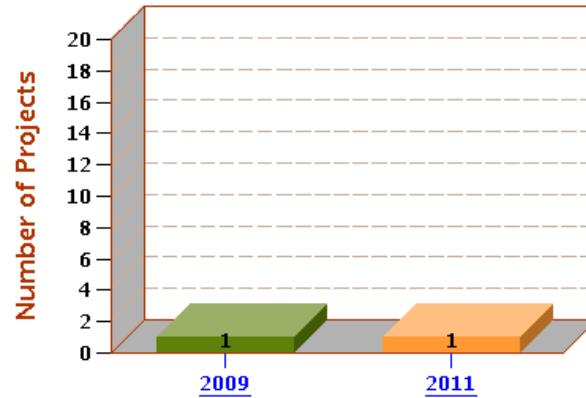
Sudan was the largest country in Africa by land area prior to the secession, with rich natural resources and an estimated population of 42 million in 2010. It borders nine different countries and has a coast line of 500 miles on the Red Sea. A self-determination referendum was held on schedule from January 9 to January 15, 2011 with overwhelming results in favor of secession for the South finalized on February 7, 2011. The outcome of on-going negotiations will determine the post-CPA economic landscape. There are a number of key economic issues to be settled, most importantly the future treatment of oil assets (e.g., ownership, production arrangements with operators, transport of crude to refineries and export points in the North, marketing and sales, etc.). To date, the North and South have equally split the rents from oil wells in the South, as per the wealth sharing protocol of the CPA. Oil sector activity and government wealth sharing over the Interim Period have driven strong real GDP growth in the North, and accounts for over 98 percent of public revenues in the South. Thus significant adjustments on oil will have major economic implications for both sides. Other key issues under negotiation include the future treatment of external debt, currency, borders and water rights. The economic effects of secession would be transmitted largely through the fiscal and external accounts. Real GDP growth is estimated at 4.7 percent in 2010, up slightly from 4.5 percent in 2009 reflecting a buoyant non-oil sector. Real non-oil growth for the year is estimated to be 5.2 percent, largely driven by agriculture and services. The debt burden continues to be a significant development constraint, as arrears to the World Bank and other development partners prevent normalized relations and constrain access to concessional financing. Thus, a solution to the debt problem can improve prospects for growth and poverty reduction.

### *World Bank Relations and Strategic Engagement*

IDA has no active lending portfolio in Sudan because of Sudan's default on its financial obligations to IDA, which led to the suspension of disbursements in April 1993. The Bank began to reengage in Sudan in the early 2000s after an absence of nearly a decade. Normal financial support from IDA was, and remains, not possible due to Sudan's outstanding arrears, accumulated since 1993.



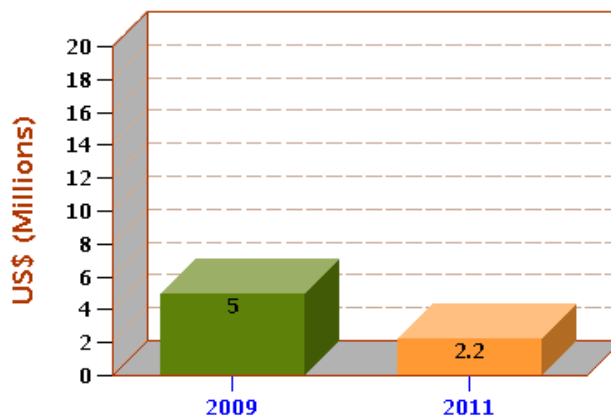
Chart 5.61: Number of World Bank Projects by year



The Bank administers two Multi Donor Trust Funds (MDTFs) for National and South Sudan. These were formally established after the Oslo donor conference in April 2005 with an initial contribution by donors of US\$508 million, including a US\$10 million contribution from the World Bank's operational surplus. Today, 34 projects have been prepared and approved for total commitment of US\$752 million, out of which US\$506million (US\$153 million for the National and US\$353 million for the South) have been disbursed. In addition, the two MDTFs have leveraged an additional disbursement of US\$396 million in counterpart funds from the National Government and the Government of Southern Sudan (GoSS).

Besides the MDTFs, the Bank has scaled up its advisory and analytic work, including through a Public Expenditure Review; Country Economic Memorandum, and a variety of other studies. At the authorities' request, the Bank has prepared a number of just-in-time policy notes. The IFC has provided technical assistance to help GoSS draft key legislation for private sector development.

Chart 5.62: World Bank Lending by year



A 2008 ISN sets out the Bank's plans to assist Sudan up to December 2009, and also describes the process for eventual IDA financial re-engagement. The ISN notes that a peaceful and modern Sudan

requires tackle three interrelated challenges: (i) improving governance; (ii) increasing access to basic services; and (iii) ensuring sustainable, diversified, and pro-poor growth, with primary attention to war-affected and marginalized areas.

## SWAZILAND



### *Overview*

The Kingdom of Swaziland, territorially the third smallest and among the least populous of countries on the African continent, is also one of the few IBRD borrowers, based on its Lower Middle Income Country (LMIC) status.

Swaziland's economy is fairly diversified, with agriculture, forestry and mining accounting for about 13 percent of GDP, manufacturing (textiles and sugar-related processing) representing 37 percent of GDP and services – with government services in the lead – constituting 50 percent of GDP. Title Deed Lands (TDLs), where the bulk of high value crops and plantations are grown (citrus, forestry, and sugarcane) are characterized by high levels of investment, irrigation, and productivity. Nevertheless, the majority of the population – about 75 percent – is employed in subsistence agriculture on Swazi Nation Land (SNL) which suffers from low productivity and under-investment. This dual nature of the Swazi economy -- with high productivity in textile manufacturing and in the industrialized agricultural TDLs on the one hand, and declining productivity in subsistence agriculture (on SNL) on the other -- is at the heart of Swaziland's daunting development challenges such as low levels of economic growth, high income inequality and persistent unemployment.

The Swazi economy is very closely linked to the South African economy, from which it receives over 90 percent of its imports and to which it sends about 70 percent of its exports. Aside from the dampening impact on demand of the global economic downturn, the continued vibrancy of the export sector is threatened by the removal of trade preferences for textiles, the accession to similar preferences for East Asian countries, and the phasing out of preferential prices for sugar to the European Union (EU) market. Swaziland is thus facing the challenge of remaining competitive in a changing global environment, a situation that has worsened on account of the global slowdown. A crucial factor in addressing this challenge is the investment climate.

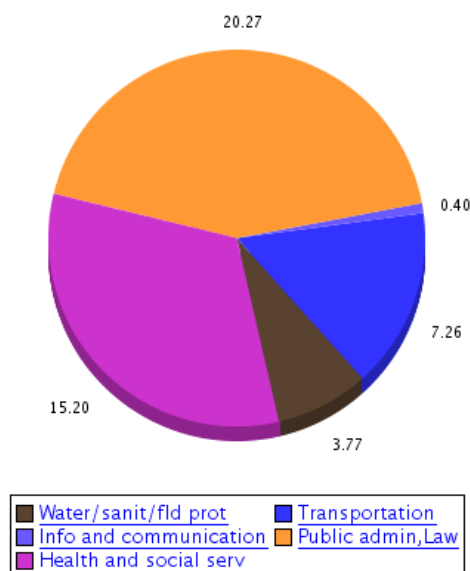
Revenue from SACU, which made up 60 percent of the fiscal revenue base (and 25 percent of GDP) in 2008 and 2009, has collapsed by more than 60 percent for 2010 and 2011, while expenditure levels had gradually increased to 45 percent of GDP in 2009 and 2010. The fall in Rand-denominated SACU revenue is affecting the level of foreign reserves in a like manner, which is a cause for concern for country in which the macroeconomic policy anchor is the peg of the Lilangeni to the Rand. These recent developments have added a sense of urgency to the need for economic growth, which has been consistently sluggish at about 2 percent per annum on average over the past 15 years.

