

**MEETING THE CHALLENGE OF AFRICA'S DEVELOPMENT:  
A WORLD BANK GROUP ACTION PLAN**

**AFRICA REGION  
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## ABBREVIATIONS AND ACRONYMS

AAP	Africa Action Plan
ADI	Africa Development Indicators
AERC	African Economic Research Consortium
AfDB	African Development Bank
AFR	Africa Region
AIDS	Acquired Immune Deficiency Syndrome
AGOA	Africa Growth and Opportunity Act
AMC	Advance Market Commitments
APRM	Africa Peer Review Mechanism
AU	African Union
CAADP	Comprehensive African Agricultural Development Program
CAS	Country Assistance Strategy
CDD	Community Driven Development
CFAA	Country Financial Accountability Assessment
CG	Consultative Group
CGIAR	Consultative Group on International Agricultural Research
COMESA	Common Market for Eastern and Southern Africa
CPIA	Country Policy and Institutional Assessment
CPAR	Country Assessment Procurement Report
CWIQ	Core Welfare Indicator Questionnaire
DAC	Development Assistance Committee
DEC	Development Economics
DFID	UK Depart for International Development
DIME	Development Economics-Sponsored Development Impact Evaluation Initiative
EBA	Everything But Arms
ECA	Economic Commission for Africa
ECOWAS	Economic Community of West African States
EFA	Education for All
EITI	Extractive Industries Transparency Initiative
EU	European Commission
FDI	Foreign Direct Investment
FIAS	Foreign Investment Advisory Service
FTI	Fast Track Initiative
G8	Group of Eight
GDP	Gross Domestic Product
GNI	Gross National Income
HD	Human Development
HLF	High-Level Forum
HIPC	Heavily Indebted Poor Country
HIV	Human Immunodeficiency Virus
IBRD	International Bank for Reconstruction and Development
ICA	Investment Climate Assessment
ICR	Implementation Completion Report
ICS	Investment Climate Surveys
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
IPT	Intermittent Presumptive Treatment
ITN	Insecticide Treated Nets

MAP	Marrakesh Action Plan for Statistics
MDB	Multilateral Development Bank
MDG	Millennium Development Goals
M&E	Monitoring and Evaluation
MSMEs	Micro, Small and Medium Enterprises
MIGA	Multilateral Investment Guarantee Agency
NEPAD	New Partnership for Africa's Development
NGO	Non Governmental Organization
NSDS	National Strategies for the Development of Statistics
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OPCS	Operations Policy & Country Services
PBA	Performance-Based Allocation
PEFA	Public Expenditure Management and Financial Accountability
PEP	Private Enterprise Partnership
PER	Public Expenditure Review
PEFAR	President's Emergency Plan for AIDS Relief
PETS	Public Expenditure Tracking Surveys
PFM	Public Financial Management
PPI	Private Participation in Infrastructure
PRI	Political Risk Insurance
PRSCs	Poverty Reduction Support Credits
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
RBCAS	Results-Based Country Assistance Strategy
REC	Regional Economic Communities
SADC	Southern Africa Development Community
SFIA	Strategic Framework for IDA in Africa
SSA	Sub-Saharan Africa
SWAP	Sector-Wide Approach
SME	Small and Medium Enterprises
STATCAP	Statistical Capacity Building Program
TA	Technical Assistance
TFSCB	Trust Fund for Statistical Capacity Building
UEMOA	African Western Union Economic Monetary
UNDG	United Nations Development Group
UN	United Nations
USAID	United States Agency for International Development
WBI	World Bank Institute
WHO	World Health Organization

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# MEETING THE CHALLENGE OF AFRICA'S DEVELOPMENT: A WORLD BANK GROUP ACTION PLAN

## EXECUTIVE SUMMARY

### I - INTRODUCTION

1. In 2002, donors at Monterrey, Mexico pledged to increase aid levels to Africa significantly. The 2005 G-8 Summit at Gleneagles renewed the commitment of the world's richest nations to support Africa's development and signaled the intention to move beyond the Monterrey pledges to additional development assistance and debt relief. The World Bank Group has a major role to play in facilitating the international response to the call for expanded assistance to Africa by *working in partnership with other development partners to help every African country to reach as many of the Millennium Development Goals as possible by 2015*.

2. This Executive Summary sets out the outcome-based action program contained in the attached *Africa Action Plan (AAP)*. This Executive Summary sets out *priority* areas of action—25 specific initiatives to be undertaken by the World Bank Group in the Africa Region during the IDA14 implementation period (2006-2008)—as well as a monitoring framework with quantitative targets, implementation responsibilities and risks.

3. In brief, the AAP provides a results-oriented framework to support critical policy and public actions led by African countries to achieve well-defined goals, such as the Millennium Development Goals (MDGs). The principal means available to Africa's countries to achieve these goals include building honest and capable states through governance reforms; raising the rate of growth; and enabling the poor and women to participate in, and benefit from growth. The Bank Group alone cannot address Africa's needs in these areas. Partnerships at the country, regional and global levels; greater country and sector selectivity in the design and targeting of interventions; better harmonization and alignment of development partners' actions to support country-led strategies; and the establishment of sound monitoring and evaluation systems are all needed. Success in implementing these actions will largely determine how effectively the new resources available for Africa will be used. Implementing the AAP will have significant implications for the Bank Group's way of doing business in Africa in terms of budget, staff skills and location of work. Lastly, the efficacy of the Action Plan itself will be regularly assessed using the results indicators outlined in Annex A to provide feedback to enable modifications for improvements.<sup>1</sup>

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<sup>1</sup> In this context, the Bank Group envisions the AAP as a "living" document.

## II - AFRICA AT A TURNING POINT

4. Sub-Saharan Africa continues to present the world with its most formidable development challenge. During the last two decades the number of the poor in Africa has doubled from 150 million to 300 million, more than 40 percent of the region's population. About one third of the region's population lives in countries affected by or emerging from conflict. Moreover, HIV/AIDS continues to threaten African lives and livelihoods. Africa is the only region that remains behind on most of the MDGs. On current trends it will fall far short of meeting the 2015 targets. But Africa appears to be at a turning point. Recent progress is encouraging:

- **Better leadership.** African countries have increasingly taken ownership of and accountability for their development programs. Africa's leaders – through the African Union and New Partnership for Africa's Development (NEPAD) – have recognized their leading role in addressing the challenges of conflict, governance and regional integration.
- **Better economic and social performance.** After steep declines between the mid-1970s and the late 1980s, growth has picked up in a significant number of countries. Since the mid-1990s, 16 countries have had annual GDP growth in excess of 4.5 percent. Faster growing African countries have also achieved better human development outcomes. Two-thirds of the region's economies are now recording some progress in reaching one or more of the MDGs.
- **Improvements in policies and institutions.** For the last 7 years the average scores from the Bank's Country Policy and Institutional Assessment (CPIA) have been rising in Africa, and the number of African countries with scores at or above the globally accepted "good performance" threshold of 3.5 has increased from 5 to 15.

## III. DEVELOPMENT PARTNERS' RESPONSE TO THE NEW AFRICA FOCUS

5. Responses by the development community to Africa's improved performance are also encouraging.

- ***Aid has increased.*** There is little doubt that compared to the period of International Development Association (IDA) IDA-13 (2003-2005) aid levels to sub-Saharan Africa will increase substantially. Donors at Monterrey, Mexico and Kananaskis, Canada committed to increasing aid to Africa substantially. The replenishment of IDA-14 (\$1.8 billion additional for Africa), and the African Development Fund (\$1.0 billion additional), together with bi-lateral commitments already reported to the OECD Development Assistance Committee (DAC), indicate that annual aid commitments to sub-Saharan Africa are likely to be between \$10 and \$13 billion per year higher by 2007 than they were in 2004. At the Gleneagles summit the G-8 heads of state announced a commitment to double development assistance to Africa by the end of the decade -- from \$25 billion in 2004 to \$50 billion in 2010. Projections reported by major bilateral donors to the OECD/DAC, together with recent announcements of aid increases by Japan and the

European Commission (EU) not yet reflected in the DAC projections, make the pledge to mobilize the full \$25 billion highly credible.

- ***Dealing with debt.*** At their Summit in Gleneagles the G-8 countries agreed to mobilize 100 percent cancellation of the debt owed to IDA, the International Monetary Fund (IMF), and the African Development Bank (AfDB) by completion point Heavily Indebted Poor Countries (HIPC). At present, 14 completion point HIPC countries in Africa are eligible for relief under the G-8 proposal, and the number will increase as more of its 32 HIPC countries reach their completion point. While the details of the debt proposal remain to be worked out, one important result of this initiative will be to shift IDA future assistance (including debt relief) towards unrestricted budget support rather than in the form of projects or programs, strengthening the imperative for improved public expenditure management at the country level.
- ***Improving the prospects for trade and foreign investment.*** The prospects for boosting and diversifying Africa's export flows depend significantly on improved market access, and the reduction of protectionist practices, such as subsidies, in world markets. Strengthened preferences, greater policy predictability, and less onerous rules of origin in existing preferential regimes, such as the US's *Africa Growth and Opportunity Act* (AGOA) and the EU's *Everything But Arms* (EBA) initiatives, would also help boost trade, as would focused assistance to deal with "beyond the border" issues, such as customs reform and trade facilitation. A related challenge for the international community is to help Africa overcome the misperception that it has a wholly inhospitable investment climate and to provide information about attractive foreign investment opportunities.

#### IV. A RESULTS FRAMEWORK FOR ACHIEVING IMPACT

6. Countries and their development partners are increasingly focusing on defining, measuring and managing to achieve development results. The Action Plan sets out priority actions to strengthen outcome orientation at both the country and development community level and to integrate results more fully into IDAs operational work (see paras. 28-50).

7. ***Objective: Helping Countries Build Outcome-Driven National Development Strategies.*** To implement national strategies, in particular the Poverty Reduction Strategies (PRS), *countries must lead, manage, and monitor* their progress toward development outcomes such as the MDGs. The World Bank Group and its development partners will find it difficult to manage for results if countries are unable to do so. At the country level, the phasing of support will need to be managed carefully, taking into account countries' demand for greater results and country capacity:

*Action: Increase analytical and advisory work – together with development partners -to support strengthened, results-oriented national strategies in all 29 countries undertaking new or second PRSPs.*



*Action: Assist all 29 PRS countries to develop and implement Monitoring and Evaluation Plans—including strengthening statistical systems—for their national strategies by end-FY08.*

*The Paris Declaration indicators (e.g. clear operational development strategies, results oriented frameworks) will be used to measure the results orientation of national strategies and links to the budget. Capacity building plans for Monitoring and Evaluation (M&E) will be monitored in all countries, and we will continue periodic country level assessments of statistical capacity conducted by the IMF and WBG*

8. ***Objective: Measuring and Reporting on Progress in Programs and Projects.*** Tracking outcomes leading to accelerated economic growth and improvements in the capacity of poor people and women to participate in and benefit from growth is crucial to evaluating success. The Africa Region will measure and report results for intermediate outcomes, using as a core the 14 IDA Tier I indicators. Another area of focus under the action plan involves efforts to (a) increase the results orientation of new IDA projects and programs at the supervision and evaluation stages, and (b) initiate a program of formal impact evaluation of IDA projects in Africa.

*Action: Collect baseline and comparative information in 10 countries in key areas of public service delivery using targeted, purposive surveys of clients and service providers, including client scorecards.*

*Intermediate outcomes can be measured by analysis at the country level of the relevance and impact of the new survey instrument. Quality of data will be assessed jointly by Development Economics (DEC), who will administer the IDA14 Tier 1 indicators, and the Africa Region.*

## V. ACHIEVING RESULTS IN THE IDA-14 PARTNERSHIP

9. The *Strategic Framework for IDA in Africa (SFIA)* issued in 2004 and the *Shared Growth Strategy* presented to the Board in February 2005 describes our strategy to assist Africa's economies to accelerate growth and progress toward the MDGs. Countries will lead their development programs, and the national poverty reduction strategy will remain the anchor of IDA's country strategy and results focus. Within that framework the Bank Group will sharpen its focus on actions to help countries (i) improve governance and build capable states, (ii) accelerate economic growth and (iii) ensure that the poor and women are able to participate in and benefit from growth. The IDA14 Partnership approach summarized here is designed to leverage IDA's knowledge and operational resources to help make more effective use of the increased multilateral and bilateral assistance that is being directed to Africa.

### 1. Building Capable States and Improving Governance

10. As they have sought to implement their national poverty reduction strategies, many Africans and their leaders have pointed to sound governance and institutional capacity as critical prerequisites for sustainable growth. The New Partnership for Africa's Development (NEPAD) African Peer Review Mechanism is one visible response to this challenge.

11. ***Objective: Strengthen Capacity and Public Expenditure Management.*** Building capable and honest states involves fostering transparency, accountability and voice, but also requires improving the performance of key state institutions. Strengthening effective in-country capacity building and governance—especially regarding budgetary expenditure and revenue management, as well as strengthening institutions that check corruption—are at the core of the Action Plan. Moreover, the Plan, informed by the work of the Capacity Building Task Force, whose final report is expected this Fall, envisions the implementation of more cost-effective capacity building interventions than heretofore has been the case. To this end, and without prejudging the recommendations by the Task Force, our actions to assist African countries strengthen governance will need to be tailored to country circumstances, and recognize the implementation will take time and sustained efforts. Some countries benefit from reform-minded leadership and have the capacity for policy formulation and implementation. In other countries where these conditions are not present, there is a need to establish basic capacity in the public sector and help institute accountability. Two key actions the Bank will undertake are:

*Action: Require every new Country Assistance Strategy (CAS) to have a systematic program for capacity-building based on the recommendations of the Task Force on Capacity Development and raise the total of such CASs from 15 to 25 in three years.*

*Action: Assist 20 countries to strengthen the core elements of their Public Expenditure Management and Financial Accountability systems (e.g. accounting, cash management, commitment control, public procurement as well as the introduction of a consistent performance measurement framework, including the use of Public Expenditure Tracking Surveys).*

*We will use the indicators contained in the Performance Measurement Framework developed by the Public Expenditure Management and Financial Accountability (PEFA) partnership to assess progress in public and financial management; and monitor the government effectiveness and IDA14 indicators.*

12. ***Objective: Building the Capacity of Post-Conflict States to Deliver Essential Services.*** Countries emerging from conflict are often constrained in their ability to deliver essential services, such as health, water supply, sanitation, and education, which are critical to consolidation of society. Country assistance strategies in post-conflict countries therefore need to support tangible improvements in basic service delivery within the context of weak state capacity:

*Action: Working with development partners, develop tailor-made country strategies emphasizing community and local delivery of essential services and accountability in five post-conflict countries by 2007.*

*The IDA14 indicators on service delivery in education, health, and water will be used to monitor outcomes at the country level.*

## 2. Supporting the Drivers of Growth

13. The most significant shift in focus in the World Bank Group's Africa program during the IDA14 period will be to concentrate greater analytic and operational attention on the shared growth agenda. This is an area where African governments in both low- and middle-income countries have repeatedly requested stronger support from the development community since the launch of the PRS initiative in 1999.<sup>2</sup>

14. ***Objective: Identifying the Drivers of Growth.*** Helping countries to achieve faster growth will require better diagnostics of country-specific opportunities and binding constraints to growth at the economy-wide and sectoral level. In many African countries policy reforms will be needed to establish a leading role for the private sector and create an export push to accelerate growth. Preserving the gains from growth will also require a deeper understanding of the nature and management of economic shocks.<sup>3</sup>

*Action: Develop concrete recommendations for policy reforms and public actions to accelerate growth based on economy-wide and sectoral growth diagnostics for at least 12 countries, including at least two in middle-income countries (4 in each of FY06, FY07 and FY08.)*

*Repeated surveys can be used to test investor response to policy changes. Changes in the share of investment in Gross Domestic Product (GDP), in the productivity of investment and in the aggregate rate of growth can be used to assess broad outcomes of reforms.*

15. ***Objective: Developing an African Private Sector.*** Africa remains a high-cost, high-risk place to do business. Overall, the cost of doing business in Africa is 20-40 percent above that for other developing regions. Improving the investment climate and enhancing the incentives for African and other entrepreneurs to invest and engage in business are central to growth. Commitment to this agenda must begin at the top with Africa's senior political leaders advocating reforms in policies and institutions that directly impact the cost of doing business -- high regulatory costs, unsecured land property rights, inadequate and high cost infrastructure, ineffective judiciary systems. At the same time the development community must address the special needs of African enterprises. Micro, Small and Medium Enterprises (MSMEs) dominate the African private sector. However, their contribution to growth and employment is constrained by limited access to finance, a restrictive business environment with strong incentives for informality, poor management and technical capacity, and difficult access to information. A coherent package of interventions that utilizes the combined strengths of the World Bank Group can help to address these issues more effectively. IDA and International Finance Corporation (IFC) have significantly scaled up activities for MSMEs, and will continue to pilot promising approaches with African institutions. Approximately \$50 million of IFC-related investments in Small and Medium Enterprises (SME) financing vehicles has already been approved, and a

<sup>2</sup> See *2005 Review of the Poverty Reduction Strategy Approach Balancing Accountabilities and Scaling Up Results*, World Bank, PRMPR, forthcoming.

<sup>3</sup> Two important contributions to our understanding of growth opportunities and constraints are *Economic Growth in the 1990s—Learning from a Decade of Reform*, World Bank, 2005; and *Explaining African Economic Growth*, AERC, 2005. The Africa Region will publish a flagship report on *Meeting the Growth Challenge in Africa* in fall 2005.

further \$70 million is in the pipeline. The Bank Group—IDA, IFC, and Multilateral Investment Guarantee Agency (MIGA)—will expand its work in complementary fashion in Africa to improve the investment climate and to deepen the financial sector:

***Action:** Expand the IDA/IFC Africa MSME initiative to reach 8 countries by FY07. Focus on building the capacity and access to credit of women owned enterprises.*

***Action:** Support an increase in Investor Councils to develop concrete programs to remove critical constraints to private investment from 5 in FY05 to 8 by FY08 (1 additional council per fiscal year). Use results of Doing Business Surveys and Investment Climate Assessments as inputs for councils' deliberations.*

***Action:** Increase IFC Private Enterprise Partnership interventions, including agrobusiness, from 1 country in FY05 to 10 countries in FY08.*

*We will monitor outcomes of these (and other supporting) actions using the benchmark IDA14 indicators and the annual Doing Business Survey, with the objective of reducing the overall cost of doing business and increasing private sector credit and savings mobilization in at least nine countries by end FY08. We will use the IFC outcome evaluations of the MSME program to assess progress in MSME development.*

16. ***Objective: Creating an Export Push.*** Export competitiveness, growth and diversification are essential to achieve long-term growth and poverty reduction in Africa. Global trade has increased at unprecedented rates over the last three decades, but Africa's share of world exports has dropped from 3.5 percent in 1970 to less than 2.0 percent in 2003. In addition to limited market access abroad, the key reasons are weak basic market institutions; inadequate infrastructure; poorly performing customs and trade-related services; and constrained access to finance.<sup>4</sup> While an increasing number of African countries recognize this reality, with the international community's support they can scale up work on relieving 'behind-the-border' constraints:

***Action:** With partners, support analysis and operations to identify and remove 'behind-the-border' constraints to export competitiveness and regional integration in 10 countries, 3 in FY06, 3 in FY07, and 4 in FY08.*

***Action:** Increase support for 23 Sub-Saharan countries under the Trade Facilitation Initiative to about \$530 million (compared to about \$80 for FY01-03) by end-FY06.*

*Using surveys, we will measure outcomes of these (and complementary) actions in terms of reductions in the indirect cost of exports with the objective of achieving a 15 percent reduction from the FY06 base in 10 countries by FY09.*

17. ***Objective: Closing the Infrastructure Gap.*** To achieve the 7 percent growth rates needed to halve income poverty, Africa's infrastructure investment needs will amount to around \$20 billion per year, twice as much as the region has historically been investing.

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<sup>4</sup> See for example, "Doha Development Agenda and Aid for Trade" presented to the Bank Board on September 6, 2005.

Complementary measures will be required to cover operations and maintenance requirements. Earlier this year, there was agreement to set up an Africa Infrastructure Consortium to mobilize resources both at the country level and for cross-border regional projects. Under the Action Plan, the Bank Group will undertake actions in the power sector, focusing on reforms to improve performance, regional transmission networks, and expansion of access in rural and peri-urban areas; in transport, focusing on rehabilitation of road networks and reform programs to establish independent financing and management mechanisms; and in water supply and sanitation, focusing on service expansion to meet the water MDG. Two priority actions are:

*Action: Substantially scale-up financing for SSA infrastructure to about \$1.8 billion by FY06, \$2 billion in FY07, and \$2.4 billion in FY08.*

*Action: Work as part of the Africa Infrastructure Consortium to mobilize additional donor support for infrastructure leading to about a \$2.5 billion increase by FY08.*

*The IDA14 indicators for safe water, telecommunications access, electrification, and access to roads will be used to monitor and report on outcomes on the infrastructure agenda.*

18. ***Objective: Supporting Regional Integration.*** The small average size of Africa's economies, and the fact that many are landlocked, calls for special emphasis on using regional approaches to build and maintain infrastructure in key trade logistic corridors, to create common institutional and legal frameworks in such areas as customs administration, competition policy, and the regulation of common property resources (such as fisheries), and to develop solutions to trans-border problems in health. NEPAD has adopted regional integration as one of its core objectives, and efforts to integrate Africa's economies are slowly gathering momentum with the active support of the African Development Bank (AfDB), among others. However, Africa's regional economic communities (RECs)--UEMOA and Economic Community of West African States (ECOWAS) in West Africa, and Economic Commission for Africa (ECA), South Southern Africa Development Community (SADC), and the Common Market for Eastern and Southern Africa (COMESA) in Eastern and Southern Africa--have shown limited ability to benefit from these initiatives:

*Action: With partners, including the private sector, leverage World Bank Group support for regional investments in infrastructure and health of approximately \$1 billion per year through FY08.*

*Health incidence indicators for cross border diseases will be monitored to assess impacts in health. In infrastructure, investment climate assessments and other surveys of exporters will be used to measure reductions in transactions costs in export corridors.*

19. ***Objective: Building Skills for Growth and Competitiveness.*** The quality and relevance of Africa's post primary education systems raise deep concerns about its ability to absorb technology and innovation. In too many African countries, skills training is poorly financed, provides too few opportunities, often at too high a cost, and typically fails to give trainees an adequate preparation for the labor market. Because national innovation systems are still nascent at best, few links exist between firms and local repositories of knowledge and skills (e.g., universities, centers of excellence, technical and vocational training institutes), further limiting the potential for a knowledge-driven transformation of local economies:

*Action:* Develop and implement operational plans for IDA support to secondary education in 12 countries and for technical, tertiary, and research institutions, including agricultural education, in 8 countries by FY08.

*Investment climate assessments will be used systematically to monitor investors' perceptions of the quality and relevance of post-primary education programs.*

20. ***Objective: Making Agriculture More Productive and Sustainable.*** Agriculture has the potential to be a major source of accelerated growth in many African countries. The NEPAD Comprehensive African Agricultural Development Program (CAADP) is based on two pillars: addressing domestic barriers to higher farm productivity and analysis and advocacy at the international level to dismantle obstacles to agricultural production and exports. The Action Plan includes measures to: (a) increase physical investment in agriculture, especially for irrigation, water resources management, rural roads and other infrastructure, and research and extension; (b) increase public service delivery in rural areas, and (c) achieve higher productivity through the use of more fertilizers and improved agricultural practices. Two priority actions IDA will undertake in agriculture are:

*Action:* Mobilize global programs (such as the Consultative Group on International Agricultural Research (CGIAR)) to expand investment in agriculture science and technology and strengthen national innovation systems in agriculture

*Action:* Increase public and private investments to expand irrigated perimeter by 50 percent over FY05 base by end FY08, with the Bank as lead financial partner

*Use survey instruments of Bank and development partners to monitor trends in rural infrastructure, agricultural productivity and output, and design appropriate feedback mechanisms to guide program designs.*

### **3. Participating in and Sharing Growth**

21. Growth alone will not be enough to reach the MDGs. The experience of Africa has been that while, on average, growth is good for the poor, the ability of the poor and of other excluded groups such as women to *participate in and benefit* from growth varies, both over time and across countries. Thus, actions to build the assets of the poor and women and to connect them to markets are essential to the success of shared growth.

22. ***Objective: Connecting the Poor to Markets.*** In countries where activities other than agriculture—such as export manufacturing or services—are the major drivers of growth, interventions to raise agricultural productivity and to connect rural poor people to the rest of the economy through investments in roads, electrification, and communications will remain important elements of the shared growth strategy. The initiatives to promote micro and small enterprises outlined above will also yield dividends by making Africa's emerging entrepreneurs better able to participate in and benefit from growth in other parts of the economy.

*Action:* Increase investments in rural roads, starting with feeder roads by 20 percent per annum.

*Using household data and the purposive surveys described above, IDA will help countries to monitor trends in rural and urban incomes with the objective of reducing income gaps. Using enterprise level surveys monitor the growth of women owned businesses.*

23. ***Objective: Scaling Up Human Development.*** The IDA14 partnership strategy aims to improve nutritional status, strengthen national health systems, tackle the spread of Human Immune Deficiency Virus and Auto Immune Disease Syndrome (HIV/AIDS) and malaria, reverse the alarming deterioration in maternal, infant, and child mortality and expand coverage in primary education and post-primary education. It will also take active steps to mitigate the handicaps emanating from gender differences. Our FY06-08 operations in human development will emphasize: (a) sector wide approaches to support progress in education, health and gender; (b) community mobilization to improve implementation and to enhance accountability in service delivery; (c) use of transfer mechanisms including both targeted public works programs and conditional transfers for orphans and/or their care-givers; (d) removal of critical weaknesses in the service delivery chain (e.g., standards for staff recruitment and retention, construction, drug delivery, and logistics); and (e) use of incentives to motivate both public and private service providers. Four key elements will be:

*Action: Expand the Malaria Booster program by 150 percent in 17 countries by end-2008.*

*Action: Scale up non-lending support for HIV/AIDS programs and address funding gaps in 10 countries, including at least two middle-income countries, by 2007.*

*Action: Increase IDA support to primary education to at least 15 countries through the Education for All Fast Track Initiative (EFA-FTI).*

*Action: Accelerate progress to the rate required to reach the gender MDG goal through strengthened country systems in 10 countries by FY08.*

*We will use the IDA14 and MDG indicators on education, health, and gender to track progress in the implementation of the human development agenda.*

#### **4. Strengthening Partnerships**

24. The Africa Region will work to accelerate implementation of the outcome-based agenda for harmonization, alignment, and results at the country level, agreed at the Paris HLF.

25. ***Objective: Strengthen Partnerships at the Country Level*** Action is needed in three key areas: (a) developing common development community approaches to support country-led strategies, including use of government systems, (b) developing a set of tools and assessment methodologies with which to compare practices and accelerate coordination and harmonization, and (c) accelerating follow-up actions on the indicators of progress:

*Action: Revamp the Consultative Group mechanism to become annual “resources and results meetings,” raising the scope of these meetings and strengthening partnership on the MDG and harmonization agendas. Tighten the link between resources and results, and pursue more broadly the harmonization and alignment agenda at the country level.*

*As part of these actions, the Bank will support independent evaluations of country-donor relations in 5 African countries.*

*Action: Use expanded menu of options to make the analytic and operational knowledge of the World Bank Group available to the development community as a public good. Allow donors to channel their scaled-up aid in partnership with IDA while retaining their identity.*

*To evaluate success we will use the Paris Declaration indicators with the aim of meeting all targets in 10 countries by end-FY08.*

## **5. Implementing the IDA14 Partnership at the Country Level**

26. Countries in Africa can be broadly grouped into four categories based on three criteria: (a) economic performance (measured by GDP growth and CPIA rankings); (b) progress toward meeting the MDGs; and (c) prospects for effective harmonization of development partners. These criteria determine the speed and sequence with which we will be able to show demonstrable progress in using the additional resources available beginning in 2006 under the IDA14 partnership model outlined above:

- **Countries capable of using more aid quickly across a wide range of interventions**—for example, Burkina Faso, Ghana, and Tanzania. In these countries outcome orientation is high, donors are well aligned, and more resources can be used effectively immediately. The country can be counted on to set priorities and largely manage aid. Challenges include macroeconomic management of more aid, rapid identification of scalable programs, and rapid implementation of an improved results framework (including strengthening data systems). These economies are “under aided” at present in the international system and may provide an opportunity for major scaling up as the Gleneagles commitments are realized.
- **Countries where selective scaling up is possible**—for example, Ethiopia, Mali, and Nigeria. In these countries outcome orientation is moderate, development partners are partly aligned (around some budget support and sector programs), and additional resources can be used selectively to scale up sector programs. Development partners will need to be more active in harmonizing behavior and aligning to country priorities, while respecting country ownership. Challenges include strengthening country strategy (priorities and results), deepening common donor frameworks, selectively strengthening scalable programs, and developing a results framework and data. These are economies in which the current international performance-based allocation system works well, and where IDA can lead with the menu of options.
- **Fragile states where additional aid is likely to be focused on targeted programs**—for example, Burundi, Chad, and the Democratic Republic of Congo. In these countries there is little outcome orientation, national strategies lack priorities, aid agencies lead the aid effort, and implementation capacity is weak. Challenges include strengthening state capacity, fostering ownership, effectively implementing existing programs, and strengthening data and monitoring systems. Scaling up will be confined to specific targeted programs such as malaria, education, HIV/AIDS, and



some infrastructure. Political turnarounds, however, may offer scope for effective use of additional resources outside the current performance-based allocation system.

- **States affected by recent conflict**—for example, Liberia. In these countries the focus is on stopping and preventing renewed conflict, and recreating the rudiments of a state. Donors lead and are tightly coordinated around a small number of programs related to the conflict. Challenges include rebuilding capacity and establishing a viable state, and identifying specific programs that deliver services quickly and effectively. Scaling up would involve responding to specific opportunities where providing higher levels of support for basic service provision in the immediate post-conflict period system could cement the transition out of conflict.

## VI. FROM MONTERREY TO THE MILLENNIUM SUMMIT REVIEW: SCALING UP PROGRESS TOWARD THE MDGs

27. As aid volumes increase in line with the Monterrey, and Gleneagles commitments, from the present estimate of an extra \$6-8 billion of multilateral and bilateral assistance per year in 2006 toward the additional \$25 billion promised for 2010, the IDA14 partnership strategy and action plan can be scaled up via an “accordion” approach in which more aid is committed to economies and activities capable of using aid effectively. As our efforts to support fragile states and conflict-affected countries yield results, we would expect an increasing number of those countries to move into the better performing categories of the IDA performance-based allocation system. Very substantial increases in aid would also allow partnering with bilateral donors to focus resources on three “under aided” categories—high performers, turnarounds, and regional economic communities—where the potential for impact on a region-wide basis is high.

28. *How Much Aid Can Africa Use Effectively?* Estimates of the additional annual external financing that Africa can effectively use to reach the MDGs—including those of the UN Millennium Task Force (\$70 billion additional) and the UK Commission for Africa (\$25-\$50 billion additional)—vary widely because of several factors: sensitivity of cost estimates to assumptions about spending efficiency, the difficulty of factoring in the complementarities from progress in one area on other MDGs, the impact of countries’ own fiscal efforts on aid requirements, and macroeconomic management of increased aid flows. In addition, most studies of MDG “costing” focus only on the direct costs of providing services in the sectors associated with the goals themselves (mainly education and health) and ignore the need for investments in complementary growth-oriented sectors such as infrastructure. With the caution that these estimates are subject to large margins of error, a conservative estimate of the additional ODA that Africa could use effectively in both infrastructure and human development ranges from \$14-18 billion per year during 2006-2008 to \$24-28 billion by 2015..<sup>5</sup> Thus, the international community appears to be well on track to match the proposed increases in development finance

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<sup>5</sup> Recent World Bank studies attempt to provide estimates of the capacity of African countries to use more ODA in education, health and infrastructure. Estimates for human development financing show incremental funding needs ranging from \$8 billion in 2006 to \$14 billion in 2015. Global programs for HIV/AIDS, malaria and tuberculosis could add an additional \$3-4 billion per year. (*Global Monitoring Report*, 2005; Baird and Shetty, 2003) Recent work by the Infrastructure Network (Estache, 2005) places the total investment needs for African infrastructure in the range of \$17-22 billion annually. A conservative estimate of the ODA that would be needed might be on the order of \$6-8 billion per year.

arising from the Monterrey and Gleneagles processes to the ability of African economies to use additional resources effectively to boost growth and reach the MDGs.

29. ***The Sector Focus of Assistance.*** Table 1 sets out some preliminary estimates of how donor support might be used at the sector level, compared with IDA13. The first scenario shows the projected average composition of commitments under IDA14 alone. The second scenario shows a range of possible allocations of the \$10 billion annual additional assistance available under the “IDA14 partnership”. The projected allocation reflects both our knowledge of the existing plans of development partners for cofinancing with IDA14 and the further assumption that countries will express increased demand for assistance in the areas outlined as priorities under the IDA14 Partnership framework. Under this scenario, there is a notable increase in the volume of support for infrastructure and a modest shift toward growth-enhancing investments. The final scenario, “Post Gleneagles,” represents one estimate of how \$25 billion of additional assistance might be used in 2010. The projection – which is highly speculative, since expenditures at the country level will be determined by country priorities and handled through normal public expenditure management systems – reflects projected demand for financing in each sector, as constrained by our estimates of ability of African countries to use additional resources effectively. The major structural shift in projected expenditures, relative to the IDA14 Partnership is a very substantial scaling up of financing for health and education.

**Table 1 - Allocation of Additional Donor Support (\$billions average per annum)**

	<i>IDA13 Only</i>	<i>IDA14 Only<sup>a</sup></i> <i>(Average 2006-2008)</i>	<i>IDA14 Partnership<sup>b</sup></i> <i>(Average 2006-2008)</i>	<i>Post Gleneagles<sup>c</sup></i> <i>(Average 2009-2011)</i>
Governance, PSD, Export Push, Regional Integration	1.1	1.2	2.0-2.6	2.0-5.0
Infrastructure (including rural infrastructure)	1.5	2.0	4.0-4.2	6.0-9.0
Agriculture	0.3	0.3	0.5-0.9	1.0-3.0
Education	0.4	0.3	0.5-0.9	3.0-5.0
Health	0.7	0.8	1.9-2.3	7.0-9.0
<b>Total/Average</b>	<b>4.0</b>	<b>4.6</b>	<b>10.0</b>	<b>25.0</b>

<sup>a</sup> Excludes \$0.4 b per year set aside for arrears clearance.

<sup>b</sup> Assumes additional US\$ 10b donor community financing (including \$0.6 b from IDA14).

<sup>c</sup> Based on estimates of ability to absorb additional resources in each sector

30. ***Keeping the Country at the Center.*** The actions proposed to reinforce the country-based model under the IDA14 partnership scenario—particularly sharpening our focus on governance and shared growth—provide a strong basis for countries to manage additional resources. The G8 initiatives, however, pose a challenge to using new resources through country systems. “Vertical” programs to achieve specific outcomes in infrastructure, education, and health are attractive vehicles to mobilize taxpayer support for development assistance. Leadership by the Bank Group, through additional analytic work and policy advice, will be needed to help countries use these funds flexibly and integrate them into country systems. The Bank (together with the IMF) can also strengthen countries’ capacity to use more resources through better understanding of the macroeconomic management and structural allocation of aid flows. Because budget support will likely play a much larger role in aid disbursements, further strengthening of public sector management mechanisms, including project analysis, budgeting, reporting and M&E, will also be needed.

31. **Targeting Support to Countries with Strong Neighborhood Effects** Under IDA14 all Sub-Saharan African countries receive resources according to the IDA performance-based allocation (PBA) system. The availability of substantially scaled-up aid would make it possible to focus resources additional to the PBA on countries and regional initiatives that can have important spillover effects. Pursuit of this strategy could have a significant impact on Africa's overall performance and on the rate of attainment of the MDGs.

- **High Performers.** High performers demonstrate to neighbors that success is possible. Africa would seem a very different place once three significantly-sized countries were growing above 8 percent. Table 2 shows the likelihood of attaining the MDGs, based on current trends, in 10 well performing African countries. Focusing a relatively large aid effort on a limited number of countries could maximize progress toward those countries meeting most or all of the MDGs. Given resource constraints and the present aid allocation system, this would require a concerted effort by the development community.
- **Turnarounds.** Many of the costs of poorly performing economies are borne by the neighborhood and turnarounds would generate large benefits across the region. There is evidence that economies can use substantial technical assistance and financial support effectively to assist in market reintegration and provision of basic services. They merit special attention because there may be some cases where funding needs cannot be sufficiently met by mechanisms, such as front loading of resources at the country level and through intra-regional reallocations, built into the IDA14 and other development partners' resource allocation frameworks. The Bank Group and the larger donor community have sufficient country-specific expertise to make judgments as to which turnarounds might be sustainable based on small improvements in the CPIA, close observation of leadership, and political realities.
- **Regional Initiatives.** In practice regional initiatives have utilized relatively limited support under the current IDA allocation system. Because these investments have very high potential payoffs, especially for landlocked countries, well-designed regional projects merit increased funding as resources become available. Besides its role in capacity building and institutional strengthening, the World Bank Group's pipeline of regional integration projects has been growing rapidly and currently stands at more than \$2 billion of projects able to be financed over the next three years.

Table 2 - MDG progress for selected SSA countries

	Poverty Headcount*	Completion of Primary Education	Gender Equality in Primary Education	Child Mortality	Births Attended by Trained Personnel	Access to Improved Water Sources
Benin						
Burkina Faso	**					
Cameroon						
Cape Verde		☆☆☆☆	☆☆☆☆			
Ghana						☆☆☆☆
Mozambique						
Rwanda			☆☆☆☆			
Senegal	**					
Tanzania			☆☆☆☆			☆☆☆☆
Uganda						
☆☆☆☆						
MDG Already achieved	On track to achieve MDG by 2015	Will reach between 50 to 95% of MDG	Will reach between 30 to 50% of MDG	Will reach between 10 to 30% of MDG	Not improving or deteriorating	No data

Data source: World Bank DECDG. \*Estimates are based on national poverty line. \*\*Most recent data seem to show poverty reductions in these two countries, although earlier data have indicated otherwise.

32. ***A New Financing Mechanism: A “Venture Capital Country Aid Fund” (VCCAF).*** To support the proposed approach to selectivity, the World Bank Group will explore possibilities for a new financing mechanism anchored in the Bank Group. This “Venture Capital Country Aid Fund” (VCCAF) could address a number of special country situations where there are high-risk/high-reward opportunities to boost development and growth through potent ‘neighborhood externalities’ that otherwise might lack adequate funding from IDA and its development partners. Importantly, such a mechanism would be a *complement* to and not a *substitute* for IDA, maintains country ownership, and be based on integrated expenditure management systems supported by IDA. The types of opportunities that a VCCAF would usefully exploit include (i) high-performing countries, (ii) turnaround situations, and (iii) regional investments. As with any such fund, the Bank Group would take responsibility for the overall return on resources used and for managing risks.

## VII - ORGANIZATION, BUDGET AND STAFFING IMPLICATIONS

33. Implementing the Africa Action plan will draw on the resources of the whole World Bank Group, including IFC, MIGA and the Networks. At the sector level, increased support by all of the Bank Networks will be needed to improve the results focus of our work, assess service delivery gains, and to enhance our analytical and operational support. On results monitoring and impact evaluation, close collaboration with OPCS, DEC and development partners will be needed. Strengthening the drivers of growth depends fundamentally on effective alliances with IFC and MIGA both at headquarters and at the country level.

34. ***Staff Skills and Location of Work.*** Staff skills among Bank Group staff working on Africa will need to shift to support effectiveness in the areas of results, capacity building, public expenditure management, and sector strategy. Technical specialists with broad multi-sector

programmatic and integrative skills will be needed, especially in INF and HD, the sectors where programs will grow most. In addition, some decentralization of positions is also planned. The combination of additional deployments and filling field positions for normal rotations will be a challenge, as it has proven difficult to attract strong candidates for field assignments. We will need to address issues related to incentives and working spouses. The region will also need the active support of the relevant Networks and Sector Boards both to identify staff from elsewhere in the Bank who have skills relevant to the increased needs in Africa and to provide staff time in specific thematic areas and countries. Also, since both the INF and HD sectors have good track records of recruiting strong locally recruited senior-level technical staff, as part of the decentralization efforts, these sectors will need to devolve more of their work programs to this cadre of staff. Over time, this approach to decentralization would increase the percentage of locally recruited staff (LRS) to Internationally Recruited Staff (IRS), with the ancillary reduction in overall staff cost.

35. **Budget Implications.** The region has considered the following work program areas in estimating the cost implications of implementing the Africa Action Plan.

- The enhanced results framework.
- Incremental lending and knowledge work linked to higher IDA-14 resources and mobilizing donor resource flows under the IDA partnership.
- Decentralization of additional staff.

36. Effective implementation of the AAP will require a modest increase in the Africa Region's budget. The cost estimates for the Action Plan were arrived at through a region-wide consultation process, and therefore reflect our best estimate of likely costs. Briefings were arranged to allow for discussion and feedback on our proposals, and estimates were reviewed to ensure that all potential redeployment opportunities were identified. Increased costs will accrue primarily in infrastructure, governance, human development, post-conflict countries, donor coordination and creating the results framework. Substantial resources will be needed at the design stage to align vertical funding mechanisms with country based strategies through PRSPs. Budget requirements in infrastructure (INF) and human development (HD) will rise more than proportionately with lending volume increases due to increased complexity of sectoral operations and partnership arrangements. While some efficiencies are possible over time with the refocusing of staff skills already on board, in other cases recruitment will be called for, thereby increasing the staffing costs in these two sectors. As implementation of the plan progresses, we will evaluate and report on progress through the quarterly budget reviews.