## ***World Bank Relations and Strategic Engagement***

Since 1962, the World Bank has financed projects in several areas including roads, power, water supply, industrial development, agriculture, education and urban development. Cumulative commitments to date amount to US\$105 million for twelve IBRD loans and US\$8 million for two IDA credits.

Over the past decade, the World Bank engagement with Swaziland has been relatively limited, with only a single loan for the Swaziland Urban Development Project (US\$29 million) which was closed in March 2005, and some economic and sector work and limited technical assistance programs. The IFC has invested a total of US\$47.8 million in eight investments. The Corporation currently has an investment in the manufacturing sector for a total of US\$2.99 million. The MIGA portfolio in Swaziland consists of one project in support of the country's infrastructure (power) sector. In FY2000, the Agency provided coverage to South African investors for their investment in the construction and operation of electricity transmission lines interconnecting South Africa, Swaziland and Mozambique. The remaining gross exposure from this investment is \$23.0 million.

**Chart 5.63: World Bank Lending by Sector 2008-2011**

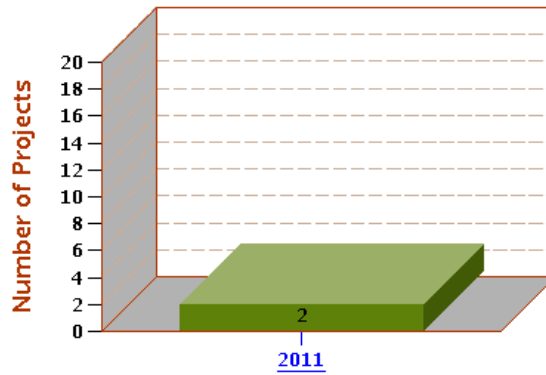


In March 2008, the World Bank's Board of Executive Directors approved an ISN for Swaziland for the period 2008 to 2010. This is the first World Bank strategy for Swaziland since 1994. It was developed in close collaboration with the Swazi Government and is fully aligned with Swaziland's development priorities. The three main areas of Bank support are:

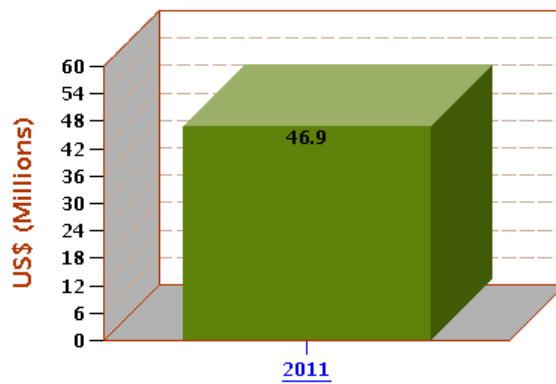
- Fighting the world's most severe HIV/AIDS pandemic
- Improving governance
- Increasing competitiveness

Under the Interim Strategy, the Bank is preparing two IBRD lending operations: a Local Government project to follow on the work started under the Swaziland Urban Development Project which closed in 2005; and a Health, HIV/AIDS and Tuberculosis project co-financed by the European Commission.

**Chart 5.64: Number of World Bank Projects by year**



**Chart 5.65: World Bank Lending by year**



Finally, the Bank is engaged in providing technical assistance and analytical work in the areas of public finance management, education, training and skills development, smallholder agriculture, and assessing the investment climate. As the Interim Strategy period has ended, the Bank is in consultation with the government and development partners, to prepare a new country strategy.

## TANZANIA



### *Overview*

Tanzania has recorded solid economic performance in recent years, with high levels of growth, steady increase in the levels of exports and significant financial deepening. Annual GDP growth has averaged between 5 and 7 percent making Tanzania one of the fastest-growing economies in Sub-Saharan Africa. The global financial crisis affected Tanzania modestly, mainly through the export

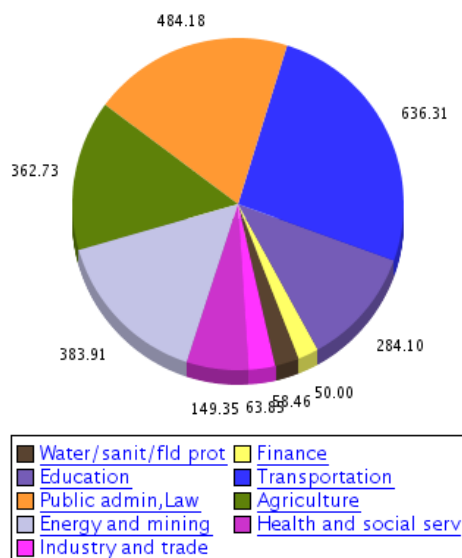
channel—tourism, cash crops, and regional manufacturing exports—as well as through lower capital flows—foreign assistance and private investment flows. The most affected sectors have been manufacturing, wholesale and retail trade, transport, and communications services. Annual inflation for 2010 is estimated at 7.2 percent, down from 12.5 percent for 2009. In early 2011, inflation has been edging higher, spurred by rising oil and food prices. The medium term evolution of inflation will remain dependent on external shocks to oil prices and agriculture production, but monetary and fiscal policy will also have an important role in anchoring inflation expectations.

The agriculture sector plays a major role in the economy and employs nearly 80 percent of the workforce. Unfortunately, the large degree of dependency on this sector renders the economy particularly vulnerable to adverse weather conditions and unfavorable prices in international primary commodity markets. Key growth sectors are mining, construction, manufacturing, and tourism—all sectors that strongly depend on and generate transport. However, poor transport infrastructure is a major bottleneck and increased and sustained investment is needed.

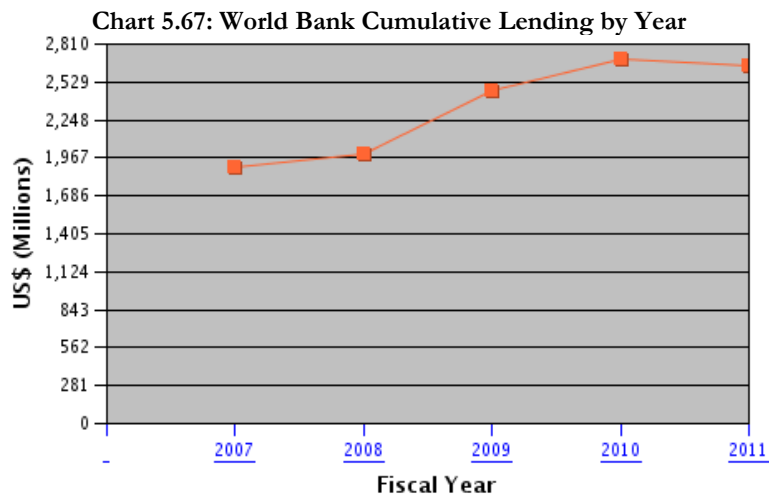
### ***World Bank Relations and Strategic Engagement***

The World Bank supports Tanzania’s growth agenda through policy analysis and advice but also through credits for projects and programs. From 1995, the Bank has provided more than US\$5.5 billion to Tanzania in loans and grants. More than 45 percent of the Bank's support has been provided through development policy operations over the last three years focusing on improving public expenditures, increasing growth, and improving the delivery of social services. The Bank has also provided direct support to the overall development program through Basket funding or project funding.