## VIII - CONCLUSIONS

37. In April 2005 the Board of Executive Directors asked the Africa Region to present to the Development Committee an action plan to show how the Bank Group will implement its Africa strategy. This Africa Action Plan (AAP) addresses that request and the Gleneagles commitment to coordinate the international response to expanded assistance to Africa, by setting out concrete, monitorable actions intended to ensure that African countries, the World Bank Group and the development community increasingly focus on achieving *measurable outcomes* at the country, sector and project level; that the resources now available for 2006-2008 can be used effectively to *deliver results* in the areas of growth, human development and poverty reduction; and that

increases in assistance beyond current levels will be used *in a way that increases impact*. Progress achieved under the Africa Action Plan itself will be regularly assessed and reported annually to the Board using the results indicators outlined in Annex A to provide feedback to enable modifications for improvements. In this context, the Bank Group envisions the AAP as a “living” document.

38. The opportunity afforded this year to support better performance across Africa with more and more effective development assistance cannot be missed. The Africa Action Plan provides a set of concrete steps that will enable the World Bank Group and the broader development community to improve its ability to help every Africa country accelerate growth, enable the poor and women to participate in and benefit from new opportunities, and reach as many of the Millennium Development Goals as possible by 2015, thereby turning the “Year of Africa” into a “Decade of Africa”.

39. Drawing from the larger program of actions set out in this *Africa Action Plan*, the Africa Region will focus on three core strategic elements over the course of the IDA14 period (2006-2008):

- First, we shall significantly sharpen our *focus on results* in three areas, building country based results frameworks, rolling out complete coverage of results based country assistance strategies, and increasing management attention to and incentives for results management of the IDA portfolio. Using the outcome indicators outlined above and in the larger action plan we will monitor and report on external evaluations of the results focus.
- Second, we shall increase our analytical and operational *focus on the drivers of shared growth*. In particular we shall actively partner with others to help countries build a vibrant African private sector, push exports – including agricultural and processed agricultural exports – and close the infrastructure gap. In each country through the PRSP process, we shall identify and increase support to one high impact intervention – in for example rural development, health or education – which governments and their citizens agree demonstrates tangible evidence of progress in sharing the benefits of growth. We shall monitor our progress using a combination of country based survey instruments, the IDA14 results framework, and Bank designed purposive surveys of the investment climate and service delivery.
- Third, we shall ramp up our *partnership agenda* to accelerate and reinforce at the country level the international momentum achieved through the Monterrey and Paris process. In particular we shall work to develop and implement our “menu of options” to make Bank Group analytical, operational, and country knowledge available to other development partners as a public good in order to leverage the growing resources available to Africa efficiently. We shall also actively promote the formation of “results and resources” consultative group meetings designed to sharpen the results focus of country level alignment and harmonization efforts, and ensure greater predictability and timeliness in the delivery of assistance. We shall measure our success in these areas using the Paris Harmonization Indicators, and will also sponsor and participate actively in country level independent evaluations of government and development partner practices.

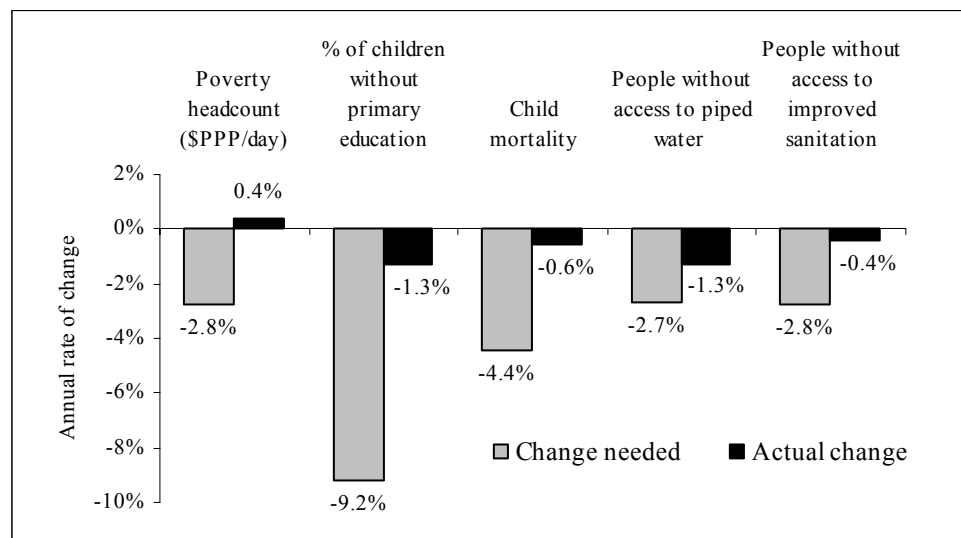


# MEETING THE CHALLENGE OF AFRICA'S DEVELOPMENT A WORLD BANK GROUP ACTION PLAN

## I. INTRODUCTION

1. Sub-Saharan Africa continues to present the world with its most formidable development challenge. During the last two decades the number of the poor in Africa has doubled from 150 million to 300 million, more than 40 percent of the region's population. About one third of Africans in countries affected by or emerging from conflict. Moreover, HIV/AIDS continues to threaten African lives and livelihoods. Africa has the highest poverty incidence among all developing regions, and extreme poverty is twice the average global rate. While the region accounts for just 10 percent of the world's population, it is home to 30 percent of the world's poor. Africa is also the only region that remains behind on most of the Millennium Development Goals (MDGs). On current trends it will fall far short of meeting the 2015 targets (Figure 1).

**Figure 1 - The Gap between Selected MDGs and Current Progress**



Data source: Global Monitoring Report, 2005, Global Poverty Monitoring, 2005.

2. But recent progress is encouraging. Africa appears to be at a turning point. This is occurring on several fronts. Perhaps most important, African leaders are spearheading the development effort. This is taking place, in among other areas, through the African Union (AU) and the New Economic Partnership for African Development (NEPAD). As a result, in part, country policies and institutions have improved, and growth has accelerated. In addition, poverty has fallen in many countries, and human development indicators, particularly in education, are making significant strides.

3. There is an increase in 'country ownership' of development support. Development partners are relying more on the African countries' national poverty reduction strategies—most often embodied in their Poverty Reduction Strategy Papers (PRSP)—as the instrument around



which to align assistance. The recent Paris Declaration binds both multilateral and bilateral development partners to accelerated progress on harmonization and alignment to national outcome objectives. Although progress is uneven, there are growing numbers of cases of effective harmonization in investment lending; multi-sector programs policy lending; and joint analytical work. Within the World Bank Group (WBG), the Africa Region has the highest percentage of harmonized lending of all the Bank's regions.

4. The response by the development community to this improved performance is also promising. The medium-term prospects for substantial increases in aid to Africa are brighter as a result of the Gleneagles G-8 Summit in July 2005. Development partners indicated they expect aid levels to rise in response to their Monterey commitments, and the sum of these projected increases, plus the incremental resources from IDA and the AfDB, are likely to result in a significant increase in assistance. Gleneagles marks a watershed commitment of the world's richest nations to fulfill their Monterrey pledges and signals a potential to move beyond them to provide additional development assistance and debt relief.

5. *The World Bank Group has set a goal for itself: working in partnership to help every African country reach as many of the Millennium Development Goals as possible by 2015.* To this end, this ***Africa Action Plan*** (AAP) and the attached ***Matrix of Actions*** (Annex A), set out how, through a series of concrete actions, the Bank Group, working in partnership with other development partners, will support African countries' implementation of a shared growth strategy.<sup>6</sup> It also highlights the catalytic role of the Bank Group, working with other partners, in framing a coherent international response to the challenge of accelerating progress toward the MDGs in Africa by building a broad, multi-donor results-based framework to underpin increased levels of financial support to Africa.

6. As detailed below, the Action Plan provides an outcome-oriented framework to support critical policy and public actions led by African countries to achieve well-defined goals, such as the MDGs. The principal means available to Africa's countries to achieve these goals include building honest and capable states through governance reforms; raising the rate of growth; and enabling the poor and women to participate in, and benefit from growth. The Bank Group alone cannot address Africa's needs in these areas. Partnerships at the country, regional and global levels; greater country and sector selectivity in the design and targeting of interventions; better harmonization and alignment of development partners' actions to support country-led strategies; and the establishment of sound monitoring and evaluation systems are all needed. Success in implementing these actions will largely determine how effectively the new resources available for Africa will be used. Implementing the AAP will have significant implications for the Bank Group's way of doing business in Africa in terms of budget, staff skills and location of work. Lastly, the efficacy of the Action Plan itself will be regularly assessed to provide feedback to enable modifications for improvements.

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<sup>6</sup> Throughout this document priority action are highlighted in bold italic text. Supporting actions are in italic text.

## II. AFRICA AT A TURNING POINT

7. Although virtually all African countries suffered steep economic declines between the mid 1970s and the late 1980s, growth picked up in a number of countries in the 1990s. However growth has been curtailed in countries affected by conflict. By the same token, the sharp rise in world oil prices that began in mid-2005 could jeopardize growth for oil importing countries. Still, the improved economic performance reflects important changes that are taking place across the continent. It also points to the fact that differences between well performing and poorly performing countries have become sharper. Understanding the reasons for this increased heterogeneity yields insights about the lessons from ‘success stories’ and their applicability to produce demonstration effects elsewhere on the sub-continent, a key element of the approach under girding the AAP.

### 1. Better leadership

8. African leaders are taking several actions at the regional level to resolve conflicts, improve governance and foster competitiveness. The NEPAD peer review process, through the Africa Peer Review Mechanism (APRM), for example, creates incentives for African countries to take on “ownership” and assume leadership and accountability for their development programs.<sup>7</sup> Peer reviews help improve the reputation of the region through certification of good practices in governance. The adoption of the Extractive Industries Transparency Initiative (EITI) is another initiative promoting better governance in the region. Cross-country transportation/power sharing, customs reform, coordination in managing pandemics, and protection of regional commons, such as the Nile and the Great Lakes, illustrate initiatives where entities to provide regional public goods and promote collaboration are being created to enhance competitiveness and promote trade flows, not only within Africa but between African and the world marketplace.

### 2. Growing diversity in growth, human development, and poverty reduction

9. Over the last decade, the development pattern in SSA has become increasingly diverse. Since the mid-1990s, 16 countries have had annual GDP growth in excess of 4.5 percent (Table 1). For several of these countries--including Uganda, Mozambique, Tanzania, Ghana and Senegal-- the higher growth has been accompanied by diversification of their economies and exports. Since 1995, excluding the oil-rich countries, the fastest growing group of African countries, 15 in total, has had a median growth rate of 5.3 percent. These countries host 35 percent of the region’s population. The 15 slowest growing economies, on the other hand, have seen their growth rise only at a median rate of 1.7 percent, and several had zero or negative growth. These countries, many of which are either engaged in conflict or have recently emerged from conflict, host 31 percent of the region’s population.

10. The fastest growing economies have also achieved better human development outcomes. Part of this is a result of improved household welfare from faster growing incomes and part is due to improvements in the delivery of social services, such as education and health. Some of

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<sup>7</sup> Reviews have been completed for Ghana and Rwanda, and are underway for another eight countries.

the fastest growing countries have also done relatively well in terms of poverty reduction and are well on course to meet the income poverty MDG target of halving poverty by 2015. By contrast, the slower growing countries experienced increases in poverty head counts (Figure 2).

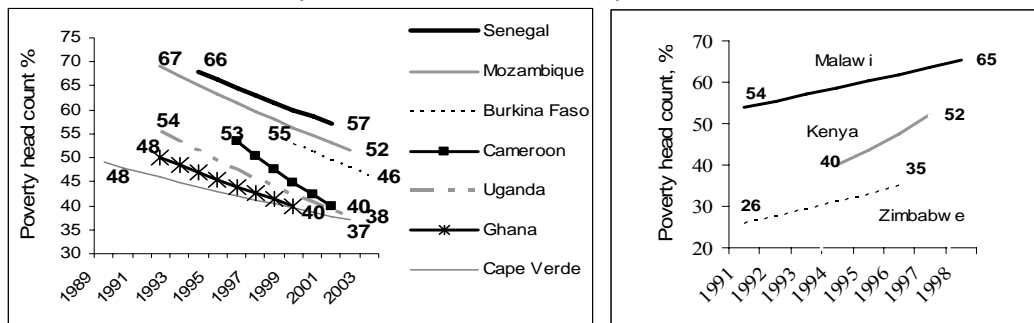
**Table 1-- Average annual GDP growth between 1995 and 2004**

(The numbers at right are GDP growth for the corresponding countries)

Little or no growth countries		Slow growing countries		Sustained growing countries		Oil countries	
Median growth: 1.7%		Median growth: 3.5%		Median growth: 5.2%		Median growth: 5.2%	
Range = -2.4~2.7%		Range = 0.5~2.0%		Range = 4.2~10.0%		Range = 1.7~23.2%	
31% of Africa population		6% of population		35% of population		29% of population	
Zambia	2.7	Guinea	4.0	Rwanda	10.0	Equatorial Guinea	23.2
Sao Tome & Principe	2.7	Gambia	3.9	Mozambique	8.2	Angola	6.7
Lesotho	2.7	Seychelles	3.5	Uganda	6.5	Sudan	6.2
Madagascar	2.7	Niger	3.5	Mali	6.1	Chad	4.3
South Africa	2.6	Togo	3.4	Cape Verde	6.0	Nigeria	3.1
Cote d'Ivoire	2.1	Namibia	3.3	Botswana	5.8	Congo	2.8
Central Afr. Republic	1.9	Swaziland	3.1	Benin	5.3	Gabon	1.7
Kenya	1.7	Malawi	3.0	Mauritius	5.2		
Eritrea	1.6			Senegal	5.0		
Comoros	1.5			Tanzania	4.8		
Burundi	0.0			Cameroon	4.7		
Zimbabwe	-0.8			Ethiopia	4.6		
Guinea-Bissau	-1.2			Burkina Faso	4.5		
Sierra Leone	-1.8			Ghana	4.3		
Congo, Dem. Rep.	-2.4			Mauritania	4.2		

11. Regrettably, conflict is a major obstacle to development in Sub-Saharan Africa. There are now five ongoing armed conflicts and eight countries are at risk of lapsing back into conflict. Approximately 15 million Africans are internally displaced, and around 4.5 million Africans have sought refuge in neighboring countries. These factors make the challenge of delivering effect support for development in Africa especially difficult.

**Figure 2 - Growth Reduced Poverty and Where Absent Poverty has Increased**

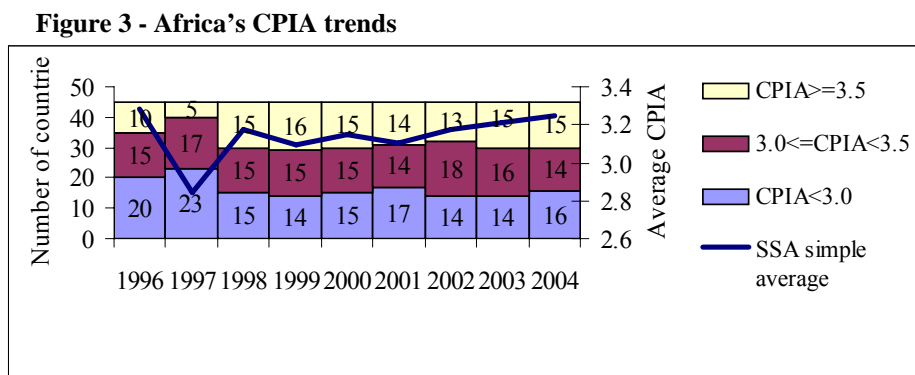


Source: Africa Region Country Poverty Studies.

12. The larger countries in the region—for example, Nigeria, DRC, Sudan, Ethiopia, and South Africa—pose special challenges for increasing growth and reducing poverty, driven, in part, by significant intra-national heterogeneity and lack of an integrated economic space that prevents realization of economies of scale and market development. With the exception of Sudan, which has sustained growth exceeding 5 percent, the others have had sub-par growth performance. In Ethiopia, the only of these countries where poverty reduction information is available, performance has been below that of the average African country.

### 3. Improvements in policies and institutions

13. A significant and durable improvement in the policy and institutional environment has occurred across a growing number of countries in the last 10 years. The average scores from the Bank’s own Country Policy and Institutional Assessment (CPIA) have been rising, and the number of African countries with scores at or above the globally accepted “good performance” threshold of 3.5 has also been increasing (Figure 3). The unstable macroeconomic conditions characterized by double digit inflation in the early 1990s have been stabilized and inflation reduced to single digits.



Source: Africa Region CPIA ratings.

### 4. Civil society taking a larger stake in its own future

14. More than half of the countries in the region are engaged in a dual reform process--economic and political--and civil society is significantly behind this approach. Recent *Afrobarometer* surveys and the *World Values Survey* show that Africans believe democracy is good for the economy and prefer democratic political systems to authoritarian alternatives. The African public expects democracy to deliver access to the basic necessities of life, like food, water, shelter and education. The value surveys also show that Africans care about equity and public action to reduce poverty. They are less comfortable with wide wealth differentials, and have a strong commitment to political equality. About 75% of the respondents agree that African governments are doing too little for people trapped in poverty.

### III. DEVELOPMENT PARTNERS' RESPONSE

15. The report of the *Millennium Task Force of the United Nations, The Africa Commission's Report*, the World Bank's own *Global Monitoring Report 2005* and most recently the *G-8 Africa Action Plan* and the Gleneagles summit, have galvanized global attention on Africa's development. The "Year of Africa" offers an important opportunity to show how the development community can help African governments accelerate shared growth and improve service delivery so that every country in the region can meet as many MDGs as possible by 2015. In the medium to long run, the prospects for substantial increases in aid to Africa and for expanded debt relief look promising. Complementary initiatives to expand African producers' access to trade opportunities and to promote foreign direct investment in the sub-continent are also necessary elements of an international response.

#### 1. Aid has increased

16. In the medium to long run, prospects for substantial increases in aid to Africa look promising, but there are two areas of concern. The first is how quickly aid volumes may increase, and the second is the extent to which bilateral aid is provided as additional resources that can be used by African governments to increase investments or provide more services so as to make progress to reach the MDGs.

#### *Fulfilling the Monterrey commitments*

17. There is little doubt that compared to the period of IDA13 (FY03-05), aid levels to sub-Saharan Africa will increase substantially. Donors at Monterrey and Kananaskis, Canada committed to increasing bilateral aid levels to Africa by \$6 billion per year in real terms by 2006. They appear to be on track to reach that goal. The increased replenishment of IDA14 (\$1.8 billion additional for Africa) and the African Development Fund (\$1.0 billion additional), together with bilateral commitments already reported to the OECD Development Assistance Committee (DAC), indicate that annual aid commitments to sub-Saharan Africa are likely to be between \$10 and \$13 billion per year in real terms) higher by 2007 than they were in 2004.

18. In the short run on the bilateral side, however, this increase could be more apparent than real. While bilateral donors reported providing \$16.8 billion in aid to Africa in 2003, according to figures reported to the Strategic Partnership for Africa (SPA), African governments received only about \$3.8 billion in a form that financed new investments or increased services. The bulk of assistance went to forgive debt (\$6.4 billion); but because debt forgiveness was mainly on stocks that were not being repaid, this resulted in no increase in additional cash flow to African governments. Technical cooperation (\$3.6 billion), emergency assistance (\$2.4 billion), development food aid (\$.50 billion), assistance to Non-Governmental Organizations (NGOs) and general administration made up much of the rest<sup>8</sup>. Recent discussions with key bilateral donors points to a similar distribution of new aid commitments.

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<sup>8</sup> According to the OECD DAC (Development Assistance Committee), debt relief and technical cooperation accounted for two-thirds of the \$16.1 billion nominal increase in DAC's members' net official development assistance between 2001 and 2003.

### *The promise of Gleneagles*

19. At the Gleneagles summit the G-8 heads of state announced a commitment to double aid to Africa by the end of the decade -- from \$25 billion in 2004 to \$50 billion in 2010. Based on projections already reported by major bilateral donors to the OECD/DAC, donors including EU, non-G8 countries are on track to deliver an increase in total bilateral and multilateral ODA to Africa of about \$18 billion per year over the 2004 base. This momentum, together with recent announcements of aid increases by Japan and the EU, make the pledge to mobilize the full \$25 billion highly credible.

20. Timely and predictable delivery of additional aid to support good performance will be critical to accelerating development progress in Africa. Accordingly, the World Bank will work closely with the Development Assistance Committee of the Organization for Economic Cooperation and Development (DAC) to ensure there is an effective international mechanism in place for monitoring, reporting, and following-up on the delivery of aid commitments:

- *Action: Agree on specific targets to be monitored: volume of overall ODA; aggregate ODA to Africa; ODA breakdown by components (debt relief, humanitarian/emergency assistance, administrative overheads, technical cooperation, and actual cash financing); and ODA allocations to specific thematic priorities specified in the G-8 Action Plan (such as EFA, HIV/AIDS, malaria, infrastructure)*
- *Action: Agree on a baseline and definitions for each of the targets to be monitored.*
- *Action: Establish a tracking process that would draw both on donor/creditor data and on what recipient countries report that they actually receive (as, for example, in the reporting under the Strategic Partnership for Africa).*
- *Action: Carry out joint annual reporting to the Development Committee (through the Global Monitoring Report) and to the DAC High Level Meeting (through the DAC Annual Development Cooperation Review), with the expectation that the donor community would agree on follow-up actions.*

## **2. Relief of African Debt**

21. At the Summit in Gleneagles, the G-8 countries agreed on a proposal to augment debt relief to Completion Point HIPCs, leading to 100 percent cancellation of debt owed to IDA, the IMF, and the AfDB. The finalization of this scheme will require full agreement by non-G8 partner countries<sup>9</sup>. At present, of the 32 HIPCs in Africa, 14 Completion countries are already eligible for relief under the proposal, and 9 Decision Point countries and 9 Pre-Decision Point countries will be eligible once they reach the HIPC Completion Point. Debts owed by HIPCs to other official creditors, including other MDBs, are not covered by the G-8 proposal.

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<sup>9</sup> The G-8 proposal will need to be considered by the IDA Board once all the implementation options and the implications for IDA finances are clarified and assessed. This could take a few months, but is expected to occur before the annual meetings.

22. The G-8 proposal, now being discussed among donors, has important consequences for the Africa region, which is home to most of the eligible countries. While these countries will benefit from having the remainder of their debts cancelled, this will be offset by a reduction in their annual gross allocations from IDA and AfDB equal to the foregone debt service payments. This reduction will be partially compensated by the performance-based allocation of additional resources by donor-provided contributions to cover the cost to the WB and AfDB. For these two multilateral creditors, the foregone debt service payments would be fully compensated by development partners<sup>10</sup>.

23. Although the specific impacts at the country level will become clear once agreement is reached implementation of the G8 proposal by the Boards of the Bank and the IMF, one clear result will be a substitution of unrestricted budget support rather than in the form of additional IDA projects or programs. This shift can have important policy and operational implications. One is increased flexibility in the use of IDA funds and greater concentration of funds in ministries of finance, rather than in line ministries, where previously projects and programs were housed. Second, this shift strengthens the imperative for strong governance reforms particularly in public expenditure management at the country level.

### **3. Improving market access for African exports**

24. The prospects for boosting and diversifying Africa's exports depend significantly on improved market access, as well as reduction of protectionist practices, such as subsidies, in foreign markets. Africa would benefit from a successful Doha Round that further opened industrial country and other developing country markets for specific crops, such as cotton, sugar and groundnuts, and processed agricultural products. It would also benefit from a reduction of barriers in non-agricultural sectors, especially in other developing country markets (so-called "South-South trade"). For example, some countries in Latin America heavily protect their own garment manufacturers and other labor-intensive manufactures, reducing the opportunity for African produce and other exports to penetrate those markets. Multilateral liberalization by the US and EU would on the other hand, erode the benefits of preferential access already granted to many African countries, and reductions in agricultural subsidies could hurt the 30 or so net food importers in Africa, like Burkina Faso, Nigeria and Rwanda.

25. Africa's current preferential action arrangements could also be improved. The benefits of preferential access would be far greater if they were not uncertain, not subject to burdensome 'rules of origin' qualification rules, and applied to all SSA. This would result only if there were significant reforms of the US's *Africa Growth and Opportunity Act* (AGOA) and the EU's *Everything But Arms* (EBA) initiatives. These would include: (i) expanding preferential access to non-least developed countries; (ii) relaxing the rules of origin the compliance of which impose severe costs on exports; (iii) increasing the product coverage; (iv) increasing certainty by binding preferential treatment; and (v) better co-coordinating the various preferential treatments. The

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<sup>10</sup> In aggregate, the initial cost to IDA of the G-8 proposal would be on the order of \$44 billion, with debt relief extending over 40 years, following the maturity profile of outstanding IDA credits. The G-8 Communiqué indicates an immediate commitment to cover reflow losses to IDA for the 3-year IDA14 period (FY06-08), amounting to about \$1.4 billion.

Bank has strongly recommended such reforms, which have recently been echoed by the Report of the Commission for Africa. While the EU's proposed Economic Partnership Agreements (EPAs) hold promise, many African countries end up as net losses if the EPAs divert trade from more efficient providers.

#### **4. Promoting foreign direct investment in Africa**

26. Investment is key to economic growth and poverty reduction in Africa, and a significant amount of investment is needed for countries in the region to benefit from development assistance. In the past, Africa did not attract foreign investors because the prevailing business environment failed to attract even domestic investors. Fundamental obstacles remain throughout much of the region—in terms of economic and policy barriers to new business entry, poor governance limited property rights protection, weak market institutions, and undeveloped infrastructure. But, today, as a consequence of Africa's leadership taking tangible and credible steps to improve the region's economic prospects, the international community is increasingly realizing that, as reflected in the title of a recent CNN documentary, *Africa is Open for Business*.

27. A challenge for the international community is to help Africa overcome the misperception that it has a wholly inhospitable investment climate and to provide information about attractive investment opportunities. Events such as the June 2005 World Food Economic Forum - "Africa Economic Summit" in Cape Town have been helpful in publicizing these issues, as have various initiatives by the NEPAD Business Group.<sup>11</sup>

### **IV. A RESULTS FRAMEWORK FOR ACHIEVING IMPACT**

28. In responding to the Monterrey consensus both low income countries and donors have increased their efforts to improve the results focus of development strategies, programs and projects in order to use domestic and international resources more effectively. The Paris Declaration reaffirmed the importance of predictable, well programmed, and coordinated aid to achieve results. Implementation of a Bank-wide agenda on managing for results began in early 2003, and in IDA14, the Bank has committed itself to strengthen its reporting on results and to improve the quality of its operations.<sup>12</sup> In keeping with these commitments, this action plan proposes measures to strengthen the outcome orientation of IDA support to Africa and to integrate results more fully into operational work.

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<sup>11</sup> In addition, the WBG has been supporting reforms that will increase FDI. Other development partners have also been active in this area. For example, DFID's Africa Investment Climate Facility (AICF) is helping to address legal and institutional impediments to private-public partnerships for investments in Africa. Japan Bank for International Cooperation (JBIC), in partnership with the AfDB, will implement the "Enhanced Private Sector Assistance (EPSA) for Africa", providing up to US\$ 1.2 billion over 5 years in order to foster SME activities and improve the region's investment climate. Japan will also promote investment in Africa by facilitating trade insurance, enhancing business exchanges and promoting product development and exports to Japan.

<sup>12</sup> World Bank. Better Measuring, Monitoring and Managing for Development Results: Implementation Action Plan; SecM2003-0038. January 31, 2003



## 1. Core elements of a stronger results framework

29. One of the central messages of recent reviews of development effectiveness, such as *The Lessons of the 1990s*,<sup>13</sup> is that interventions must be matched to specific economic, cultural, and institutional settings. A major challenge, therefore, is to ensure that the Bank Group, development partners, and countries work together toward achievement of well agreed outcomes (such as the MDGs) as articulated in national strategies. Managing progress toward these results in ways matched to particular country circumstances requires effective statistical gathering and analytical capacities, regular surveys on service delivery, and good monitoring and evaluation systems.

### *Element One: Helping countries to build outcome-driven national development strategies.*

30. The development community is committed to a country-based model of development centered on national strategies -- such as the poverty reduction strategy (PRS). Central to the success of that model is the principle that *countries must lead and manage* their progress toward country-specific development outcomes. The World Bank Group and its development partners will not be effective to manage for results unless countries themselves take the lead in this area.

31. A country-based results system constitutes an important strategic and management tool for development policy for several reasons. It provides a framework for *making choices* among desirable outcomes and for assessing alternative programs aimed at achieving those outcomes. It is a crucial for *making adjustments in programs* to achieve greater impact. And it provides an *accountability* framework for reporting to internal and external stakeholders on progress achieved against commitments made.

32. Experience teaches us that results-focused national development strategies should be conceived as “time slices” of a longer-term process, such as reaching the MDG outcomes or other goals. This notion is an area in which greater agreement among development partners is required, both in terms of how progress will be measured – via outcomes, outputs or a combination – and on the “results chain” leading from longer term objectives to medium term outcomes and shorter term actions. Managing for results is a challenge for all countries, including the most developed ones. But the nature of the challenge varies greatly across countries depending upon both the willingness of governments to focus on results and their capacity to do so. Countries often fail to use results information in national and local decision making, frequently due to inadequate definition of results in national strategies and to inappropriate or weak links between the strategies and public expenditure management.<sup>14</sup>

33. Support to African countries by the Bank Group and other partners for the preparation of country-led PRSs, development of poverty monitoring systems, and creation of results frameworks in Poverty Reduction Support Credits (PRSCs) and Sector-wide Approaches (SWAPs) are helping to build in-country capacity for results management. But huge gaps remain. First, national PRSs in Africa have tended to focus on a limited, albeit important, set of

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<sup>13</sup> World Bank. *Economic Growth in the 1990s – Learning from a Decade of Reform*. 2005.

<sup>14</sup> 2005 Review of the Poverty Reduction Strategy Approach: Balancing Accountabilities and Scaling-Up Results. The IMF and The World Bank.

development outcomes, and largely related to the delivery of human development services. Still, even within this narrow scope, measurable progress in managing for results has only been partially achieved. Since 1999, when the PRSs became the key policy framework for development partners, many African governments have started consciously to invest more in pro-poor service delivery (especially in the areas of health, education, HIV/AIDS, rural roads, agriculture, and water). Those countries that have made an effort to use results-based approaches report success—at the programmatic level (Malawi HIV/AIDS), at the sector level (Uganda Education), or at the national level (as in Tanzania); see Box 1.

34. Second, the quality of monitoring and evaluation (M&E) systems has been variable. Many countries have been only able to track socio-economic indicators and shifts in the allocation of public expenditures toward education and health. Good statistical capacity is a prerequisite to having a sound M&E system. To this end it is imperative to develop effective and efficient national statistical systems and to promote a culture of evidence-based decision-making in support of the results agenda. The Bank (closely coordinated with PARIS-21) and the Marrakech Action Plan for Statistics (MAP) has provided through its multi-donor Trust Fund for Statistical Capacity Building (TFSCB) funding to 20 projects in 14 African countries since 2000, many with the aim of producing national strategies for the development of statistics (NSDS).<sup>15</sup>

**Box 1: Tanzania - Second Generation PRSP**

Having a well defined results oriented strategy is critical -- with clear links to expenditure management. Results Framework Reviews by the OED and IEO in 2004\*, found that on the whole, the Tanzania PRS is *results-oriented and focused on outcomes that benefit the poor*. The PRS's overriding goal was income poverty reduction. Overall economic growth and growth in agriculture were the main targets to achieve these reductions, requiring sound macro-economic and new rural and private sector development policies. Human capabilities, survival and well-being comprised specific objectives in primary education and health to be measured by output and outcome indicators. The OED/ IEO review noted that the PRS process enhanced the mobilization of resources and the focus on priority sectors—with public expenditure reviews as major inputs. The PRS process also substantively enhanced poverty monitoring, with a master plan guiding all monitoring activities. While not perfect at inception, three years following the launch of the PRS, policymakers were able to flesh out the strategy and improve poverty monitoring mechanisms.

\*Operations Evaluation Department, "Review of the Poverty Reduction Strategy (PRS) process", 2004 and Independent Evaluation Office Evaluation of the IMF's Role in Poverty Reduction Strategy Papers and the Poverty Reduction and Growth Facility" IMF2004

35. Statistical capacity building requires a long-term approach and a focus on results and outputs. To support such endeavors the WBG has developed a new instrument: STATCAP. STATCAP projects take a sector-wide approach and are phased in by several stages, in order to ensure systematic development based on a national Statistical Master Plan.

<sup>15</sup> PARIS21 is the Partnership in Statistics for Development in the 21<sup>st</sup> Century, a consortium of donors, developing countries, and NGOs supporting the development of effective statistical systems. These are small grants, with maximum of \$400,000 and a maximum implementation period of three years. TFSCB II will now allocate 60% of available resources to National Statistical Development Strategies (NSDS) projects and 40% for non-NSDS type projects. If a country does not have an NSDS, it would be strongly encouraged to prepare one before applying for a non-NSDS project.

36. There is still limited ability in countries to articulate the robust causal models (results chains) that are necessary to underpin a results-based approach. At the same time, as development programs become increasingly country-led, and the development community moves to more sector-wide approaches, pooled funding or budget support further restrict, the ability to link results to any individual development partner agency. Different perspectives from donors on whether or not to use country systems and how to do so also can derail progress underscoring the importance of collaborative partnerships in tackling the key issues.

37. More fundamentally, in some countries, decision makers have little interest in results management and see it as a donor-driven initiative with little utility. A clear priority going forward, therefore, is for the Bank Group, working in partnership with others, to strengthen the depth and quality of its advice to countries on creating an institutional framework that promotes the use of evidence-based decision making and appropriate accountability systems, particularly concerning service delivery for the poor and women.<sup>16</sup> It will also be important to document the returns to investments in results management, building on the growing evidence of the high returns to investments in evaluation.<sup>17</sup>

38. To assist African countries strengthen their results framework the Bank Group will take the following actions; with *priority actions*:

- ***Action: Increase analytical and advisory work – together with development partners to support strengthened, results- oriented national strategies in all 29 countries undertaking their new or second PRSP.***

IDA and the donor community will assist African governments to build the processes, including monitoring and evaluation that help translate national objectives into the delivery of results. It is important that this support be managed carefully to minimize the risk of undermining country-owned and -led processes.

- ***Action: Assist all 29 PRS countries to develop and implement Monitoring and Evaluation Plans - including strengthening statistical systems - for their national strategies by end FY08.***

Nine countries currently have M&E plans associated with their PRSPs. Building these plans into the remaining PRS countries will require (a) assessments of the institutional framework in the country and current capacity building efforts, (b) development of country partnerships to strengthen country monitoring and evaluation systems, and (c) increased dialogue with partners and countries on the importance of reducing fragmented M&E systems by moving to country systems. As part of this action, statistical capacity must be strengthened and knowledge of the quality of those statistical systems is needed.

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<sup>16</sup> See World Bank : “Making Services Work for the Poor” World Development Report 2004, and Fishbine, A. “Citizens, Politicians and Providers: the Latin American Experience with Service Delivery Reform.”

<sup>17</sup> OED. “Influential Evaluations: Evaluations that Improved Performance and Impacts of Development Programs. World Bank. 2004.

- *Action: Starting in FY06, the WBG will develop and implement a system for measuring statistical capacity at the country level.*

Expand the use of the multi donor Global Trust Fund for Statistical Capacity Building, managed by the Bank, to support the completion of National Statistical Development Strategies (NSDSs) in 30 African countries.

- *Action: Mount, in close collaboration with other development partners, a major effort in 15 countries using a joint grant funding mechanism to strengthen national statistical and database management capacities, including the development of statistical master plans.*
- *Action: The WBG's Africa Region flagship publication the African Development Indicators (ADI) would be revamped for it to become the result reporting framework for the Region.*

In addition to reporting on other development indicators, ADI will heavily focus on the IDA14 results indicators, the MDGs, other PRSP related indicators.

- *Action: Link national PRSs within sub-regional poverty reduction strategies (by 2008). Regional integration is considered by many countries as a promising means to improve impact through collaborative efforts in selected areas. The effectiveness of regional approaches hinges on timely monitoring and evaluation of constituent national activities and on coordinated evaluation to strengthen impact in subsequent collaborative endeavors. IDA and the donor community will help strengthen M&E systems at the sub-regional level through capacity development engagements with selected regional economic communities (RECs). The RECs will require parallel support to strengthen sub-regional statistical databases and M&E systems.*

*The Paris Declaration indicators (e.g. clear operational development strategies, results oriented frameworks) will be used to measure the results orientation of national strategies and links to the budget. Capacity building plans for M&E will be monitored in all countries, and we will continue periodic country level assessments of statistical capacity conducted by the IMF and WBG.*

### ***Element Two: Strengthening the Results Based Country Assistance Strategy***

39. The basic link between an outcome based country strategy (PRS) and the operational program of the Bank is the Country Assistance Strategy (CAS). Thus a central element of any Bank Group framework for results is the Results Based CAS (RBCAS). The RBCAS is designed to help country teams: (i) to focus on program outcomes relevant to longer term country goals, building synergies across operations; (ii) to examine causality between specific interventions and development outcomes critically and to discuss trade offs across sectors; and (iii) to work more closely with national counterparts and development partners in developing a relevant and selective strategy of lending and non-lending support to achieve outcomes.

40. The Africa Region has been at the forefront of the Bank Group in piloting the RBCAS. Country teams have produced a number of RBCASs—in Burkina Faso, Cameroon, Chad, Gabon, Mozambique, Zambia, and several of the region’s early RBCASs are at the mid point of implementation. Innovative efforts are also being undertaken to use the RBCAS as a means to strengthen country ownership, harmonization, alignment, and partnerships in particular countries, including Uganda, Tanzania, and Malawi (see Box 2).

**Box 2 Results Based CAS in Malawi: Creating Ownership, Partnership and Results**

Efforts to improve aid effectiveness have brought changes in how the Bank tackles development issues: from increased focus on country ownership and country level results, to introduction of results-based country assistance strategies and programs, to improvements in coordination and harmonization with partners. The challenge for operations staff is how to weave all these strands together to best support and contribute to development results. In Malawi, the CAS team is using the preparation of the RBCAS to bring these strands together - while helping to strengthen the results focus of the Government strategy and processes. As an outcome of the country program review and CAS launch, the Government announced it would undertake an effort to translate the country’s vision into an operational strategy for growth and poverty reduction for the medium term (Malawi Economic Growth and Development Strategy). The Government led the development of its own home grown strategy, applying the results approach to its development. Using on-going strategies and policies, the Government specified longer term goals, expected medium term outcomes, binding constraints, and focused actions. This helped Government develop a tool for consultation and that refinement that maintains Government ownership but also allows focused discussions on results. The expectation is that the definition of outcomes will help drive to resource allocation decisions, preparation of a monitoring and evaluation system and links to expenditure management. It is also expected that the results orientation will provide a platform for development partner alignment to results. During the process, partners followed the Bank’s lead, by providing the Government space as it worked out its own thinking and priorities. The process also highlighted the operational steps in using results as a mechanism for harmonization, alignment and improved aid coordination. With finalization of the strategy, the CAS will be completed in tandem with DFID’s Country Program, the UN’s UNDAF, and in close cooperation with the other development partners.

41. Introduction of an explicit results orientation in the CAS has resulted in some important changes in behavior by both country and Bank Group teams. The direct effect of the results-based approach on the CAS has been to markedly improve the definition of what the CAS will help countries accomplish, to promote better designed monitoring during CAS implementation; and to facilitate use of the CAS as a management tool. A common practical difficulty faced by Bank teams as they work through the design phase has been the need to focus on outcomes and downplay the centrality of lending activities. In Mozambique, for example, the Bank team found that the results-based approach forced them, through the focus on concrete results, to shift the conversation from one focused on lending and non-lending support to one focused on outcomes which could be influenced by the Bank Group’s program.

42. While is still too early to assess the impact of the RBCAS on development effectiveness. Bank the process of developing the CAS and early experience show that the RBCAS process can strengthen strategic selectivity, enable better allocation of resources to country priorities, and provide a framework for management to achieve results. The approach serves as a means to test the consistency of a country program with national development priorities and international commitments, such as the MDGs. It provides a mechanism to show the links between the country level, the program/project level, and agency performance, and it can make the measures, methods and systems used to track progress more explicit. The process of designing a results-oriented country program has led to an increasing use of multi-sector approaches, fostered

coordination among development agencies, and enabled governments to determine where development agencies can add greater value.

43. To further strengthen implementation of the RBCAS the Bank Group will:

- *Action: Use the results based approach in all new CASs and retrofit existing CAS for results at the CAS (mid-term) Progress Report.*  
Together these steps will result in RBCAS implementation in 20 countries by end-FY08.
- *Action: Adopt results-driven country portfolio reviews – with 6 customized reviews undertaken in FY06 and another 10 in FY07.*
- *Action: Complement this work with efforts to undertake pilot regional sector reviews (such as in HIV/AIDs) to show how regional outcome-based reporting can support country-based approaches, and vice versa.*

***Element Three: Measuring and reporting on progress in shared growth and service delivery***

44. Two key drivers toward the MDGs in Africa: are accelerated economic growth and improvements in the capacity of the poor and women to participate and the benefit from growth (“shared growth”). Tracking outcomes in these areas is therefore crucial to evaluating success. A two-tiered Results Measurement System will be implemented by the WBG during the IDA14 period. At the macro level, the system will monitor 14 outcome indicators to track trends in “big picture” outcomes, such as growth, poverty reduction, and human development. Changes in these “Tier I” indicators are influenced by multiple factors and actors, and attribution to any one development intervention or agency is not possible. Nevertheless, progress in achieving results at this level is key to meeting our goal of accelerated progress toward the MDGs in Africa.