**Chart 5.66: World Bank Lending by Sector 2008-2011**

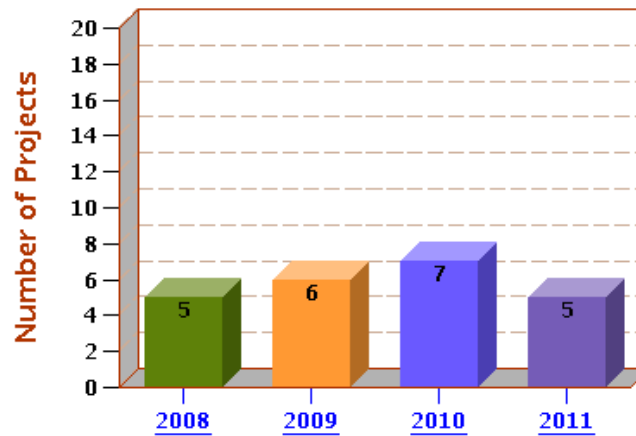


Part of the financing has supported investment projects focusing on private and financial sector development, energy, roads, rail, water, rural development, natural resource management, community and local government development, and public sector reform.



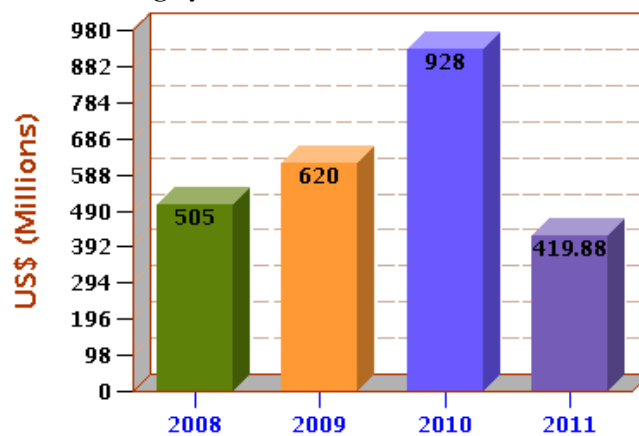
In total, the World Bank’s currently active country portfolio includes 25 operations with a net commitment of US\$2,660.8 million. The largest share of resources is allocated to transport (17 percent) followed by urban development 13 percent). In addition, Tanzania benefits from seven regional projects, in which Tanzania-specific financing amounts to US\$204 million.

**Chart 5.68: Number of World Bank Projects**



Five new projects were approved in FY11 in the amount of US\$419.88 million.

Chart 5.69: World Bank Lending by Year



The IFC has mobilized over US\$185 million in investments for the country's economy to-date and offered a broad range of advisory services to support the private sector. IFC's strategy in Tanzania focuses on supporting micro, small and medium enterprises through financial intermediaries, developing infrastructure by providing long term finance for large projects, and investing in agribusiness, tourism and other key economic sectors. IFC's recent transactions in Tanzania include an approximate US\$3 million investment in AccessBank Tanzania, a new microfinance institution, and US\$12 million in loans to Bakhresa Group to support the Tanzania-based agribusiness company expand in Malawi and Mozambique. IFC is also an investor in and has an outstanding trade finance facility with Exim Bank, one of Tanzania's most well established private banks. IFC's financing has supported the bank's successful expansion across Tanzania. IFC is also working with Exim Bank to boost its lending to women entrepreneurs and to promote trade through a trade finance facility.

Tanzania became a member of MIGA in 1992. At present, MIGA does not have any commitment in Tanzania and no projects in its pipeline.

## UGANDA



### *Overview*

Uganda has established a strong record of prudent macroeconomic management and structural reform over the past two decades. It was one of the first Sub-Saharan African countries to embark on liberalization and pro-market policies in the late 1980s. Since then, the government has maintained a stable macroeconomic environment and sustained private-sector oriented reforms that graduated Uganda into a mature reformer in 2006. GDP growth accelerated from an average of 6.5 percent per year in the 1990s to over seven percent during the 10 years to 2009/10. Growth remained robust even in the face of consecutive exogenous shocks, including the recent global economic crisis. Growing at 5.2 percent in 2009/10, Uganda's growth over the years has remained well above Sub-Saharan Africa average.

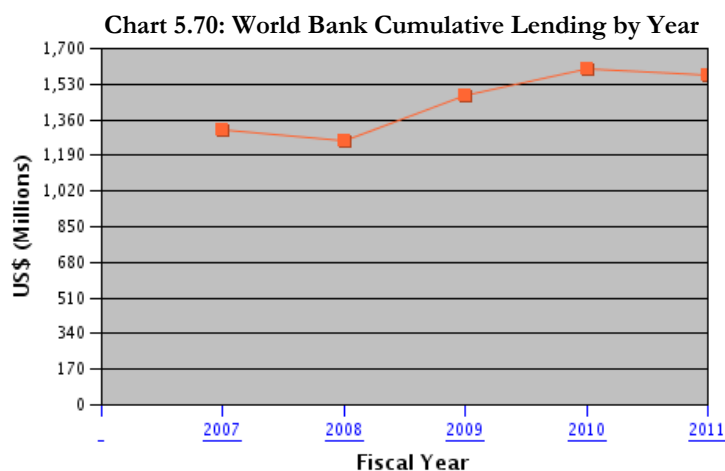
While Uganda has been one of the few durable success stories of Africa, its continued economic prosperity requires moving the economy to a higher productivity level and integrating all regions into the development process. Equal access to quality social services, in particular education and health, must be coupled with promoting growth through infrastructure investments in the places where it will earn the highest return. This will ensure faster integration of the slower and faster growing areas of the country.

Uganda’s overriding development challenge is to manage its resources, in particular the fast growing youthful population and newly discovered oil. To reap the demographic dividend, Uganda must invest in fertility reduction, quality education and skills development, and job creation. To reap the oil dividend, Uganda must maximize the social benefits through adequate investment and prudent macroeconomic management of the oil sector, as well as transparency and management of expectations.

### ***World Bank Relations and Strategic Engagement***

Uganda joined the World Bank in 1963, a year after obtaining independence. The first loan financed electric power development. Since then, the Bank has provided over US\$6.6 billion in financing: more than US\$6 billion in loans and credits and over US\$600 million in grants. The Bank has committed US\$1.2 billion to finance various programs and projects between 2009 and 2011. Projected pipeline projects to be delivered in FY11, amount to approximately US\$300 million for energy, transport, and general budget support. The World Bank’s lending Program in Uganda is the sixth largest in Africa and is projected to grow if the country maintains its growth and development focus.

As of end March 2011, the Uganda portfolio comprises 23 IDA-financed operations and an IDA guarantee for the Private Power Generation (Bujagali) Project with a total commitment amount of US\$1.76 billion. About one quarter of annual IDA support is provided in the form of direct budget support. In addition, there are four regional projects, whose amounts are not captured in the chart.

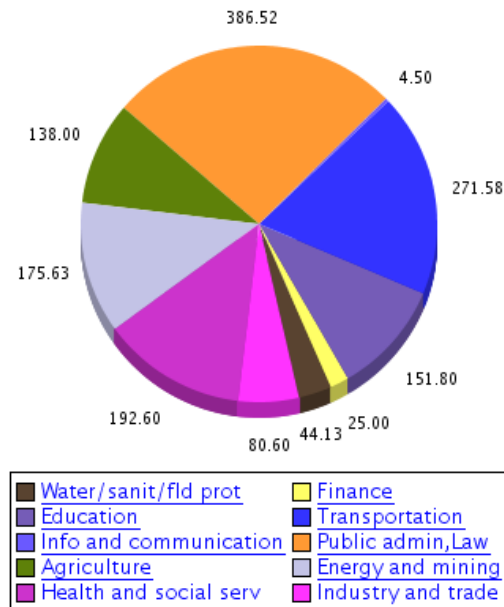


The current sector distribution of IDA commitments reflects the government’s emphasis on infrastructure. About 64 percent of commitments are allocated to energy, mining, environment, urban development, and transport. About 24 percent are allocated to education, health and social



development; 6 percent to finance and private sector development; and 7 percent to economic and public sector management.

**Chart 5.71: World Bank Lending by Sector 2008-2011**



Uganda has also benefitted from a large trust fund portfolio (approximately US\$80 million in grants). Trust funds, most of which are linked to lending operations, have focused mainly on: environment; renewable energy (Global Environment Facility); demobilization and reintegration of ex-combatants (Multi-country Demobilization and Reintegration Program); monitoring and evaluation (Institutional Development Fund (IDF)); avian influenza; and piloting output-based aid in health and water supply (Global Partnership on Output Based Aid). DFID has become a key partner in the Bank's Uganda program, co-financing the Northern Uganda Social Action Fund II (US\$39 million) and the Transport Sector Development Project (US\$8 million) and supporting Government of Uganda's implementation of the National Development Plan through a Bank executed Partnership Trust Fund for analytical studies and Technical Assistance (approximately US\$10 million). In addition, a Multi Donor Trust Fund has been set up to fund various activities related to the Joint Budget Support Framework, including funding of a Technical Assistance and Support Unit.

Chart 5.72: Number of World Bank Projects by year

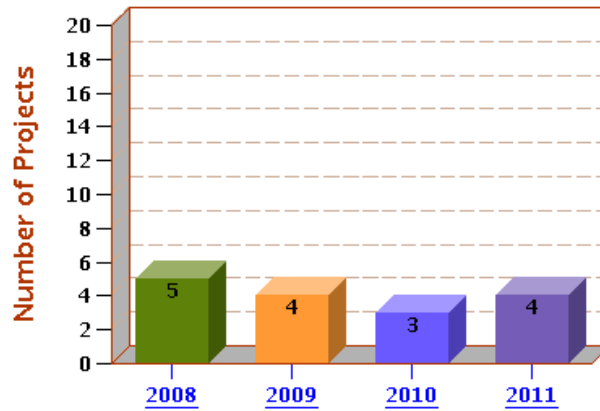
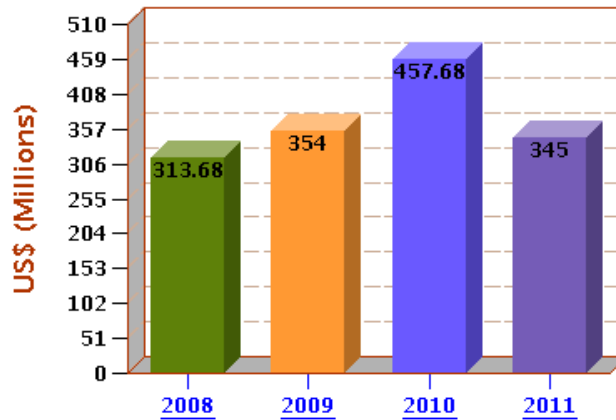


Chart 5.73: World Bank Lending by year



The Bank's analytical and advisory activities underpin investment operations and sector strategies, and inform the government's reform path. Recent analytical work includes a series of Public Expenditure Reviews focused on Education (FY08), Health (FY09), and Roads (FY10). The report "Public Finance Management in Uganda – a Platform Approach" (2008), including an assessment of fiscal decentralization and the PEFA Report (2009) has been critical in informing the Public Financial Management reform agenda. Other work includes: a Diagnostic Trade Integration Study, an Investment Climate Assessment, a Financial Sector Study, a Land PSIA, an Agriculture Sector Public Expenditure Review, and a study on Regional Inequality.

Current IFC's portfolio in Uganda amounted to US\$202 million, focusing on financial market and infrastructure development, supporting the privatization program, and telecommunications. Uganda is one of the pilot countries in the IFC/IDA Micro, Small and Medium Enterprises (MSMEs) initiative that supports enhanced access to finance, business development services and improving the investment climate. Additional operations in the forthcoming years include heightened focus on agribusiness, finance sector development, infrastructure (including railways) and electricity

companies. Among IFC's recent commitments includes \$25 million financing for Umeme in 2009, further demonstrating the Bank Group's commitment to improving the energy sector in Uganda.

Uganda became a member of MIGA in 1992. As of end of June 2011, MIGA had a portfolio of three guarantees with a combined gross exposure of US\$158 million. MIGA is supporting Globeleq Holdings (United Kingdom) with a US\$41 million guarantee of its investment in Umeme Ltd, the project company that has leased the electricity distribution grid of Uganda. MIGA is also supporting Sithe Global (USA) with a US\$115 million guarantee of its equity in Bujagali Energy Ltd. By supporting private investments in both generation and distribution, MIGA has played a key role in supporting the reform of Uganda's electricity sector, undertaken with the support of the World Bank in 2002. Umeme Limited was awarded a 20-year electricity distribution concession to manage and operate the assets of Uganda Electricity Distribution Company from March 2005, becoming the first significant private operator of electricity distribution in all of sub-Saharan Africa. The Bank and MIGA have worked closely together on helping the government and Umeme Ltd. provide a more reliable, safe, and affordable supply of electricity. MIGA also has a guarantee in support of agribusiness.

## ZAMBIA



### *Overview*

Zambia is endowed with enormous economic potential grounded in its rich endowment of natural resources. Although, Zambia's Vision 2030 had envisaged the country attaining prosperous middle-income status by the year 2030, it has already attained middle-income classification by 2011. The impressive growth performance over sustained period has underpinned this achievement.

After reaching the HIPC and MDRI in 2005 and 2006 respectively, Zambia has turned around its image from a country performing considerably below its potential, to a country with good economic management and several years of strong economic growth. Strong macro-economic performance, coupled with fast pace growth in mining, construction, telecommunications and tourism, helped spur GDP growth of 5.6 percent on average in 2001-2010, which peaked at 7.6 percent in 2010. A number of policy reforms such as acceleration of the budget preparation process, increase of electricity tariffs and privatization of remnant parastatals have been put in place to enhance economic growth.