45. In the case of shared growth, indicators would be based on macroeconomic stability and the investment climate, and can be monitored on a regular basis. Outcomes will be monitored by drawing on data available from a variety of systems (such as the CPIA, the Global Monitoring Report and Doing Business Report, among others). Macroeconomic performance will continue to be monitored by the IMF through both existing and proposed new instruments.<sup>18</sup> The Bank’s work on the investment climate has yielded important benchmarks for measuring efforts at, and to some extent the impact of, reforms intended to promote the growth of the private sector. The WBG Group has been actively engaged in Investment Climate Surveys (ICSs) and Investment Climate Assessments (ICAs) in Africa. To date, 17 ICSs are either completed or underway,<sup>19</sup> and ICAs are being programmed to cover all countries in the Region.<sup>20</sup> These instruments also underpin the IDA14 indicators focused on the growth agenda.

<sup>18</sup> *Policy Support and Signaling in Low-Income Countries*, IMF, EBS/05/87, June 10, 2005.

<sup>19</sup> ICAs have been completed in 14 countries (Benin, Eritrea, Ethiopia, Lesotho, Nigeria, Mozambique, Kenya, Uganda, Tanzania, Zambia, Madagascar, Senegal, Mali, and South Africa), and they are in progress in 3 other countries.

<sup>20</sup> See below.

46. To assess progress in service delivery, measurement of longer term outcomes can be undertaken by household surveys. However, few African countries have comprehensive household surveys at two points in time to track trends in improvements in human development outcomes, while administrative data on service delivery are not always robust or timely. Intermediate measures of service delivery are also available from, which are Core Welfare Indicator Questionnaire (CWIQ) useful in providing information on access to and quality of services. They also strengthen the role of civil society in monitoring the performance of programs and service delivery.

47. The Africa region of the Bank Group will measure and report results at the strategic level by identifying and tracking common benchmarks for intermediate outcomes using the IDA14 Tier I indicators:

- ***Action:*** *Collect baseline and comparative information in 10 countries in key areas of public service delivery using targeted, purposive surveys of clients and service providers, including client scorecards.*
- ***Action:*** *Support DEC's work to develop and track the core IDA14 Tier I indicators for Africa.*

To ensure consistency across all IDA countries the Development Economics Vice-Presidency (DEC) has been tasked with developing and reporting on all 14 of the IDA Tier I indicators. The Africa region through its data group and live data base will support and contribute to this effort.

- ***Action:*** *Undertake further work – together with Bank networks (DEC and OPCS) and other development partners -- to determine whether the indicators under IDA14 are fully appropriate for evaluating the linkages between public actions and outcomes such as accelerated growth or improved service delivery.*

*Intermediate outcomes can be measured by analysis at the country level of the relevance and impact of the new survey instrument. Quality of data will be assessed jointly by DEC, who will administer the IDA14 Tier I indicators, and the Africa Region.*

48. As our work on growth diagnostics at the country level proceeds, we should gain a better understanding of the drivers of growth economy-wide and sectorally. These will in turn inform our assessments of the appropriateness of for example the investment climate indicators as intermediate predictors of growth outcomes.

#### ***Element Four: Measuring and Reporting on Progress in Programs and Projects.***

49. This initiative under IDA14 is to improve the results orientation of new IDA projects at the supervision and evaluation stages and to measure and monitor improvements in selected project outputs and outcomes resulting from IDA's interventions (see Box 3). In support of IDA's efforts in this area, the Africa Region will:

**Box 3 Eritrea – HIV/AIDS/STI, Malaria, TB Control Project (HAMSET)**

At a time when the country has suffered severe political and economic problems, Eritrea has experienced, over the past five years, substantial improvement in all the main health indicators. Infant mortality fell from 72 per thousand in 1995 to 48 in 2002, compared to the Sub-Saharan average of 101; immunization coverage nearly doubled to 76 percent in 2003 at a time when immunization rates in SSA decreased. Most outstanding of all, malaria mortality and morbidity fell by 80 percent in the last four years – by far the best performance in SSA. HIV/AIDS prevalence has declined slightly to a low 2.4 percent, again at a time when rates in most of the rest of the continent were increasing to much higher levels. These impressive results are due to a range of factors including: (a) the project focused on a combination of activities in HIV/AIDS, malaria and TB. This integrated approach to communicable diseases, exploiting the clear synergies between these various activities has not been commonly tried but has proved highly effective in Eritrea; (b) applying modern technology appropriately but sparingly; (c) effective management, sound policies and strong political commitment by the Eritrean Ministry of Health; and (d) encouraging approaches to achieving results are being applied in supervision where the key is to identify tangible success factors and systems for learning and integrate parallel activities toward pursuit of a specific result. A new project, a repeater known as HAMSET II, was recently approved and building on HAMSET's successes, aims at sharply improving maternal health, and to exploit further the potential synergies among controlling the main communicable diseases.

- *Action: Improve the quality at entry (results focus and aligned with the national results and policy framework) in at least 95 percent of new operations by FY08; and increase the percentage of satisfactory use of M&E during supervision to at least 80 for existing projects.*

- *Action: Starting in FY06, monitor and report on sector outputs in all new IDA operations in four sectors (health, education, water supply, and rural transport), and couple this with efforts to strengthen country capacity as necessary to ensure adequate monitoring*

The indicators are: for health, the under-five child mortality rate; for education, the primary education completion rate; for water supply, the proportion of the population with access to an improved water source; and for rural road transport, the proportion of the rural population with access to an all-season road.

- *Action: Improve four key indicators relevant to project quality: raise the share of Implementation Completion Report) with satisfactory project outcomes from 70 percent in FY04 to 85 percent in FY08; and the share of Implementation Status and Results Reports (ISRs) with satisfactory baseline data for outcome monitoring from 80 percent in FY04 to at least 85 percent for existing projects and 90 per cent for new operators by end-FY08.*

**Element Five: Targeted impact evaluation.**

50. To complement these efforts and to ensure that learning is fed into future policy and project design—both in countries and in the Bank Group—the Africa region in collaboration with the HD Network and DEC will develop a strategy for targeted impact evaluation. Impact evaluations provide greater evidence that a specific operation has resulted in its intended outcome and enable assessments of the relative cost effectiveness of different interventions. New technical developments, together with the greater availability of micro data, have led to an increasing number of impact evaluations of projects and interventions in the Bank Group. There



are currently approximately 75 ongoing evaluations of projects for East Africa, 45 of them were related to World Bank projects or programs undertaken with World Bank funding. Most are focused on interventions in the human development and rural sectors. The Development Impact Evaluation (DIME) initiative is a Bank-wide effort under the leadership of the Bank's Chief Economist that aims: (a) to increase the number of Bank projects with impact evaluation components, particularly in strategic areas and themes; (b) to increase staff's ability to design and carry out such evaluations, and (c) to build a process of systematic learning based on the lessons of completed evaluations. The Africa region will partner with the DIME initiative and other development agencies and academic institutions to:

- *Action: Develop a medium-term impact evaluation strategy to provide feedback for new project/program designs.*

A more strategic approach to impact evaluation, focusing on critical areas of importance to the Bank's intervention, would allow the Bank Group and the development community to learn in a more systematic fashion, lessons of successes or failures of various types of interventions.

## **2. Challenges in implementing the framework**

51. Implementing the results framework will require an important shift in staff incentives to increase management for results, including targeted impact evaluation. Reviews of the Bank's results orientation note that internal incentives tend to focus staff effort on the delivery of *new* projects and investments, rather than on monitoring implementation performance and results of *existing* projects. Recent initiatives that emphasize portfolio management are designed to address this, but more work is needed to focus staff and managerial attention on the use of our lending and analytic instruments to build the commitment and capabilities of both staff and country clients to monitor and manage performance at the country level. Because of human resource constraints, however, and the time needed to build the required analytical capacity for results work, the phasing of this new approach will need to be managed carefully, taking into account countries' demand for greater results and impact evaluation and country capacity to participate in the process. Building partnerships with academic institutions both in Africa and in the OECD countries to leverage high quality resources will be important. Key actions to address these issues are:

- *Action: The internal organization of the Africa Region in IDA will be strengthened with the creation of a Quality and Results Unit.*

The unit will provide strategic advice on results for Government strategy development and processes, in RBCAS design (in close collaboration with Country Directors and PREM), and in the implementation of the Paris Declaration principles on results at the country level. The unit will help create country level partnerships on results, working with the country managers, country officers, and country economists. Project specific support will be improved through better integration of monitoring and evaluation specialists with quality advisors. As results cut across all sectors and levels of operational and corporate work, the Quality and Results Unit will work closely with the

Networks, central units and increasingly with partners in the global discussions on managing for results.

- *Action: Real time training and sustained management support for results management.*

This support will include new staff training, administrative changes such as the recent identification of impact evaluation work as a separate “product line” in the Bank’s SAP system, and management effects to identify and reward good practices.

- *Action: The Region will work closely with others in the development community to address challenges particularly relevant to Africa – such as results based aid allocation, differences in the use of performance assessment frameworks for budget support and ways to implement the Paris Declaration with a clear focus on results.*

## V. ACHIEVING RESULTS IN THE IDA14 PARTNERSHIP

52. The recent turn-around in Africa’s economic and political climate provides an unprecedented opportunity to achieve both *accelerated* and *broadly shared* growth. *The Strategic Framework for IDA in Africa* (SFIA) developed in 2004 and the *Africa Strategy* presented to the Board in February 2005 stress the need for boosting growth, investing in people, and achieving better coordination among donors - all within a results based framework. Underpinning these efforts is the need to continue working to build capable states in Africa, through enlargement of institutional capacity, improvements in public expenditure management, and heightened attention to accountability and governance.

53. IDA14—together with the additional resources available from the international community beginning in 2006—represents an important opportunity for the World Bank Group, in collaboration with other development partners, to leverage IDA’s knowledge and operational resources to help make effective use of the increased multilateral and bilateral assistance that has been directed to Africa. Five priorities will guide our engagement with countries under this IDA14 Partnership approach:

- (i) Countries will lead their development programs and the national poverty reduction strategy (PRS) will remain the anchor of IDAs country strategy and results focus;
- (ii) IDA will increase its efforts to help African governments to build capable states, through capacity building, improvements in public expenditure management, and heightened attention to accountability and governance;
- (iii) The Bank Group will undertake new actions to increase the rate of growth, and to strengthen the capacity of the poor and women to participate in and benefit from growth;
- (iv) The Bank Group will work with development partners, both to align to national PRSs and to harmonize processes and behaviors to reduce transactions costs; and

(v) IDA will work with countries and regional and development partners to share its analytical and operational knowledge as a “public good” to provide a means for scaling up high impact projects and programs as resources become available.

## **1. Country-led, goal-driven national poverty reduction strategies as strategic anchors**

54. Because countries differ – often dramatically – in Africa with respect to their growth opportunities and constraints, and levels of social well being, as well as their histories and institutional contexts, country based approaches are critical to achieving development outcomes.<sup>21</sup> In order to ensure that our strategic focus is compatible with the principles of country ownership and specificity, two cross-cutting principles will shape our overall engagement with countries under the IDA14 Partnership.

55. First, we will assist countries to achieve greater strategic focus, results orientation and accountability in their PRSs. To this end our analytical work will be strengthened and will have a tighter focus on: (a) identifying the policies, public expenditures, and private sector investments needed to achieve specific growth oriented outcomes, such as achieving an export push, building an African private sector; (b) assessing the social and poverty impact of growth oriented policy and institutional reforms; (c) improving the macro-management of larger aid (and natural resource) flows (working with the IMF); (d) increasing the use of impact analysis to assess the effectiveness of programs intended to expand the delivery of health, education and other services to the poor, and (e) building national M&E capability, including statistical capacity, to support national results frameworks.

56. Second, we shall increasingly undertake diagnostic work jointly with country and development partners to understand key drivers of and constraints to growth, as well as the most effective means of building the assets of the poor. The Results Based CAS is the primary instrument by which IDA will identify relevant knowledge gaps at the country level and assess the capacity of both country and development partners to address them. Where relevant capacity exists in local institutions or government agencies the Bank Group will increase our use of local counterparts in analytical work with the twin objectives of reinforcing capacity and building ownership of the results.

## **2. Building capable states and improving governance**

57. As they have sought to implement their national poverty reduction strategies many of Africa’s societies and their leaders have pointed to sound governance and institutional capacity as critical pre-requisites for sustainable growth. Improving governance and building capacity are major challenges for Africa. Fostering transparency, accountability and voice, all of which reduce the incentives for corrupt behavior, is central to the governance agenda. But building capable and honest states also requires and addressing broader structural relationships, including relationships among core state institutions, the interactions between the state and the private

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<sup>21</sup> See World Bank, *Economic Growth in the 1990s – Learning from a Decade of Reform*. 2005, for an assessment of the need to adapt broad economic principles intended to spur growth and improve the delivery of services to the poor to individual country circumstances.

sector, and the relationship between the state and civil society. It also necessitates strengthening core public sector management, which includes professionalization of the public service.

58. Following political liberalization in the 1990s, African countries have been strengthening their governance, seeking to develop effective states and engaged societies. African leaders have acted on these challenges through the establishment of NEPAD, and in particular the African Peer Review Mechanism (APRM), which introduces peer review among African governments and societies. Together with regional cooperation these are key instruments for country-led governance reforms. The Bank strongly supports these initiatives.

59. Effective in-country capacity building and governance—especially regarding budgetary expenditure and revenue management, as well as strengthening institutions that check corruption—are at the core of the Action Plan. Moreover, the Plan, informed by—but not prejudging the recommendations of—the on-going work of the Capacity Building Task Force (the results of which will be shared with the Bank Board later in the Fall), envisions the implementation of more cost-effective capacity building interventions than heretofore has been the case.

#### ***Adapting the Bank’s governance support to country conditions***

60. The prospects for effective governance support depend on a variety of country-specific characteristics at any given point in time. Although governance reforms by their very nature are not always uni-directional and are often slow in their implementation, the Bank finds its governance reform efforts most successful when its support takes into account at least five dimensions of country’s governance conditions: a) whether the political and administrative leadership is development- and reform-oriented; b) the present capacity in government for strategic decision-making and policy formulation; c) the present institutional capacity and fiscal space for policy and program implementation; d) the degree of broad engagement of society in decision-making, including the capacity of civil society and the private sector to hold the government accountable; and e) the degree of political and social stability, which is related to the presence or absence of armed conflicts.

61. Based on an assessment of these dimensions, the Bank’s governance activities vary between support for comprehensive, multi-level reforms, in countries with reform-minded leadership and some existing capacity; support for selective reforms and seizing opportunities for change, in countries with weak political and administrative leadership and limited capacity; and support for rebuilding financial and administrative capacity and strengthening accountability, in post-conflict, fragile states.

62. The Bank’s governance and capacity-building agenda covers eight themes outlined below. The relevance of these themes differs between among the three country governance situations as follows: 1) *Governance diagnostics* are relevant in all African countries, although the degree of African ownership will vary according to the leadership and capacity situation in each country; 2) supporting *institutional capacity-building* varies across countries depending on existing governance situations, but in essence the Bank can improve its indirect impact on existing capacity in all African countries in adjusting the way it does its business; 3)

strengthening *public financial management* is essential also in all country situations, but will be limited to fiduciary concerns in fragile states with limited leadership commitment; 4) support for *legal and judicial reform* will likewise differ between countries, emphasizing comprehensive formal reforms in countries with existing capacity and commitment, and selective reforms, involving informal conflict resolution mechanisms, in weaker countries; 5) strengthening core *public sector management* requires demonstrable leadership commitment and existing capacity, but service delivery reforms and the creation of space for civil society to hold government accountable are feasible entry-points in many fragile and post-conflict situations; 6) strengthening *local governments* could include supply-and demand-side measures in well-performing countries but would emphasize demand-side measures in fragile countries with weak leadership; 7) enhancing *accountability and transparency in all resource-rich countries*, and must be adapted to their capacity and commitment; and 8) *reinforcing governance in fragile post-conflict states* is needed in such countries in light of their weak leadership.

### ***Improving Governance Diagnostics***

63. Information on governance strengths and weaknesses is needed by African governments for the formulation of most macro-economic, structural and sector development policies and programs. Information and governance and transparency are also needed for citizens, civil society, the media, and the private sector to hold governments accountable for their decisions and actions, including their use of public resources. Country-specific governance data and Worldwide Governance Indicators are increasingly used by governments and stakeholders in individual countries.

64. In some countries (e.g. Ghana, Tanzania, Uganda and Mozambique), the Bank has supported governments to improve transparency, partly through the use of governance and anti-corruption surveys of the use of public resources, which have triggered debates about how to improve transparency and accountability. Some capacity development activities have supported the media, the judiciary, civil society, and independent monitoring institutions (e.g. in Cameroon, Chad, Madagascar, Tanzania and Ghana). To further strengthen the demand side of accountability, independent ‘watch dogs’ have been set up in some countries (e.g. Cameroon, Chad, Madagascar and Ghana). Support in these areas is primarily provided by other development partners (e.g. UNDP, Nordic development agencies, DFID and USAID) and WBI, often complemented by targeted technical assistance.

65. Other activities have improved access to information and more effective (public) oversight. The Bank has provided support to parliaments and their committees (mainly through WBI) and to audit institutions, to improve their operational efficiency in the review of government accounts. To identify leakages of public resources in existing administrative systems and to address shortcomings in the delivery of public services, Public Expenditure Tracking Surveys (PETS) have been undertaken in a number of countries (see Box 4)

#### **Box 4 Public Expenditure Tracking Surveys (PETS)**

PETS have increasingly been applied in Africa to assess weaknesses in public expenditure management and front-line public service delivery. The majority of PETS studies to date have been implemented in the Africa Region (in nine countries in total, namely *Cameroon, Ghana, Madagascar, Mozambique, Rwanda, Senegal, Tanzania, Uganda and Zambia*) in the health and education sectors. The core of the PETS is the mapping and tracking of specific expenditure flows from the original point of allocation through its ultimate intended use, for example a school. The pioneering Uganda PETS in education still remains the most successful of these examples. Conducted in 1996 and 1999, it was associated with an increase of resources from an average of 13 percent to an average of 78 percent of intended resources arriving at a school. The initiative was highly successful because it involved a government committed to reform, engaged donors, and a type of transaction -- a transparent rules based per student allocation to schools -- that was easy to track. The experience in other countries, and sectors, has been that expenditure transactions are often quite complex, owing to leakages and diversions inherent in a range of processes, including procurement. Consequently, PETS methodologies have to be adapted to the prevailing context. A recent stocktaking finds that PETS can serve as a useful complement to understanding weaknesses in public financial management capacity and accountability mechanisms at country and local levels. Yet they cannot substitute for a broader strengthening of public financial management systems, especially in countries receiving budget support.

66. Gradually, governance diagnostics are being fully integrated into particular sectors – infrastructure, social services, agriculture etc. – that carry the bulk of government and partner investments. In some countries, removing governance constraints may be easier in specific public services than in across-the-board reforms. Similarly, problems of corruption may be concentrated in issues related to control over infrastructure or land.

- *Action:* Assist 10 countries develop and implement governance diagnostics, including citizen scorecards, in collaboration with WBI.
- *Action:* Provide analytical tools and support for local governments, line departments, civil society and community organizations to diagnose public sector governance problems in public service provision, aimed at improved access to information and transparent use of public resources, e.g. by public posting of budgets in local schools and health centers, and publishing service standards for government services.

#### ***Strengthening Institutional Capacity***

67. Capacity development is a region-wide challenge for Africa, although countries are at various points on the spectrum from weak to strong capacity and from low to high accountability. To varying degrees, African countries all face the task of mitigating the brain drain of highly skilled workers with incentives for capacity retention and utilization; reviving failing service delivery systems to help achieve the MDGs; promoting a competitive environment for private sector led growth; safeguarding populations from civil strife and crime by strengthening the rule of law; and opening up closed decision-making processes through greater inclusion of civil society and citizens.

68. Lessons show that capacity development efforts need clear objectives, should not rely on fragmented, project-centered approaches, need adequate time to be institutionalized, require follow-through by political and technical leaders, and must be supported by appropriate incentives. To be sure, training, equipment, and technical assistance are needed, but they should be provided in response to clear and effective demand so that they can be effectively absorbed.