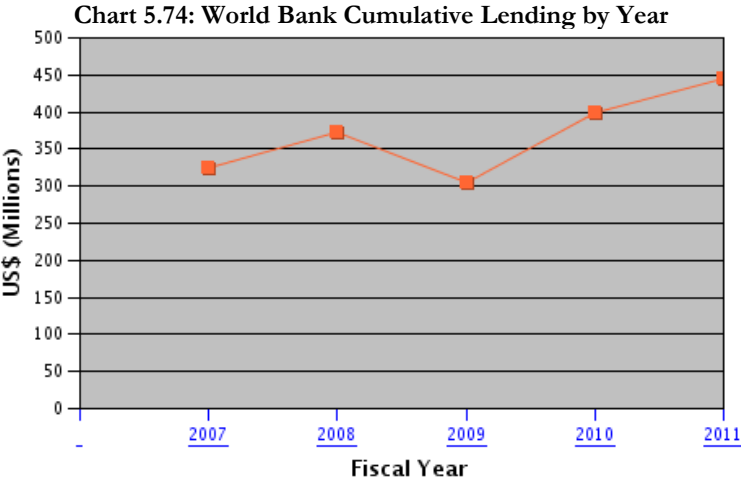
Accelerating growth and reducing poverty will necessitate increasing the competitiveness of the Zambian economy by reducing the cost of doing business and ensuring that the rural economy, upon which much of the population depends for its livelihood, contributes meaningfully to overall growth. Despite vast potential and stated commitments to diversification, the mining sector continues to dominate the economy.

### *World Bank Relations and Strategic Engagement*

The CAS for Zambia for fiscal 2008-2011 is closely aligned with the Zambian government's Vision 2030 and Zambia's National Development Plans (ZNDP). The plans are organized around the theme of broad based wealth and job creation through citizenry participation and technological

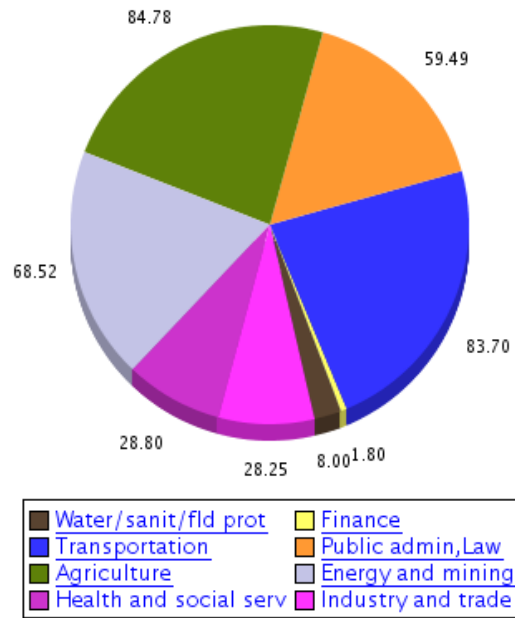
advancement. Specific development goals are to foster a competitive and outward-oriented economy in order to significantly reduce hunger and poverty and reach middle income status.

The CAS has two areas of special emphasis. First, because of the potential fiscal windfall coming from the boom in copper export prices, the CAS supports improved expenditure management and effective use of revenue in collaboration and monitoring with the government and local stakeholders, to benefit as many households as possible. Second, because of the significant gaps between urban and rural areas, and the need for increased access to regional markets, the CAS supports a program of investments in infrastructure that will increase economic opportunities for all Zambians through improved connectivity and integration, resulting in increased competitiveness.



The other sectors have continued to decline and their shares are currently as follows: environment (11percent), agriculture (10 percent), finance and private sector development (eight percent), the public sector (eight percent), and Human Development (five percent). (See chart). Grants now account for about 18 percent of the current total net commitments while credits are at 82 percent.

**Chart 5.75: World Bank Lending by**



Sector

FY 11 approvals amounted to US\$ 210.83 for five (5) projects a ramped up engagement over the last three years. These included mainly an irrigation development project in the agricultural sector, a budget support operation, additional financing for the Malaria Booster projects and road rehabilitation.

**Chart 5.76: Number of World Bank Projects by year**

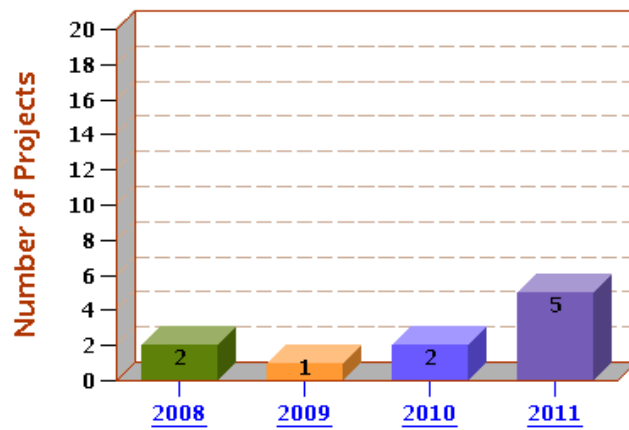
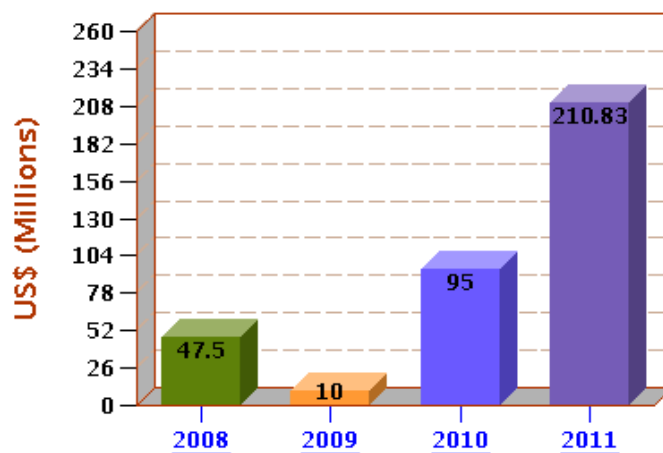


Chart 5.77: World Bank Lending by year



## ZIMBABWE



### *Overview*

Zimbabwe's economy has started to recover from a decade-long crisis that saw economic output decline every single year during the period 1999 to 2008, for a cumulative decline of more than 45 percent. In 2010, real GDP is estimated to have grown by 7.5 percent following on a 5.7 percent growth in 2009. The agriculture and mining sectors are at the front of recovery, with manufacturing and services also registering some growth. Agricultural output grew by 15 percent in 2009 and 34 percent in 2010. Smallholder maize production jumped from 0.57 million tons in 2007-2008 to 1.35 million tons in 2009-2010. Tobacco production more than doubled in the last two years. In mining, output (value) grew by 8.5 percent in 2009 and 47 percent in 2010. Production surged in platinum (64 percent increase between 2008 and 2010) and gold (125 percent increase in two years). Levels of productions have however not yet recovered to 2000 levels. Growth in manufacturing has been sluggish. The sector is heavily undercapitalized, with an important need to refurbish equipment and restore depleted working capital, and it continues to be constrained by insufficient and unreliable electricity supply, high labor costs and rigidities, overall tax and regulatory burden.

Recovery is expected to continue in the near future and in the 2011 Budget Speech, the Minister of Finance projected a 9.3 percent growth in 2011. Domestic prices remain stable. In December 2010 CPI was 3.2 percent higher than in December 2009 and 0.4 percent less than in November 2010 (seasonally unadjusted). The external position is precarious. The current account deficit declined substantially in 2010, as exports expanded and domestic demand was kept low. However its level remains high; Current account deficit at the end of 2010 was about 20 percent of GDP compared with 26 percent of GDP in 2009. This current account deficit is financed by increasing arrears and short-run capital inflows, and remains vulnerable to decline in commodity prices and reduction of capital flows. Gross official reserves, including SDR, were at \$184.7 million in December 2010, representing 0.8 months of imports. Intermediation is returning rapidly to the banking system. US dollar deposits with deposit-taking institutions grew from US\$314 million (7.4% of GDP) at the end

of 2008 to \$2.6 billion at the end of December 2010. Banking system however remains vulnerable to liquidity risks in the absence of a lender of last resort.

Even though the economy has begun to recover, the recovery remains precarious as a number of issues stand in the way of sustainable economic growth. These relate to (i) political uncertainty resulting in low business confidence, (ii) lack of domestic liquidity and very high real interest rates on short-term credit; (iii) high wage costs and unrealistic wage demands driven by accommodation, utilities among others; (iv) ailing infrastructure (lack of resources to rehabilitate infrastructure); (v) low domestic demand; (vi) unreliable power supply; (vii) empowerment policies and the uncertainty around their application

At the current pace, the economy could take almost a decade to achieve pre-crisis level of output. There is a need for deeper reforms focused on economic as well as sector policies to consolidate recovery, address vulnerabilities, and put the economy on a path to higher growth and employment.

### ***World Bank Relations and Strategic Engagement***

The World Bank has maintained its presence in Zimbabwe despite suspension of its lending program when the country went into arrears in 2000. World Bank assistance to Zimbabwe totaled US\$1.6 billion between 1980, and 2000. The country's debt to the Bank is more than US\$1.2 billion, with US\$750 million in arrears.

The Bank's role has been limited to technical assistance and analytical work focusing on macroeconomic policy, food security/agrarian sector, social sector expenditures and delivery, infrastructure assessment, and HIV/AIDS program support. Some of the analytical work is funded through the Analytic Multi-Donor Trust Fund (A-MDTF), which the Bank is administering. The objective of the A-MDTF is to contribute knowledge on the key development challenges facing Zimbabwe within the context and objectives of the second Interim Strategy Note. The A-MDTF, through analytic studies and pilot activities, aims to develop suitable instruments that can enable Government and donors to respond quickly to the country's needs during re-engagement. The MDTF provided technical support to the preparation of the 2010 and 2011 budgets and the ongoing development of the Medium-Term Plan. Current work includes support to (i) a Payroll Audit, (ii) a Land Audit; and (iii) Zimbabwe's Public Financial Management Systems.

Resumption of full World Bank financial support will hinge, inter-alia, on arrears clearance and government commitment to a sound economic recovery program with international support.







## Annexes



## **DEVELOPMENT COMMITTEE**

### **JOINT MINISTERIAL COMMITTEE OF THE BOARDS OF GOVERNORS OF THE BANK AND THE FUND ON THE TRANSFER OF REAL RESOURCES TO DEVELOPING COUNTRIES**

1818 H Street, N.W., Washington, D.C. 20433

Telephone: (202) 458-2980  
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Washington, October 9, 2010

1. The Development Committee met today, October 9, 2010, in Washington DC.
2. Two years after the onset of the global financial crisis, actions by developed and developing countries, with strong support from multilateral financial institutions, have helped head off a catastrophic economic downturn. Economic resilience among many developing countries, reflecting sound policies in the years prior to the crisis, has underpinned the effectiveness of the global response, and is now contributing to the nascent global recovery.
3. Many developing countries have done well in maintaining growth and output and preserving core spending on health, education and infrastructure. Protecting vulnerable groups has proved a bigger challenge--especially in low-income countries--partly because of fiscal constraints and difficulties in scaling up effective social protection mechanisms.
4. Until 2008, developing countries had made significant, if uneven, progress to achieve the Millennium Development Goals (MDGs). The food, fuel and financial crises, however, have taken a heavy toll. We commit to intensify our efforts to achieve the MDGs by 2015, with a stronger focus on results.
5. We welcome the role played by the multilateral financial institutions in supporting countries' own responses to the crises. We note the exceptionally high levels of commitments and disbursements by the World Bank Group (WBG) and the International Monetary Fund (IMF) since the onset of the financial crisis. We call on the WBG and the IMF to continue identifying policies and instruments that could best assist in preventing and responding to future crises, reduce the risks to growth and increase prospects for a sustainable recovery.

6. The International Development Association (IDA) is one of the world's most important instruments for achieving the MDGs and improving the lives of millions of people. IDA contributes unique strengths to development policy and financing, which underlie its strong track record of delivering development results. In this context, we welcome the continued efforts to improve IDA's results measurement. We call for a strong sixteenth IDA replenishment, with fair and broader burden sharing among all donors and the WBG.

7. We stress the importance of the revival of world trade and investment in underpinning global economic recovery and growth. Therefore, we urge members to avoid all forms of protectionist measures. Developing economies will play an increasing role in global growth and trade. We reiterate our support for the WBG's continuous efforts in infrastructure, innovation and human capital investment. We would like to emphasize our support for further strengthening and mainstreaming of the WBG's work on gender. We also recognize the WBG's work in the area of climate change, including Climate Investment Funds. We encourage further collaboration with the United Nations Framework Convention on Climate Change.

8. Food security and nutrition will remain vital concerns for many developing countries. We look forward to strengthened efforts by the WBG, in coordination with other international institutions, to address issues of agricultural productivity, food security and challenges posed by agricultural commodity price volatility.

9. We encourage the continued implementation of the Post Crisis Directions framework that provides the WBG with strategic guidance to help the institution prioritize, make tradeoffs and maximize its development impact. We acknowledge the work underway on results, including a corporate scorecard, on knowledge sharing and learning, and on decentralization.

We expect the Board to monitor and report on all the agreed reforms to ensure their timely and effective implementation. We commend the WBG on opening access to data, tools and information. We welcome the continued efforts of the International Finance Corporation to contribute to stronger private sector development, including in IDA countries, and its efforts to mobilize additional resources, such as through the Asset Management Company.

10. We welcome the third Sub-Saharan Africa Chair at the WBG. We stress the importance of timely implementation of the remaining proposals on voice reform and on strengthening the WBG's financial capacity that we endorsed last spring.

11. We note the progress made on the governance and accountability of the WBG, and look forward to proposals from the Board, including work underway on presidential selection and dual performance, at our next meeting. We reiterate the importance of an open, meritbased and transparent process for the selection of the President of the WBG. We also reiterate the importance of promoting staff diversity to reflect better the global nature of the WBG.

12. The Committee's next meeting is scheduled for April 17, 2011 in Washington, DC.



## **DEVELOPMENT COMMITTEE**

### **JOINT MINISTERIAL COMMITTEE OF THE BOARDS OF GOVERNORS OF THE BANK AND THE FUND ON THE TRANSFER OF REAL RESOURCES TO DEVELOPING COUNTRIES**

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Washington, April 16, 2011

The Development Committee met today, April 16, 2011, in Washington DC.