The successful cases — for example, Community Driven Development (CDD) approaches in Malawi, performance management in Tanzania, public financial management in Burkina Faso and Madagascar, and decentralization in Uganda and Ethiopia — relied on strong leadership, utilized flexible and programmatic approaches to financing, and matched existing capacities with global and local knowledge.

69. The Bank Group launched a Task Force on Capacity Development in Africa to reinforce the emerging consensus on capacity development and to give a push to addressing the capacity challenge more effectively. The Task Force will publish its report in the fall of 2005. It will include recommendations on changing the way the Bank Group is doing its business towards more capacity-enhancing practices and also to reinforce the capacity development impact of Bank-supported operations.

- ***Action: Require every new CAS to have a systematic program for capacity-building based on the recommendations of the Task Force on Capacity Development and raise the total of such CASs from 15 to 25 in three years.***
- ***Action: Increase the share of Bank-provided TA that is pooled with the TA of other partners, and which is managed by the partner country for capacity development.***

### ***Strengthening Public Expenditure Management and Financial Accountability***

70. Sound Public Financial Management (PFM) is fundamental for effective use of domestic resources and of external aid. In most African countries, expenditure and revenue accountability remains a challenge. Past efforts have addressed regulatory changes, the rehabilitation of existing systems, the establishment of internal and external audits, and procurement reforms. There has been significant progress in the development of an indicator-based approach to PFM system assessment, evolving from the approach used in assessing progress in the HIPC program during 2001-2004. This approach has been further refined by the (Public Expenditure and Financial Accountability Initiative (PEFA))<sup>22</sup>.

71. The indicators used measure budget formulation, execution, and reporting. Most PRSCs emphasize the need to reform PFM systems by applying indicators such as these. Several countries (e.g. Tanzania, Republic of Congo, Malawi, Madagascar and Mozambique) have separate public financial accountability operations to address PEFA deficiencies. Some countries (e.g. Tanzania and Madagascar) also support reforms of the tax and customs administrations to address deficiencies in revenue management. Further Bank support will build on these indicators and assist governments in enhancing the efficiency of the PFM system and to meet performance standards by:

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<sup>22</sup> The PFA Program, started in December 2001, is jointly financed by the World Bank's Development Grant Facilities (DGF), the European Commission (EC), the UK's Department of International Development (DFID), the Swiss State Secretariat for Economic Affairs (SECO), the Royal Norwegian Ministry of Foreign Affairs and the French Ministry of Foreign Affairs. The International Monetary Fund (IMF) and the Strategic Partnership with Africa (SPA) are also partners. A Steering Committee, comprising members of these agencies is managing the Program. A Secretariat has been set up and is located in the World Bank in Washington, DC.

- ***Action:*** Assist 20 countries in strengthening the core elements of their Public Expenditure Management and Financial Accountability systems (e.g. accounting, cash management, commitment control, public procurement as well as the introduction of a consistent performance measurement framework, including the use of Public Expenditure Tracking Surveys).
- ***Action:*** Work with governments to improve the efficiency of internal and external controls that monitor budgetary execution to contain the misuse of public resources.
- ***Action:*** Scale up efforts to modernize public procurement, in particular assisting governments to institutionalize a renewed regulatory and institutional framework into the public administration, e.g. by enhancing support for training and capacity building.

We will use the indicators contained in the Performance Measurement Framework developed by the PEFA partnership to assess progress in public and financial management; and monitor the government effectiveness and IDA14 indicators.

### ***Reforming Legal and Judicial Systems***

72. Early reforms in this area focused on adjusting legal and regulatory frameworks to facilitate economic development, e.g. related to property protection. Regional economic integration triggered reforms of the regulatory frameworks for commercial and business laws. An important issue is the relationship between the formal judicial system and informal conflict resolution mechanisms. Many African countries have a well-functioning system of village or community courts where decisions are made by laypersons in accordance with traditional rules. Judicial reforms must appreciate the role and importance of these traditional systems for African societies and their relevance for the judiciary as a whole. The Bank Group's efforts in this area will focus on:

- ***Action:*** Assist at least eight countries in improving operational efficiency of the judiciary (e.g. by introducing service standards, by streamlining commercial proceedings, and by strengthening accountability), in reducing procedural and financial hurdles, in developing informal conflict resolution mechanisms (e.g. arbitration, community court system) and in facilitating access to the legal and judicial system by the poor.
- ***Action:*** Reinforce government efforts to root out corruption and improve ethical standards within the judiciary.

### ***Improving Public Sector Management***

73. The public sector is critical for good governance. In many countries civil services are overstuffed, overly bureaucratic and inefficient, with limited motivation and user-orientation. Well-functioning administrative systems and a motivated, appropriately sized civil service are important prerequisites for efficient service delivery and optimal use of public resources. To address existing dysfunctions in the civil service, the Bank is supporting civil service reforms with differing emphases in African countries, such as for example: in Zambia and Nigeria, improving the operational efficiency and rationalizing complex bureaucratic structures; and in



Tanzania, Mozambique, Nigeria and Sierra Leone, pursuing “bottom up” administrative reforms by building demand for change and capacity to implement. This also includes cross-cutting institutional reforms, aimed at comprehensive decentralization and capacity development in the context of far-reaching political reforms, such as in Ethiopia.

74. The Bank will emphasize the following areas: a) support to particular elements of civil service reform that trigger change, such as performance (service) standards and selective reforms of pay and incentive systems; b) scaling up assistance to improve the delivery of services in areas with a direct interface with the citizenry; this involves the involvement of users and beneficiaries to improve accountability and efficiency of service delivery, as is being piloted in Tanzania, Uganda and Madagascar; c) working with governments to establish credibility of administrative and civil service reforms early in the reform process by producing visible results in the short term, as in the Mozambique “quick wins” program; d) addressing the growing demand for e-governance reforms, changing the way the public sector is doing business, as is attempted in Rwanda; and e) responding to demands from African governments to provide assistance in managing and implementing change, particularly by helping governments improve their results focus, intergovernmental decision-making and the effectiveness of Cabinet processes. PRSCs are a key instrument to strengthen and deepen the policy dialogue on a more effective pursuit and integration of the administrative and civil service reform agenda. The combination of PRSCs with parallel capacity development operations assists governments in developing reform options and in fostering demand for civil service reforms inside and outside the administration.

- *Action: Assist at least eight countries with public service reform, particularly reform of human resource management, pay and incentive systems, as well as decentralization, particularly inter-governmental fiscal reforms.*
- *Action: Develop tools, indicators and procedures to integrate public sector management reforms into all PRSCs, where governance issues are part of the reform framework and triggers.*

### ***Strengthening Local Governments***

75. Recognizing that decentralization is a political choice made by many African countries, the WBG is supporting governments to address the political, regulatory, administrative and financial implications of a decentralized state. It supports diverse government programs in this field: (i) in some countries (e.g. Ethiopia, Lesotho, Sierra Leone, Uganda, Tanzania and Madagascar), the World Bank is assisting governments to develop or reform the system of inter-governmental fiscal relations; (ii) through multi-sectoral public sector operations complement community-driven activities; and (iii) Community-Driven Development (CDD) programs, especially where these are linked to local governance development.

76. Community-Driven Development has proved to be an effective means for rebuilding of societies emerging from the traumas of war and conflict. CDD approaches help both to address urgent local needs and to restore the trust and relationships that collapsed as a result of the conflict. By engaging people in addressing problems at the local level – CDD can produce an invaluable peace dividend. In Rwanda, the World Bank helped set up the Community

Reintegration and Development Project, which placed a large emphasis on decentralization and encouraging local government, to involve local people in decision-making, Community Development Committees were set up to give an active role to local governments and communities voice and influence. It gives citizens more decision-making power through this development approach that links community participation with local management of resources, making both citizens and politicians accountable for results.

In moving forward, the Bank will:

- *Action: Scale up support to enhance the development of local governments, aimed at improving service delivery, accountability and participation.*
- *Action: Continue to strengthen capacity at the sub-national levels of government as well as to assist governments to rationale the system of fiscal transfers and to develop an own resources base for local communities.*
- *Action: Increase the number of projects with CDD funding and improve their integration into Poverty Reduction Strategies and as successful projects are scaled up.*

### ***Enhancing Accountability and Transparency in Resource-Rich Countries***

77. Resource based rents are widespread and growing, due to new discoveries and favorable prices. During the 1990s, 65 percent of all foreign direct investment was concentrated in oil, gas and mining. Between 2000 and 2010, \$200 billion in oil revenue will accrue to African governments. However, mineral-dependent countries tend to do worse in social indicators than non-mineral countries at the same income level, including having higher poverty rates, greater income inequality, less spending on health care, higher prevalence of child malnutrition, and lower literacy and school enrollments.

78. The Extractive Industries Transparency Initiative (EITI), launched at the World Summit on Sustainable Development in Johannesburg, September 2002, aims to increase transparency in transactions between governments and companies within extractive industries. Revenues from oil, gas and mining companies, in the form of taxes, royalties, signature bonuses and other payments can be an important engine for economic growth and social development. However, the lack of accountability and transparency in these revenues can exacerbate poor governance and lead to corruption, conflict and poverty. Increasing transparency and knowledge of revenues will empower citizens and institutions to hold governments to account and mismanagement or diversion of funds away from sustainable development purposes will become more difficult. NEPAD, among other International groups, has given important political momentum to EITI. Nigeria adopted EITI in February 2004 (see Box 5). In order to strengthen accountability and transparency in resource-rich countries, the Bank Group will:

- *Action: Promote transparency in accounting for revenues by adopting by 2009 the Extractive Industries Transparency Initiative (EITI) and helping 6 governments establish and maintain fiscal discipline, strengthening PFM, setting savings rules and maintaining fiscal discipline in decentralized fiscal systems.*

### **Box 5 Nigeria and the Extractive Industries Transparency Initiative (EITI)**

The *Nigeria Extractive Industries Transparency Initiative (NEITI)* was launched in February 2004, making Nigeria the first country to adopt the principles of EITI. The NEITI is focused on Nigeria's oil and gas sector which provides over 70 percent of public revenues and over 90 percent of export earnings. The process is driven by a 30-member National Stakeholders Working Group (NSWG) consisting of representatives from the public and private sectors and civil society and including key players in the oil sector and the media. NEITI has recorded a number of achievements. It has built a multi-stakeholder NSWG team and has launched audits of the oil sector and successfully organized a first capacity building and networking conference for civil society groups involved in the initiative. Contracts for three audits of the oil and gas sector – financial, physical and process – have been signed. The *financial audit* commenced in March 2005 and aims at getting a reconciled picture of the flow of funds in the sector. The results are expected to be released in December 2005. The *physical audit* seeks to draw a coherent map of the amount of oil and gas produced, lifted, lost, refined and exported within the period. The *process audit* is expected to commence in October 2005 and will examine issues such as justification of capital expenditure, checks and processes in products' import, international comparative analysis, benchmarking and recommendations for improvement. The NSWG has also designed a strategy for strengthening the capacity of public sector and civil society organizations to carry out their oversight functions under the initiative. The strategy consists of generic and agency specific activities. The generic capacity building activities include six-monthly multi stakeholder conferences to promote understanding of their respective roles in the oil and gas sector and deepen and level the technical knowledge of stakeholders. In addition, NEITI plans road shows in the six geopolitical zones to sensitize and prepare the public for disclosure of the audit information.

### ***Building the Capacity of Post-Conflict States to Deliver Essential Services***

79. In the cases where low income countries are involved in conflict or have recently emerged from conflict, the fragility of the state—characterized by a lack of legitimacy, institutional capacity or both—is typically the norm. This situation is the absence of governance in the extreme. Regrettably, conflict is a major obstacle to development in SSA, and about one in every five Africans lives in a society severely affected by violence. The result is often disruption of basic social services and needs. The Bank and other development partners can most supportive in the immediate post-conflict periods, when many critical decisions on the size, scope and parameters of governance and state capacity as well as reconstruction will be taken<sup>23</sup>. In this setting, much stronger knowledge of basic public services, including financial and administrative systems, is needed than in the Bank's regular IDA clients. Development programs should generally make increasing use of non-government, private sector and community-driven mechanisms, or should insulate financial flows and decisions on beneficiary targeting from political interference, as in the case of social funds. CDD and social funds have a track record of maintaining satisfactory results under situations of declining governance.

80. The works on conflict<sup>24</sup> highlight the importance of curbing access to commodity markets to rebel groups. The Kimberly process, which establishes a certification scheme on the origin of diamonds, is the most well-known example. Tracking the sources of timber trade while the good is in transit is another approach. These examples show the importance of broadening the coverage of EITI described above.

<sup>23</sup> See also section 7 below.

<sup>24</sup> Paul Collier et al. *Breaking the Conflict Trap, Civil War and Development Policy*, The World Bank, 2003 provides one of the few comprehensive treatments on this topic.

- ***Action:*** *Working with development partners develop tailor made country strategies emphasizing community and local delivery of essential services and accountability in five post-conflict countries by 2007*
- ***Action:*** *Scale up analytical work on the economic and social impacts of conflict.*
- ***Action:*** *Promote the adoption of Kimberly-type approaches in fragile states.*

*The IDA14 indicators on service delivery in education, health, and water will be used to monitor outcomes at the country level.*

### **3. Supporting the drivers of growth**

81. The most significant shift in focus in the WBG's Africa program during the IDA14 period will be to concentrate both greater analytical and operational attention on the shared growth agenda. This is an area where African governments in both low and middle income countries, have repeatedly requested stronger support from the development community since the launch of the PRS initiative in 1999.<sup>25</sup> Slow and inequitable growth is a significant part of the story explaining the sobering poverty and human development profile of Africa. For forty years—between 1960 and 2000—African income per head grew at about a fifth of the average rate for LDCs (0.5 percent vs. 2.5 percent). In 1960 per capita incomes in Africa and East Asia were virtually the same; as a result of divergent growth paths, by 2003 GDP per capita in East Asia was five times higher than in Africa. In the main, Sub-Saharan Africa's long-term, slow growth is due to both low investment efficiency and low investment levels. Slightly less than half of the growth difference between Africa and other developing regions is due to slower physical capital accumulation, and slightly more than half is accounted for by slower productivity growth. Africa has only half of the average investment efficiency levels obtained in other developing regions.

82. Accelerated growth will depend on better national development policies, well-developed domestic market institutions, greater trade and investment flows (domestic as well as foreign) and international support on debt—adapted to Africa's particular growth opportunities and constraints. Since 1995 the fastest growing countries have benefited from higher investment rates. They were also able to generate higher returns to their investment, and to increase their investment efficiency over time. Our objective is to support African countries to increase their rates of growth to the 7 percent per annum needed to substantially reduce income poverty, by focusing greater attention on growth-oriented interventions in private and financial sector development; export competitiveness, infrastructure development and regional integration. The action plan highlights the need to shift and enlarge effective resources — budget and staff — so as to increase our productivity and efficiency towards supporting these pillars of the growth agenda.

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<sup>25</sup> See 2005 Review of the poverty reduction strategy approach: balancing accountabilities and scaling-up results (in draft).

### ***Identifying the Drivers of Growth***

83. Helping countries to achieve faster growth will require better diagnostics of country specific opportunities for and binding constraints to growth—both on an economy-wide and sectoral basis--leading to effective growth oriented policies.<sup>26</sup> The WBG has recently undertaken twelve international pilot growth diagnostic studies— two of which focused on Africa —to sharpen its methodological framework for growth analysis. Building the Bank’s new methodological framework and growth analysis already underway by African researchers, the Africa Region will:

- ***Action: Develop concrete recommendations for policy reforms and public actions to accelerate growth based on economy-wide and sectoral growth diagnostics for at least 12 countries including at least two in middle income countries (4 in each of FY06, FY07 and FY08).***

*Repeated surveys can be used to test investor response to policy changes. Changes in the share of investment in GDP, in the productivity of investment and in the aggregate rate of growth can be used to assess broad outcomes of reforms.*

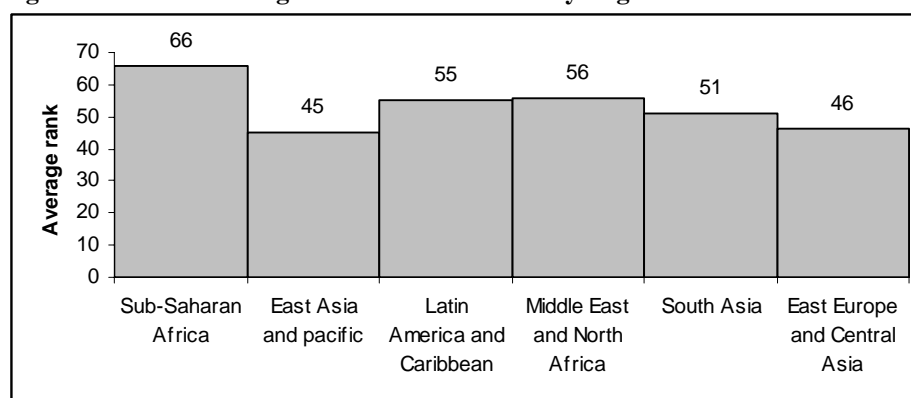
84. While growth strategies will vary with country circumstances, in many cases, boosting growth will require developing outcome-oriented interventions to accelerate the development of an African private sector and spur export growth. Key instruments for achieving these objectives are to mobilize resources from across the World Bank Group, including IFC and MIGA, to help build skills for competitiveness close the infrastructure gap, and promote more effective regional integration.

### ***85. Developing an African Private Sector***

Building the African private sector is crucial both for growth and for fostering a national consensus for growth-oriented policies. Improving the investment climate and enhancing the capacity of African and foreign entrepreneurs to invest and engage in business are central to this effort. Africa remains a high cost, high risk place to do business. Indeed the combination of high regulatory costs, unsecured land property rights, inadequate and high cost infrastructure, unfair competition from well connected companies, ineffective judiciary systems, policy uncertainty and corruption makes the cost of doing business in Africa is 20-40 percent above that for other developing regions, (see Figure 4). The high cost and risk of doing business in Africa is also reflected in very high financing costs for firms – their number one complaint in Investment Climate Surveys. Commitment to this agenda must begin at the top with Africa’s senior political leaders advocating reforms in policies and institutions that directly impact the cost of doing business -- high regulatory costs, unsecured land property rights, inadequate and high cost infrastructure, ineffective judiciary systems.

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<sup>26</sup>Two important to contributions to our understanding of growth opportunities and constraints are *Economic Growth in the 1990s – Learning from a Decade of Reform*, World Bank, 2005; and [Explaining African Economic Growth, African Economic Research Consortium, 2005). The Africa region will publish a flagship report on *Meeting the Growth Challenge in Africa* in fall 2005.

**Figure 4 - Overall 'Doing Business' Index Rank by Region**

Note: Higher values indicate higher costs of doing business

Source: The World Bank Doing Business Database.

86. At the same time the development community must address the special needs of African enterprises. MSMEs dominate the African private sector. However, their contribution to growth and employment is constrained by limited access to finance, a restrictive business environment with strong incentives for informality, poor management and technical capacity, and difficult access to information. These are difficult issues that will require continuing innovative approaches from both countries and their development partners. A coherent package of interventions that utilizes the combined strengths of the World Bank Group can help to address these issues more effectively.

87. The Bank Group – IDA, IFC and MIGA -- is supporting private sector development in Africa on several fronts. (See Box 6). First, the bank helps countries establish investment climate strategies and set corresponding reform priorities. To this end, there is a comprehensive and complementary set of diagnostic products across the World Bank Group. These include the Investment Climate Surveys, which have been done for 14 African countries; the Doing Business indicators, which benchmark the impact of cross cutting investment climate issues in 150 countries across the world (33 African countries are covered); and value chain analyses done jointly by the World Bank and IFC, which are critical to identifying the binding constraints to growth in a given industry, including important and often overlooked industry specific policy issues.

**Box 6: How the World Bank Group Entities Collaborate on Africa's Private Sector Development**

One example of how the Bank Group approaches African private sector development in an integrated manner is the Madagascar Integrated Growth Poles project, which is an outcome based, cross sectoral program to accelerate growth. The project takes the approach that private sector-led growth requires a critical mass of enabling infrastructure (physical, financial, human, and institutional) together with the appropriate regulatory framework. It also supports the strengthening of the public sector's capacity to improve customs and trade facilitation services and the privatization agenda. Innovative use of public private partnership approaches, drawing on the lessons of both successes and failures in the 1990s, is also an element of the program, with Bank Group advisory services playing a key role in structuring private participation in ports, airports, and power.

88. Countries are also supported by the bank to design specific solutions to the challenges at hand, especially in fostering public-private partnerships. IDA has actively supported Africa's

private sector development through a variety of public-private partnership approaches. Recent examples are: (a) assisting the government of Ethiopia's (FY05) privatization program, through the provision of transactions advisory services and the establishment of a retrenchment program; (b) similarly, helping Lesotho to privatize their power utility through a concession arrangement; and (c) assisting and the government of Malawi to restructure their privatization program. IFC's Advisory Services Department has six privatization advisory services currently in progress in the region, in addition to the recently concluded project assisting the government of Mozambique with the mining and infrastructure development associated with the Moatize coal deposits. FIAS, in close cooperation with the World Bank, helps countries design new policies and institutions to reduce the regulatory burden on companies, improve access to land, enable secured lending and develop comprehensive industry solutions. FIAS in close collaboration with MIGA helps countries attract more FDI.