2. We welcome evidence of a strengthening global economy, led in large part by developing countries. However we are concerned that overheating in some sectors, especially food and energy, is resulting in price pressures and volatility, putting developing countries and especially their most vulnerable populations at risk. We pledge to stay alert to the economic challenges arising from natural disasters, conflict and social unrest. We remain committed to ensuring sustainable, balanced and inclusive growth and providing timely, effective support where needed.

3. Recent events in parts of the Middle East and North Africa will have lasting social and economic impacts, which will differ from country to country. We welcome the timely World Bank Group (WBG) and IMF engagement and advice, including program and policy support for jobs, social safety nets, fiscal management, governance, promotion of private sector development and other critical areas. We call on the Bank to strengthen its support to the Middle East and North Africa, working with governments and with relevant multilateral, regional and bilateral organizations.

4. The international financial institutions continue to play an essential role in helping countries prevent and weather crises. We especially welcome the unprecedented sixteenth replenishment of the International Development Association (IDA) and the approval of the IBRD capital increase, and look forward to a swift adoption of IFC's selective capital increase. We welcome IDA16's focus on gender, fragile states and climate change and emphasis on results. We also look forward to IDA's continued support for agriculture, infrastructure and energy. We welcome the special allocation for Haiti and the new dedicated Crisis Response Window to strengthen IDA16's

capacity to respond rapidly when member countries are hit by economic crises or natural disasters. All of these additional resources will help the WBG to continue to support member countries in their fight against poverty.

5. We welcome the fact that two thirds of developing countries are on target or close to being on target for reaching the Millennium Development Goals. However, progress has been mixed and it has slowed in places due to the global economic crisis and the recent food and energy price increases. We commit to intensifying our efforts to achieve results by 2015, especially in lagging regions, fragile states and for vulnerable and historically excluded populations, including women and girls, and to protecting progress by building resilience to economic and environmental shocks.

6. We are concerned about high and volatile international food prices and their impact on vulnerable populations, as well as the longer term risks they pose to growth and poverty reduction. We welcome the responsiveness of the WBG, working with partners including the G20, to help address short- and long-term challenges related to food security and price volatility. We welcome the recommendations in the Development Committee paper, *Responding to Global Food Price Volatility and Its Impact on Food Security* and urge further action in this area. We welcome the WBG's stepped-up role in agricultural development and agricultural research, including efforts to strengthen the productivity and resilience of smallholder production. We call on the WBG to pursue innovative solutions to strengthening agricultural productivity, trade, and farmers' access to markets, as well as private investment and South-South cooperation. Africa is disproportionately affected by shocks and deserves special attention. We stress the crucial role women play in agriculture and the importance of ensuring their needs are addressed. To help meet developing country needs, we recognize the importance of stronger coordinated multilateral action in food and agriculture, including adequately funding the Global Agriculture and Food Security Program (GAFSP), and partnerships involving the UN and other relevant bodies.

7. We welcome the World Development Report (WDR) on *Conflict, Security and Development*, with its emphasis on the link between conflict resolution and economic development. The WDR has the potential to stimulate significant improvement in the performance of the WBG and other development partners in fragile and conflict-affected states. As part of the international community's collective effort, the WBG can play a key role in helping countries through a focus on job creation and private sector development, inclusive growth, the development of strong institutions, and the enhancement of security and justice in countries affected by fragility, conflict, organized crime and other forms of violence. We support incorporating lessons from the WDR into WBG policies and operations, including alignment of results and risk management, and provision of incentives to the best qualified staff to serve in these situations. We urge the WBG to be ready to engage early and consistently in fragile and conflict-affected situations within the areas covered by its institutional mandate, and in full coordination with other development partners.

8. We welcome the outcomes of the Cancun meeting on climate change and the WBG's role as an interim trustee of the Green Climate Fund (GCF). This will help to draw on the WBG's experience from the Climate Investment Funds and to ensure continuity in climate investment before the GCF becomes operational. We look forward to further progress in this area, including innovative approaches to development and climate change financing, and the Bank's support for

the work of the Transitional Committee in charge of designing the GCF.

9. We welcome ongoing implementation of the WBG's Post Crisis Directions and actions to modernize the WBG's structures and operations to reinforce its ability to improve client responsiveness and to deliver, measure, and report on effective results. We welcome the report on presidential selection, which responds to the request for an open, merit-based and transparent selection process, and the report on dual performance feedback as a means to strengthen governance and accountability, bearing in mind the development mandate of the WBG. We welcome the efforts to develop the WBG's Corporate Scorecard with a view to strengthening the strategic dialogue with shareholders on directions and overall institutional performance. We call on the WBG to continue to promote staff diversity to better reflect its global nature.

10. We extend our sympathy and support to the government and people of Japan as they grapple with the impact of the recent natural disasters.

11. The Development Committee's next meeting is scheduled for September 24, 2011, in Washington DC.

Annex 3      Rotation Schedules

<b>SCHEDULE I</b>		
<b>ROTATION SCHEDULE FOR CONSTITUENCY CHAIRMANSHIP</b>		
<b>FIRST ROUND 2010 - 2050</b>		
<b>Year</b>	<b>Chairperson</b>	<b>Vice Chairperson</b>
2010	BOTSWANA	BURUNDI
2012	BURUNDI	ERITREA
2014	ERITREA	ETHIOPIA
2016	ETHIOPIA	GAMBIA, THE
2018	GAMBIA, THE	KENYA
2020	KENYA	LESOTHO
2022	LESOTHO	LIBERIA
2024	LIBERIA	MALAWI
2026	MALAWI	MOZAMBIQUE
2028	MOZAMBIQUE	NAMIBIA
2030	NAMIBIA	RWANDA
2032	RWANDA	SEYCHELLES
2034	SEYCHELLES	SIERRA LEONE
2036	SIERRA LEONE	SOMALIA
2038	SOMALIA	SUDAN
2040	SUDAN	SWAZILAND
2042	SWAZILAND	TANZANIA
2044	TANZANIA	UGANDA
2046	UGANDA	ZAMBIA
2048	ZAMBIA	ZIMBABWE
2050	ZIMBABWE	BOTSWANA
<b>NOTES:</b>		
<i>1. Every country is given turn for chairmanship in alphabetical order from A to Z</i>		
<i>2. Avoids duplication with IMF Rotation - Governors not serving on the IMF constituency Panel are given preference</i>		