89. Implementation of investment climate reforms is another area where the bank Group is active in Africa. Such reforms are increasingly integrated in lending operations and are becoming critical pillars of PRSCs with increased support from other donors. The IFC, through the Private Enterprise Partnership for Africa (PEP-Africa), provides on-the-ground implementation support. For example in Burkina Faso, FIAS and PEP-Africa are working together with IDA to help the government implement wide ranging investment climate reforms (the project is called "Doing Business Better"). MIGA will roll out the Small Investor Program (SIP) in the region, partnering with PEP Africa as well as with key financial institutions, with the aim to putting functioning SIP-PEP-Africa partnership in place by the end of FY06. The PSD region of the Bank, together with IFC and MIGA, provides direct support to African firms to help them acquire essential business and technical skills as well as access financial and export markets. For example, IFC is targeting a doubling of recent investment levels of about \$400 million to over \$800 million by FY 08.<sup>27</sup>

90. Finally, the WBG is supporting development of a well-functioning financial system, which is essential for Africa's private sector development. Such a system should be able to mobilize domestic and foreign resources and channel them to high-return investments, intermediate between savers and investors to reduce and allocate risk, and provide broad access to financial services, including for people on the margins of the economy. In so doing, a sound African financial system can facilitate competition, domestic and international market integration, growth, and poverty reduction. Despite numerous reforms over several decades, most SSA financial systems are weak, notwithstanding a few exceptions, such as South Africa, Kenya, Mauritius and Zimbabwe, among others. Limited savings are mobilized from domestic or foreign sources. Credit to the private sector is limited and costly. Many national financial sectors are dominated by banks providing a small range of services.

91. To be sure, most African countries have introduced market-based reforms in their financial sectors. But post-liberalization problems still need to be addressed. Financial reform programs anticipated an initial increase in the spread between lending and deposit rates, but the spread continues to widen in many countries. Moreover, since liberalization, many financial

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<sup>27</sup> This includes projects under the IDA-IFC Micro and Small and Medium Enterprise (MSME) initiative (see below).

systems have seen high real interest rates. There has also been little financial deepening. While normally liberalization was expected to encourage financial deepening, with a positive effect on savings mobilization and credit allocation, for most of Africa, ratios of money and credit to GDP have not increased. On both indicators, most African countries continue to lag behind their Asian comparators. In many countries banks have reduced commercial lending (including in rural areas) in favor of holding government securities.

92. In addition, governments are still reluctant to close distressed state banks. Small, undercapitalized institutions have mushroomed since liberalization. But many of these new institutions are not only weak, they have also failed to trigger competition in the banking sector. As a result market segmentation has emerged between foreign and domestic banks, and between solvent large private and public banks, and small private banks. Finally, although Africa has about a dozen stock markets, several of which opened in the 1990s, their existence has been inconsequential for economic growth and investment; simply put, there are few opportunities for sharing risk, trading shares, and providing liquidity. Except in South Africa, the region's stock markets are by far the smallest of any region, both in the number of listed companies and in market capitalization. They are also highly illiquid, which seriously constrains their ability to contribute to economic growth.

93. Tackling these financial sector development challenges will mean enlarging access to financial services—particularly savings facilities. This will require strengthening links between formal and informal financial systems—in as much as most Africans do not have access to the formal financial sector. It will also require making borrowers more creditworthy (rather than lowering standards for formal sector credit), developing non-bank financial institutions (leasing companies, mutual funds, insurance companies), and improving financial sector governance—regulation and supervision, transparency, contract enforcement. Given the small size of many African economies, a regional approach to financial sector development also will be needed to increase competition, cut costs, and lower risks.

94. MSMEs dominate the African private sector. However, their contribution to growth is constrained by limited access to finance, a restrictive business environment with strong incentives for informality, poor management and technical capacity, and difficult access to information. A coherent package of interventions that utilizes the combined strengths of the WBG to more effectively address these issues is being developed in the Africa region. Joint IDA and IFC teams have significantly scaled up activities for MSMEs, and will continue to pilot promising approaches with African institutions. The joint teams have completed the design and are launching the implementation of five of the seven originally proposed IDA-IFC MSME programs (Nigeria, Kenya, Uganda, Mali, and Madagascar); Tanzania & Ghana are in the design stage; three others are being integrated into existing IDA projects (Burkina Faso, Mozambique & Rwanda). Currently, IDA total investments for the 7 new country projects are now estimated at about \$220 million, compared with an initial estimate of \$120 million. IFC has, to date, approved approximately \$50 million of related investments in SME financing vehicles, and an additional pipeline of approximately \$70 million is under development.

95. Several other innovative instruments are being deployed to support SMEs and expand more “traditional” approaches in microfinance and leasing. PEP Africa is working on leasing



development throughout Sub-Saharan Africa sponsoring legislative reform, capacity building to existing and potential lessors, and public awareness on leasing to SMEs. The program has been launched in Madagascar, Tanzania, and Ghana, for roll-out throughout Africa over the next three years. An IFC managed SME facility in Mozambique provides another pilot for integrating the provision of financing and technical assistance. IFC is continuing its support for new commercial microfinance banks, with recent investments in Angola and DRC. PEP Africa and IFC's Global Financial Markets Department are developing a WBG SME Capacity Building program to assist work with SMEs. This is combined in each country of intervention with a concurrent initiative to support credit bureau and credit scoring development and an initiative to provide local currency financing to financial institutions. An SME business linkage program is being developed along with the investment of larger companies in the region. Such programs are being designed around extractive industries, infrastructure, agribusiness and cement projects. SME Solution Centers, which provide retail business development services, access to market information, and access to finance, all under one roof in a physical "incubator-style" building, have also been established.

96. The Bank Group is planning to undertake specific actions to further develop an African private sector, and these actions will be modified over time based on lessons from experience:

- ***Action:*** *Expand the IDA/IFC Africa MSME initiative to reach 8 countries by FY07. Focus on building the capacity and access to credit of women owned enterprises.*

We will use the IFC outcome evaluations of the MSME program to assess progress.

- ***Action:*** *Support an increase in Investor Councils to develop concrete programs to remove critical constraints to private investment from 5 in FY05 to 8 by FY08 (1 additional council per fiscal year). Use results of Doing Business Surveys and Investment Climate Assessments as inputs for councils' deliberations.*
- ***Action:*** *Increase IFC Private Enterprise Partnership interventions, including agrobusiness, from 1 country in FY05 to 10 countries in FY08. Evaluation of program completed in FY09.*
- ***Action:*** *IFC is targeting a doubling of investment levels from \$400 million to over \$800 million by 2008.*
- ***Action:*** *Complete 12 additional World Bank/IMF Financial Sector Assessments (FSAPs) in FY06-FY08 (15 have been completed to date, 4 additional per fiscal year).*
- ***Action:*** *By FY06, MIGA will put forward proposals to develop a Political Risk Insurance (PRI) Fund for Africa in order to accelerate the recovery of the private sector and increase FDI flows to conflict-affected countries in the region.*

The core element is a guarantee trust fund financed by a combination of donor contributions and concessional lending. The targeted amount for the trust fund is \$80 million, which MIGA will then leverage up through its own capital and other public and private insurance programs to create insurance capacity in the amount of some \$500 million. This fund will

include technical assistance to support building skills and capabilities locally in basic investor servicing and investment information dissemination.<sup>28</sup>

- *Action: Increase use of MIGA benchmarking program from 11 countries in FY06 to 20 countries in FY08.*

*We will monitor outcomes of these (and other supporting) actions using the benchmark IDA14 indicators and the annual Doing Business Survey, with the objective of reducing the overall cost of doing business and increasing private sector credit and savings mobilization in at least nine countries by end FY08. We will use the IFC outcome evaluations of the MSME program to assess progress in MSME development.*

### ***Creating an Export Push***

97. Export competitiveness expansion and diversification are essential to achieve the long-term goals of strong per capita growth and poverty reduction in Africa. The fastest growing countries in the region exhibit far stronger trade performance (with trade flows accounting for 75.3 percent of GDP) than the slowest growing ones (where trade accounts for 57.3 percent of GDP on average). Global trade has increased at unprecedented levels over the last three decades and the world marketplace has become ever more competitive. In line with these trends, there is still great scope for most African countries to bind tariffs at lower levels<sup>29</sup> given that average tariffs in the Africa region have fallen by one-third over the last decade. Nonetheless, African trade has been marginalized: Africa's share of world exports has dropped from 3.5 percent in 1970 to less than 2.0% in 2003. Not only has Africa lost market share in traditional exports, but there has also been little progress in diversifying exports. Expanding and diversifying exports in a very competitive world market should be a priority for most African governments. Options here include diversifying towards manufactured exports like the East Asian economies and processing natural resource based exports like Chile and Brazil and expanding service exports such as back office services as in the case of India.

98. Some of the key reasons for Africa's poor trade performance—as indicated by a variety of diagnostic studies undertaken, most visibly by Integrated Framework (IF) analyses (see Box 7)—are a poor investment climate; inadequate trade facilitation, poor infrastructure development, including roads and ports; poorly performing customs and other trade-related institutions; and constrained access to finance. An increasing number of African countries recognize this reality and, with the international community's support, are focusing on 'behind the border' reforms, complementing further reform of trade policy regimes.

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<sup>28</sup> Sub-Saharan Africa will be MIGA's most important regional priority in the years ahead. MIGA's portfolio in Africa has averaged around 14 percent of gross exposure over the last five years. MIGA's recently approved strategy review has proposed a set of activities, including building up the elements of its outreach program, and enhance its collaboration with the World Bank Group and other multilaterals and partners, to enable the agency to quadruple its annual commitments from its FY04 base.

<sup>29</sup> While the bound average tariff in agriculture is 70.4% and in manufacturing it is 29%, the applied average rates are 17.7% and 12%, respectively.

**Box 7: Integrated Framework for Trade Related Technical Assistance for Africa**

Analytical work under the Integrated Framework is playing an important role in identifying impediments to trade in the Africa region. The Integrated Framework for Trade-Related Technical Assistance (IF) brings together multilateral agencies (the IMF, ITC, UNCTAD, UNDP, WTO and World Bank) and bilateral and multilateral donors to assist LDCs. It has two objectives: (i) to integrate trade into national development plans such as the Poverty Reduction Strategies (PRS) of the LDCs; and (ii) to assist in the coordinated delivery of trade-related technical assistance in response to needs identified by the LDCs. IF work in Africa has been used to identify where additional resources, for example to address significant infrastructure constraints, are required and to highlight the need for further analysis of the constraints to competitiveness at the firm and industry level. To date, IF diagnostic studies and National Workshops have been completed for Malawi, Lesotho, Ethiopia, Senegal, Guinea, Burundi, Madagascar, Mauritania, Djibouti, Mali, Mozambique and Zambia. Diagnostic studies are near completion and National Workshops are envisaged before the end of CY 2005 for Rwanda, Benin, Chad, Tanzania and Sao Tome and Principe. IF studies recently commenced or that will start prior to the end of CY will be on Uganda, Sierra Leone, Burkina Faso, Gambia, Angola, and Niger. Before a country can enter the IF process a Technical Review is conducted to assess the country's eligibility. For the later part of CY05, these reviews will take place for Central African Republic, Equatorial Guinea, Sudan, Liberia and the Democratic Republic of Congo.

99. At the same time, the prospects for boosting and diversifying Africa's export flows depend significantly on improved market access, and the reduction of protectionist practices, such as subsidies, in world markets (see para. 24). In addition, the benefits of preferential access currently enjoyed by African countries would be far greater if they were not uncertain, not subject to burdensome 'rules of origin' qualification rules, and applied to all SSA. This would result only if there were significant reforms in the rules of origin and in other provisions of the US's Africa Growth and Opportunity Act (AGOA) and the EU's Everything But Arms (EBA) initiative. The Bank Group has strongly recommended such reforms, which have recently been echoed by the Commission for Africa report.

100. The trade facilitation agenda has become a key focus in the region. Trade and Transport Facilitation Audits (TTFA) have been carried out to identify procedural and operational constraints to external trade and logistics services in nine SSA countries (Benin, Chad, Malawi, Mozambique, Zambia, Kenya, Tanzania, Rwanda and Uganda) in FY04-05, as part of Diagnostic Trade Integration Studies (DTIS). The results have contributed directly to transport corridor projects in Eastern and Central Africa. The Sub-Saharan Transport Policy Program (SSATP) is also contributing to trade facilitation capacity building by helping countries to develop and monitor performance indicators.

101. In order to respond to growing demand by African countries to enhance export competitiveness, the Bank Group will engage in the following actions:

- ***Action:*** *With partners, support analysis and operations to identify and remove "behind-the-border" constraints to export competitiveness and regional integration in 10 countries, 3 in FY06, 3 in FY07 and 4 in FY08.*
- ***Action:*** *Increase support for 23 Sub-Saharan countries under the Trade Facilitation Initiative to about US\$ 530 million (compared to about \$ 80 for FY01-FY03) by end FY06.*

Those projects will cover a variety of trade-related infrastructure and customs reforms. In light of the trade logistics patterns in Africa, there is an emphasis on the corridor approach both for infrastructure, customs modernization and capacity building at the

national and sub-regional levels. The Bank is active in the improvement of most major corridors in the region, including the Northern and Central corridors in East Africa and the Western African corridors.

- *Action: In collaboration with partners, assess systematically the benefits and costs of existing preferential schemes and make concrete recommendations for modifications by FY07.*

Analysis will focus on assessment of expanding preferential access to non-least developed countries (LDCs); relaxing the rules of origin the compliance of which impose severe costs on exports; increasing the product coverage; increasing certainty by binding preferential treatment; and better co-coordinating the various preferential treatments.

*Using surveys, we will measure outcomes of these (and complementary) actions in terms of reductions in the indirect cost of exports with the objective of achieving a 15 percent reduction from the FY06 base in 10 countries by FY09.*

### ***Closing the Infrastructure Gap***

102. Africa has a major infrastructure deficit, slowing economic growth, reducing trade and international competitiveness and retarding poverty reduction. Nearly 40 percent of Africa's population lives in landlocked countries with high transport costs and poor trade links. The remoteness of population concentrations accentuates high internal transport costs. Transport costs for intra-Africa trade (including trans-shipment) are unusually high, estimated at nearly twice the levels in other developing regions, and as a result, intra-regional trade is extremely low in Africa. Low population density is compounded by extremely low economic density (GDP per km<sup>2</sup>) in Africa, resulting in a generally high cost and low profitability of infrastructure investments. The transactions cost burden of poor infrastructure weighs heavily on African enterprise and the rural population.

103. In order to achieve the 7 percent growth rates needed to halve income poverty, Africa will need to invest 5 percent of GDP in infrastructure and an additional 4 percent of GDP to cover operation and maintenance requirements. To reach this goal, Africa's infrastructure investment needs will amount to around US\$20 billion per year, twice as much as the region has historically been investing. The roads sector alone represents about 40 percent of total investment needs, with the energy and water sectors accounting for a further 20 percent each.

104. In comparison to most other emerging markets, Africa has the lowest penetration rate for telecommunications (less than 8 percent telephone penetration in SSA against 37 percent worldwide). If SSA maintains current growth rate, it would only match the world average penetration of 37 percent by 2012) and highest potential for future cellular phone sector growth. This will drive network expansion, acquisition/consolidation and new license activities across the continent, requiring large investment volumes.

105. While private capital has made a significant contribution to infrastructure finance in Africa, it is concentrated in a few countries (South Africa accounted for half of total investment) and sectors (70 percent went to telecommunications). Furthermore, private capital flows have declined steadily since 2001, reflecting a global trend towards disengagement from emerging markets. Official development assistance for infrastructure in Africa has also been in long term decline; the share of infrastructure has declined from 40 percent of total ODA in 1973 to 10 percent in recent years (US\$2.4 billion in 2003). This trend reflects a shift in donor priorities towards social sector interventions. About two-thirds of ODA for infrastructure comes from multilateral sources.

106. Because of its magnitude, meeting the infrastructure financing challenge requires concerted effort from all funding sources, both public and private. At the Gleneagles G-8 summit, the importance of investing in infrastructure in Africa was emphasized. There was agreement to support an Africa Infrastructure Consortium —led by the AU and NEPAD, but also including the African Development Bank and the World Bank Group— to mobilize and allocate infrastructure resources support both country level and cross border, regional projects. Complementary measures are required to expand domestic funding from both public money and user fees to cover full operating and maintenance costs.

107. In light of these needs, the Bank Group will undertake actions in the following areas:

- ***Action:*** *Substantially scale-up financing for SSA infrastructure to about US\$ 1.8 billion by FY06, \$ 2.0 billion in FY07, and \$ 2.4 billion in FY08.*
- ***Action:*** *Work as part of the Africa Infrastructure Consortium to mobilize additional donor support for infrastructure to about \$2.5 billion by FY08*
- ***Action:*** *Facilitate private sector participation in energy, transport and water sectors based on public-private partnerships and integration of the Bank Group instruments across IDA, IFC and MIGA.*
- ***Action:*** *The Bank, in collaboration with other donors, will initiate a major program of analytical work to enhance our knowledge of the impact of policy reforms and the efficacy of past investment projects in the infrastructure sector.*

There is increasing recognition among countries and development partners of the need to define a baseline monitoring platform against which progress can be assessed for a range of performance indicators. So far the focus has been limited to measuring access rates (water, telecoms, rural transport and energy). A wider baseline is, however, needed for infrastructure in view of the heterogeneity of the sector and of country conditions and needs. This wider baseline needs to generate more detailed information on access rates, on affordability and on the quality of services.

- ***Action:*** *IDA will scale use of the Minimum Infrastructure Platform (MIP) for growth.*

The MIP consists of the combination of priority infrastructure investments and supporting institutional and regulatory strengthening needed to spur faster growth in key sectors. The MIP will be implemented through entry point approaches, since different

sectors such as agriculture, manufactured exports or tourism require varying combinations of physical infrastructure and institutional and regulatory facilitation.

- *Action: The Bank Group will scale up its support to telecommunications infrastructure development in Africa.*

Although there has been strong private investment in telecommunications, there is a strong role the Bank Group can play in expanding telecommunications access. The World Bank Group Information and Communications Technology Department (GICT) deploys both IDA, IBRD and IFC instruments to address the creation of regional backbone networks, the privatization of incumbents, and comprehensive sector engagements.

- *Action: In FY06 MIGA will focus on growing the pipeline of business in infrastructure sector.*

A major FY06 initiative is the development of an action plan for upstream work in advising on PPP structures. Other major elements to grow the infrastructure pipeline will be the full deployment of the guarantee facility in the context of the West Africa Capital Markets project.

*The IDA14 indicators for safe water, telecommunications access, electrification, and access to roads will be used to monitor and report on outcomes on the infrastructure agenda.*

### ***Supporting Regional Integration***

108. The small average size of Africa's economies, the fact that many are landlocked and that much of the region is highly fragmented, place special emphasis on using regional approaches: to build and maintain infrastructure in key trade logistic corridors, to create common institutional and legal frameworks in such areas as customs administration, competition policy and the regulation of common property resources (such as fisheries), and to develop solutions to trans-border problems in health. It is against this background that NEPAD has set regional integration as a core objective. NEPAD is encouraging the continent's multiple and often overlapping regional organizations to define their roles and responsibilities and to focus on "open regionalism", regional (rather than national) trading agreements and improved competitiveness in global markets. Similarly, the European Union through its economic partnership agreement (EPA) initiative is seeking to support rationalization of regional bodies and to spur progress towards establishment of more competitive sub-regional economic groupings. Most countries are now giving increasing attention to regional integration as a means to sharpen competitiveness, expand trade and accelerate growth.

109. Africa's regional integration agenda emphasizes two main areas: (i) policy reforms to improve the environment for private sector business, investment and trade; and (ii) infrastructure and other facilities and systems to sharpen manufacturing competitiveness, agricultural productivity and improve facilities and systems for trade. A further important objective is to improve service delivery through regional approaches to, for example water management, food security, disease control and tertiary education. Supporting more effective Regional Economic Communities (RECs) is key to these objectives. The RECs have important roles in driving

policy on that issues need to be addressed regionally and in preparing priority regional investments.