SCHEDULE II					
ROTATION SCHEDULE FOR CONSTITUENCY PANEL MEMBERSHIP					
FIRST ROUND 2010 - 2050					
YEAR	CHAIRPERSON	VICE CHAIRPERSON	OTHER PANEL MEMBERS		
2010	BOTSWANA	BURUNDI	SEYCHELLES	KENYA	SIERRA LEONE
2012	BURUNDI	ERITREA	RWANDA	SWAZILAND	LIBERIA
2014	ERITREA	ETHIOPIA	LESOTHO	ZAMBIA	GAMBIA,THE
2016	ETHIOPIA	GAMBIA, THE	NAMIBIA	ZIMBABWE	SUDAN
2018	GAMBIA, THE	KENYA	MOZAMBIQUE	MALAWI	TANZANIA
2020	KENYA	LESOTHO	SWAZILAND	BOTSWANA	ETHIOPIA
2022	LESOTHO	LIBERIA	RWANDA	BURUNDI	LIBERIA
2024	LIBERIA	MALAWI	MOZAMBIQUE	ETHIOPIA	ZAMBIA
2026	MALAWI	MOZAMBIQUE	GAMBIA, THE	SEYCHELLES	KENYA
2028	MOZAMBIQUE	NAMIBIA	ETHIOPIA	NAMIBIA	ERITREA
2030	NAMIBIA	RWANDA	BOTSWANA	RWANDA	SIERRA LEONE
2032	RWANDA	SEYCHELLES	LESOTHO	UGANDA	TANZANIA
2034	SEYCHELLES	SIERRA LEONE	SUDAN	ZIMBABWE	LIBERIA
2036	SIERRA LEONE	SOMALIA	KENYA	BOTSWANA	MOZAMBIQUE
2038	SOMALIA	SUDAN	SWAZILAND	ZAMBIA	NAMIBIA
2040	SUDAN	SWAZILAND	TANZANIA	UGANDA	BURUNDI
2042	SWAZILAND	TANZANIA	UGANDA	ERITREA	ZIMBABWE
2044	TANZANIA	UGANDA	ZAMBIA	SEYCHELLES	BOTSWANA
2046	UGANDA	ZAMBIA	ZIMBABWE	KENYA	GAMBIA,THE
2048	ZAMBIA	ZIMBABWE	UGANDA	BURUNDI	LIBERIA
2050	ZIMBABWE	BOTSWANA	GAMBIA, THE	SUDAN	RWANDA
NOTES:					
<i>1. Every country is given turn for chairmanship in alphabetical order from A to Z</i>					
<i>2. Avoids duplication with IMF Rotation - Governors not serving on the IMF constituency Panel are given preference</i>					
<i>3. General panel members reflects regional balance (East, South and West)</i>					



**SCHEDULE III**  
**ROTATION SCHEDULE FOR CONSTITUENCY REPRESENTATION ON**  
**THE DEVELOPMENT COMMITTEE**  
**FIRST ROUND 2010-2050**

2010	ZIMBABWE	ZAMBIA	BOTSWANA	BURUNDI	TANZANIA	ERITREA	RWANDA	GAMBIA, THE
2012	ZAMBIA	UGANDA	BURUNDI	ERITREA	LIBERIA	MALAWI	TANZANIA	KENYA
2014	UGANDA	TANZANIA	ERITREA	ETHIOPIA	NAMIBIA	MOZAMBIQUE	ZIMBABWE	SIERRA LEONE
2016	TANZANIA	SWAZILAND	ETHIOPIA	ZAMBIA	LESOTHO	RWANDA	BURUNDI	LIBERIA
2018	SWAZILAND	UGANDA	SOMALIA	ZIMBABWE	GAMBIA, THE	KENYA	LESOTHO	UGANDA
2020	SUDAN	SOMALIA	GAMBIA, THE	KENYA	BURUNDI	ZAMBIA	SWAZILAND	SIERRA LEONE
2022	SOMALIA	SIERRA LEONE	KENYA	LESOTHO	MOZAMBIQUE	MALAWI	NAMIBIA	GAMBIA, THE
2024	SIERRA LEONE	SEYCHELLES	LESOTHO	LIBERIA	SWAZILAND	ETHIOPIA	BOTSWANA	TANZANIA
2026	SEYCHELLES	RWANDA	LIBERIA	MALAWI	SUDAN	TANZANIA	ZIMBABWE	SWAZILAND
2028	RWANDA	NAMIBIA	MALAWI	MOZAMBIQUE	KENYA	SUDAN	ZAMBIA	SIERRA LEONE
2030	NAMIBIA	MALAWI	MOZAMBIQUE	SOMALIA	BURUNDI	KENYA	SIERRA LEONE	UGANDA
2032	MALAWI	MOZAMBIQUE	NAMIBIA	RWANDA	TANZANIA	GAMBIA, THE	ETHIOPIA	BURUNDI
2034	MOZAMBIQUE	LIBERIA	RWANDA	SEYCHELLES	LESOTHO	ZAMBIA	ERITREA	SEYCHELLES
2036	LIBERIA	LESOTHO	SEYCHELLES	SOMALIA	GAMBIA, THE	MALAWI	NAMIBIA	RWANDA
2038	LESOTHO	KENYA	SIERRA LEONE	SUDAN	MOZAMBIQUE	ZAMBIA	ZIMBABWE	UGANDA
2040	KENYA	GAMBIA, THE	SUDAN	SWAZILAND	BOTSWANA	NAMIBIA	ETHIOPIA	RWANDA
2042	GAMBIA, THE	ETHIOPIA	SWAZILAND	TANZANIA	ZAMBIA	ZIMBABWE	LIBERIA	MALAWI
2044	ETHIOPIA	BURUNDI	TANZANIA	UGANDA	SIERRA LEONE	LIBERIA	LESOTHO	TANZANIA
2046	BURUNDI	ERITREA	UGANDA	ZAMBIA	LIBERIA	UGANDA	SWAZILAND	NAMIBIA
2048	ERITREA	BOTSWANA	ZAMBIA	ZIMBABWE	KENYA	SIERRA LEONE	SEYCHELLES	RWANDA
2050	BOTSWANA	GAMBIA, THE	ZIMBABWE	ZAMBIA	SIERRA LEONE	KENYA	ETHIOPIA	MOZAMBIQUE

*Notes:*

1. *Avoids duplication with the other Panel membership*
2. *DC Representative and Alternate members accord opportunity in descending alphabetical order (Z to A), and*
3. *Associate Members are elected to provide regional balance*

SCHEDULE IV		
ROTATION SCHEDULE FOR EXECUTIVE DIRECTOR AND ALTERNATE EXECUTIVE DIRECTOR		
FIRST ROUND 2010 - 2050		
Year	Executive Director	Alternate ED
2010	SUDAN	ZAMBIA
2012	ZAMBIA	SEYCHELLES
2014	SEYCHELLES	ZIMBABWE
2016	ZIMBABWE	BOTSWANA
2018	BOTSWANA	UGANDA
2020	UGANDA	BURUNDI
2022	BURUNDI	TANZANIA
2024	TANZANIA	ERITREA
2026	ERITREA	SWAZILAND
2028	SWAZILAND	ETHIOPIA
2030	ETHIOPIA	SOMALIA
2032	SOMALIA	GAMBIA, THE
2034	GAMBIA, THE	SIERRA LEONE
2036	SIERRA LEONE	KENYA
2038	KENYA	RWANDA
2040	RWANDA	NAMIBIA
2042	NAMIBIA	LESOTHO
2044	LESOTHO	MOZAMBIQUE
2046	MOZAMBIQUE	LIBERIA
2048	LIBERIA	MALAWI
2050	MALAWI	
<b>NOTES:</b>		
<i>1.Sudan and Zambia special dispensation to serve their turn under rotation system of the erstwhile Africa Group I consistency</i>		
<i>2.Seychelles which has never served the constituency as Executive Director is accorded special dispensation on the rotation system</i>		
<i>3.The rest of the countries follow an Alphabetical rotation alternating between A and Z until the first round is completed</i>		
<i>4.This schedule avoids duplication with IMF Rotation for EDs and AEDs</i>		