110. Bank support to the RECs has provided a broad range of technical assistance. For selected RECs these separate and mostly small engagements will be folded into program approaches prepared jointly with main donor partners. These will aim to strengthen donor harmonization and focus engagement around two main themes: (i) capacity building for policy analysis aligned with REC's near-term deliverables; and (ii) strengthening capabilities to prepare priority regional projects, including through establishing multi-donor funds. An important aspect of capacity building will be to strengthen regional statistics and RECs' abilities to undertake regional analysis. This will be addressed through the regional AAA program and in direct capacity building engagements. Support for additional growth will focus on four priorities: (i) supporting implementation of customs unions, including customs facilities and systems; (ii) gap-filling in regional infrastructure, especially trade corridors, regional power systems and telecommunications; (iii) financial sector integration, especially to broaden access to trade-related financial instruments; and (iv) strengthening agricultural productivity through research and technology development. Planned investments support NEPAD's Short Term Action Plan, though some projects require considerable preparation.

111. Consistent with this approach, the WBG will undertake the following actions:

- ***Action:*** *With partners, including the private sector, leverage World Bank Group support for regional investment in infrastructure and health of approximately \$1 billion per year through FY08.*

One option for financing investments directly with regional organizations (RECs) that has been explored with key bilateral development partners is to use bilateral grant funding to "buy down" the debt service of an IDA credit, converting it into the equivalent of a grant. This would allow IDA to provide funding directly to regional organizations without the need for sovereign guarantees from each country member of the organization.

- ***Action:*** *Develop capacity in regional institutions, such as the ECOWAS Secretariat, to help implementation of NEPAD's initiatives. Capacity building programs will be implemented with at least 4 RECs by FY08.*
- ***Action:*** *Take a leadership role in defining viable regional projects (such as the West Africa Gas Pipeline) and mobilize appropriate public and private financing.*
- ***Action:*** *Complete updates to the two Regional Assistance Strategies (RAS) for West Africa and Central Africa in FY06. In addition, strategies will be prepared for Southern Africa and Eastern Africa.*

The two strategy updates and two additional strategies will be prepared jointly with the African Development Bank and will benefit from broad consultation among concerned national governments, key regional institutions and donor partners.

*Health incidence indicators for cross border diseases will be monitored to assess impacts in health. In infrastructure, investment climate assessments and other surveys of exporters will be used to measure reductions in transactions costs in export corridors.*

### ***Building Skills for Growth and Competitiveness***

112. A key constraint to Africa's success in the global market is the limited capacity to adopt and master advances in technology and innovation, thus increasing productivity. Some African countries, such as Ghana, Nigeria and Uganda, have made good progress in achieving universal primary education, though in many others progress is lacking. But progress in improving secondary and tertiary education has been even slower. It is critical to invest in the secondary and tertiary education in order to foster local technical expertise and managerial skills.

113. The development of post-primary education presents African policy makers and donor partners with huge challenges in the coming years. With the steady, albeit slow, progress in most African countries toward achieving universal primary school completion, the number of students aspiring to post-primary education is growing rapidly, putting unprecedented pressures on systems with barely the capacity to cope today. The magnitude of the projected increase in demand poses a major challenge regarding the resources required to expand places without diluting the quality of services and the reforms needed to manage costs and ensure equitable distribution of the burden of financing.

114. The quality and relevance of the education system's output also raise deep concerns. In too many African countries, skills training is poorly financed, provided too few opportunities, often at too high a cost, and typically fail to give trainees an adequate preparation for the labor market. Weaknesses in higher education systems are commonplace too, and the result is to deprive African economies of the future managers required for effective government and business administration, and the researchers needed to harvest and apply the world's stock of scientific and technical knowledge that can help position producers to compete successfully in global markets. Because national innovation systems are still nascent at best, few links exist between firms and local repositories of knowledge and skills (e.g. universities, centers of excellence, technical and vocational training institutes, etc.), further limiting the potential for a knowledge-driven transformation of local economies.

115. We envision that as the World Bank Group's and our development partners' knowledge base deepens about how to tackle these challenges most effectively, the impact will be felt in a progressive realignment of IDA allocations in support of post-primary education, from the current share of about 22 percent of the commitments in education projects (6 percent for secondary education, 3 percent for vocational training, and 13 percent for higher education) to a share of at least 35 percent, so that it plays an increasingly effective role in promoting the growth agenda.

116. To help African countries overcome their skills bottlenecks, the Bank will:



- ***Action:*** *Develop and implement operational plans for IDA support to secondary education in 12 countries and for technical, tertiary, and research institutions including agricultural education in 8 countries by FY08.*
- ***Action:*** *Step up analytical work and IDA support for technical, tertiary and research institutions; including agricultural education; help strengthen links between them and the productive sectors.*
- ***Action:*** *The World Bank Group will complete at least five new education country status reports that put the overall policy challenges of growing systems of post-primary education in perspective; develop an issues paper on the special challenges of developing diverse systems of higher education that include apex institutions operating at global quality standards as well as those adapted to local markets.*
- ***Action:*** *Develop a baseline database on skills and productivity levels of labor force to complement ICAs.*

*Investment climate assessments and yearly Doing Business surveys will be used systematically to monitor investors' perceptions of the quality and relevance of post primary education programs.*

### ***Making Agriculture More Productive and Sustainable***

117. Poverty is increasingly a rural phenomenon in SSA. Agricultural growth is therefore essential for achieving the broad growth needed to attain the MDGs, especially those relating to poverty reduction, hunger and environmental sustainability. Growth based on higher productivity in agriculture, for example, has been instrumental in lifting hundreds of millions of households out of poverty in Asia.

118. In line with the NEPAD Comprehensive African Agricultural Development Program (CAADP), the Bank's strategy for African agriculture is based on two pillars: first, lending and advice to address domestic barriers to higher productivity; second, analysis and advocacy at the international level to dismantle obstacles to agricultural production and exports. The Bank's strategy includes: (i) increased physical investment in agriculture, especially for irrigation, water resources management, rural roads and infrastructure, and research and extension; (ii) elimination of policy discrimination against rural goods, and increasing service delivery for rural areas in agriculture and other sectors (e.g., education and health); (iii) higher productivity through the use of more sustainable agricultural practices; (iv) strengthened natural resource management; and (v) scaled up support to farmers and agri-business through improved market access supply chain for development and rural finance.

119. One reason that African agricultural productivity is far below that of other regions is that the percentage of irrigated area is very small (less than 4 percent of total cropped area) representing only 2 percent of the world's irrigated area and is smaller than the irrigated area of Iran alone. The Bank will expand its efforts in water management, using lessons from successful irrigation programs, both small (e.g., the *fadama* projects in Nigeria) and large (e.g., rehabilitation of the Office du Niger in Mali). In addition, African farming is often of low productivity because it does not employ environmentally sustainable farming methods, including

appropriate use of fertilizer and improved seeds, better soil conservation practices, improved fallows and rotations.

120. Poor people in SAA depend on access to natural resources to survive. At the same time, most of the industries which are likely to develop in Africa will also have to rely on access to the same natural resources. Sound incentives for orderly and sustainable use of these resources are thus crucial for long term growth of the region. The Bank will strengthen its efforts to (i) develop in the medium term a base of critical human and institutional capital to ensure that environmental problems do not impede gains in welfare as economic development progresses, (ii) take advantage of numerous “win-win” opportunities where natural resource conservation promote both growth and poverty reduction, and (iii) ensure that no further damage takes place by strengthening the current mitigation systems and safeguard provisions.

121. To help make agriculture more productive and sustainable (see also section below on connecting the poor to markets) the Bank Group will:

- ***Action:*** *Mobilize global programs (such as CGIAR) to expand investment in agriculture science and technology and strengthen national innovation systems in agriculture*
- ***Action:*** *Undertake or support with partners, rural economy analytical work in those countries where this has not been done in the last 2-3 years in appropriate sequence, by FY08. Use results to develop appropriate baseline data to monitor trends in agriculture productivity and develop and implement action plans.*
- ***Action:*** *Increase public and private financing to expand irrigated perimeter by 50 percent over FY05 base by end FY08, with the Bank as lead financial partner.*
- ***Action:*** *Augment land productivity through investments in soil conservation and better farming practices by expanding the quantity of fertilizer used per hectare and by increasing areas under sustainable land management practices.*
- ***Action:*** *The Bank, in collaboration with partners, will perform diagnostic analysis to enhance the understanding of the cross-sectoral impacts on growth in Africa of sustainable natural resources management, with the aim of developing concrete policy recommendations for African governments*

*We will use survey instruments of Bank and development partners to monitor trends in rural infrastructure, agricultural productivity and output, and design appropriate feedback mechanisms to guide program designs.*

### ***Helping Countries Manage the Impact of Shocks***

122. Low-income countries in Africa are disproportionately affected by exogenous economic shocks, in part due to continued heavy reliance on primary commodity exports or large swings in world prices of important inputs, such as the significant rise in oil prices that began in mid-2005. At the same time, they have been buffeted by droughts, locusts, and other natural disasters. But these countries frequently lack economic cushions, such as large foreign exchange reserves or

insurance markets to protect themselves. Terms of trade shocks, for example, which tend to take several years to dissipate if triggered by export price declines, have very significant negative impacts on growth rates. Weak capacity to manage terms of trade volatility has led to fiscal volatility as country authorities find it difficult to shield public expenditures (especially public consumption) from shocks.

123. Negative shocks very often lead to increases in poverty. In the absence of stabilizing mechanisms, an “input shock”, such as a drought, very quickly translates into an “output shock” leading to a fall in consumption. Since adequate social safety nets are usually lacking, the poor are hurt disproportionately, often being forced to sell their meager assets to try to maintain consumption.

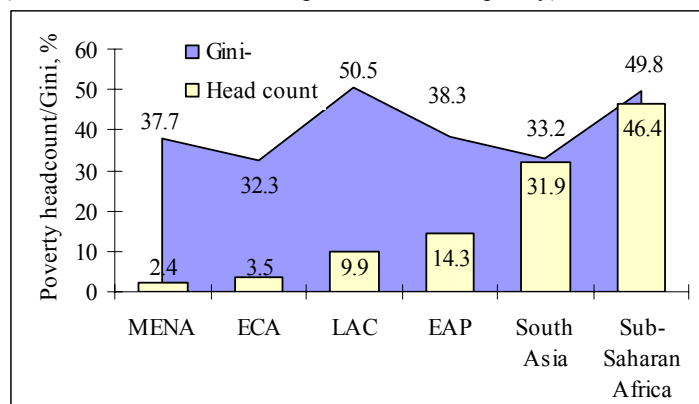
124. While the global community has assisted low income African countries in preventing and mitigating the effects of exogenous shocks, most of this assistance has been largely *ad-hoc*. The WBG, working with its development partners, will work to develop a more systematic and effective global response to mitigate the impact of exogenous shocks, including social safety nets.

- *Action: Complete vulnerability assessments (as part of poverty assessments and reviews of PRSPs) for 10 countries frequently affected by shocks by end-FY08 and help to develop social protection mechanisms to lessen the impact of shocks.*
- *Action: Lead in developing stronger coordinating mechanisms across multilateral and bilateral creditor and donor agencies to facilitate a more effective global response to exogenous shocks on appropriately concessional terms.*
- *Action: Help at least 3 countries with adequate financial depth, develop and implement commodity risk management techniques, working with producer organizations (use of market-based mechanisms for strengthening mutual insurance and other types of informal arrangements including hedging instruments where available) and continue analytical work on the issue.*

#### **4. Participating in and sharing growth**

125. Even where growth has taken place in Sub-Saharan Africa, its benefits have not always reached the poor and other excluded groups. The region has the second highest average inequality in its income distribution and the highest incidence of abject poverty (see Figure 5). The poor have largely been ill equipped to participate in and benefit from the growth that has taken place in the region. Women in particular have suffered in many countries by being excluded from the ability to own assets and from discrimination in economic activity. In short, growth alone will not be enough to reach the MDGs for Africa. To achieve sustainable poverty reduction and reach the human development goals embodied in the MDGs, African governments will also need to work actively to enable the poor and women to participate in and benefit from the process of growth: in short, to create shared growth.

**Figure 5 - The Position of Africa's Poor Compared to Other Regions**  
(Poor as Percent of Total Population and Inequality)



Source: The World Bank Global Poverty Monitoring Database.

126. To ensure that the poor have the capacity to participate in the growth process the Bank will expand work in agriculture and rural infrastructure and in support to micro, small and medium enterprises to provide direct opportunities for the poor to link to markets and increase incomes. At the same time, it will maintain our engagement in education and health to ensure that the benefits of faster growth are broadly shared, and progress toward the MDGs accelerates. The Bank will also increase analytical work to understand the key issues that prevent women from participating fully in Africa's economy, and using that knowledge base, strengthen our mainstreaming of gender issues in capacity building and operations.

### *Connecting the Poor to Markets*

127. While agriculture can be a driver of growth in Africa, it will not be so in every country. In countries where other modern activities – such as export manufacturing or services or mineral resources – are the major drivers of growth, interventions to raise agricultural productivity and to connect the rural poor to the modern economy through investments in rural roads, electrification and communications will still be central elements of the shared growth strategy.

128. The high cost of rural transport raises input prices and depresses output prices and engenders low agricultural productivity in Africa. The WBG will scale up investments in rural transport, using a mix of sector approaches and CDD interventions as appropriate.<sup>30</sup> In addition, many African governments have long enforced price and trade policies that subsidize urban groups and tax rural groups, especially producers of tradables. Distorted incentives inflate the cost of agricultural inputs, dampen the supply of rural products (domestic and exportable) and skew income away from the rural poor. Though policy discrimination has abated in the past 10 years, its effects are still important in some countries. The Bank, in collaboration with other partners, can provide advice and help governments implement reforms to reduce trade and price policy discrimination against rural goods and to eliminate urban bias in public spending.

(a) <sup>30</sup> Examples include the Tanzania PADEP program and the newly designed District Agricultural Development Grants and the Mozambique Market-Led Smallholder Development Project and Zambia Agricultural Development Support Project, all of which finance feeder roads to link farmers to markets.

- ***Action:*** *Increase investments in rural roads, starting with feeder roads by 20% per annum.*
- ***Action:*** *The Bank will carry out, in collaboration with development partners, diagnostic work assessing how the elimination of distorted incentives in agriculture can achieve neutral trade and price policy for the main agricultural goods; can eliminate bias against rural populations in public spending; and promote agricultural exports*

*Using household data and the purposive surveys described above, IDA will help countries to monitor trends in rural and urban incomes with the objective of reducing income gaps.*

### ***Scaling up Human Development***

129. The IDA14 partnership strategy in human development aims to expand coverage in primary education, improve nutritional status and tackle the spread of HIV/AIDS and Malaria. It will also seek to reverse the alarming deterioration in maternal, infant, and child mortality and the rising burden of malaria. Our FY06-08 lending operations in human development will therefore emphasize: (a) sector-wide approaches to support progress toward the MDGs; (b) community mobilization to improve implementation and to enhance accountability in service delivery; (c) use of transfer mechanisms including both targeted public works programs and conditional transfers for orphans and/or their care-givers; (d) removal of critical weaknesses in the service delivery chain (e.g. standards for staff recruitment and retention; primary school construction; drug delivery and logistics); and (e) use of incentives to motivate both public and private providers.

130. Our support in *education* will continue our traditional efforts to help countries expand coverage of primary education to reach the MDG, but in addition to expand access to post-primary education and skill development for employment. African countries have made remarkable progress in recent years in expanding the coverage of primary education. In most countries, however, retention to the end of the primary cycle remains a problem, and the result is to undermine attainment of the education MDGs (i.e., universal primary school completion and gender parity in education). In 2002, primary school completion rates in African countries averaged no more than 57 percent, and in only five countries did the rate exceed 90 percent. Success will require, among other measures, improvements in the quality and relevance of schooling services, and to encourage parents to let their children, particularly daughters, complete the full cycle of primary schooling.

131. With the steady, albeit slow, progress toward universalizing primary school completion, the number of students aspiring to post-primary education has been growing rapidly and the pace can be expected to pick up in the coming years. The magnitude of the expected increase poses major policy challenges regarding the resources required to expand places without diluting the quality of services and the reforms needed to manage costs and ensure equitable distribution of the burden of financing. Yet, in too many African countries, these issues have received inadequate attention at best and conditions in post-primary education have in the meantime deteriorated as enrollments have been allowed to grow while public budgets have stagnated and

private sources of funding have remained untapped. Moreover, post-primary education tends to be poorly diversified and typically offers few employment opportunities.

132. In light of the foregoing challenges in the area of education, the Bank intends to:

- ***Action:*** *Increase IDA support to primary education to at least 15 countries through the Education For All Fast Track Initiative (EFA-FTI).*
- ***Action:*** *Expand IDA support for post-primary education in at least 6 countries*
- ***Action:*** *Promote policy dialogue and action plans for the development of tertiary education, particularly science and technology; and*
- ***Action:*** *Develop effective public-private partnerships to support post-primary education and training.*

133. The IDA14 strategy for Africa on *health, nutrition and population* aims to deepen and expand our support to strengthen national health systems, intensify the fight against HIV/AIDS, malaria and other communicable diseases (e.g. onchocerciasis-riverblindness, schistosomiasis-bilharzia and tuberculosis), improve nutritional status, and reverse the alarming deterioration in maternal, infant and child mortality. Given the risk factors to infant & child mortality and maternal mortality, the above strategies would need to be accompanied and supported by expansion of immunization coverage (against up to nine childhood diseases) and reproductive health care (RH) and family planning services.

134. Many African national health care systems are at risk of collapsing due to weakening human resource capacity and financing constraints. Solid evidence and best-practice examples show how “sector-wide approaches” (SWAPs) are among the best options to ensure that strengthened public and private health care systems are mutually reinforcing with the disease-specific programs. We will, therefore, scale-up our sector-wide operations, jointly with governments, the private sector and other health partners (e.g. WHO, the Global Fund, UNICEF, UNAIDS, WFP, the Gates Foundation, and bilateral health agencies such as PEPFAR, CDC, and DFID). We will also support efforts to address the systemic constraints in human-resources-in-health (‘HRH’), which include the dramatically increased brain-drain of physicians and nurses out of Africa.

135. The actions that will be undertaken by the Bank to address these health, nutrition and population issues are:

- ***Action:*** *Expand the Malaria Booster Program by 150 percent in 17 countries by end-2008.*
- ***Action:*** *Scale up non lending support for HIV/AIDS programs and address funding gaps in 10 countries, including at least two middle-income countries, by 2007.*
- ***Action:*** *Reinvigorate our nutrition funding and to expand IDA support to a minimum of eight African countries with the worst nutritional indicators.*

- *Action: Intensify support to vaccination programs (e.g. GAVI, the polio partnership, the measles program, etc.) in order to reach around 75 percent coverage by 2009.*
- *Action: Scale up RH and family planning programs --especially in West- and Central African countries that still have exceptionally high total fertility rates (TFRs of > 5), with the objective of reaching a minimum of 25 percent contraceptive prevalence rate (CPR).*
- *Action: Initiate work with four African countries (Ghana, Malawi, Ethiopia and Mali, possibly with the addition of Rwanda) to aim for increased retention of physicians and nurses by 2009 (up to 75 percent of graduates). This will be pursued in close cooperation with the medical & nursing schools, universities, as well as the civil service and relevant government ministries.*

136. Pro-active measures to build assets of women and to connect them to markets are essential if Africa is to succeed in meeting the challenges of shared growth. A distinguishing characteristic of Sub-Saharan African economies is that *gender* differences lead to men and women playing substantially different economic roles. Much of Africa's economic activity is in the hands of women. Data from Uganda suggest that women contribute about 50 percent the country's GDP, and that women and men are not equally distributed across the productive sectors. Time allocation studies throughout SSA confirm women's preponderant role in agriculture. The different structural roles of men and women in the market economy are coupled with their equally different—and unbalanced—roles in the household economy. In addition to their prominence in agriculture, women bear the brunt of domestic tasks: processing food crops, providing water and firewood, and caring for the elderly and the sick. This latter task assumes particular importance in the context of the HIV/AIDS pandemic in Africa, as the impact of AIDS is not limited to the “visible” market economy, but has an equally—if not more—significant impact on the “invisible” household economy. Because men and women differ in their access to, and control over, productive and other assets, economic capacities and incentives are strongly gender-differentiated in ways which affect supply response, resource allocation within the household, labor productivity, and welfare. These differences have implications for the flexibility, responsiveness, and dynamism of the economy, and directly limit economic growth.

137. The results of both macro- and micro-level analyses portray a remarkably consistent picture of gender-based asset inequality acting as a constraint to growth and poverty reduction in SSA. Econometric simulations estimate that during 1960-1992 the average annual per capita growth rates in Sub-Saharan Africa and South Asia would have been between 0.5 and 0.9 percentage points higher if these Regions had closed their gender gaps in schooling as East Asia did. In Africa, this difference would have doubled annual per capita growth over this period. Beyond education, gender differentials in other areas, such as access to land and agricultural inputs, and labor force participation and labor productivity, also matter for economic growth. A study in Burkina Faso showed that shifting existing resources between men's and women's plots within the same household could increase agricultural output by 10-20 percent. Another study in Kenya concluded that giving women farmers the same level of agricultural inputs and education as men could increase their yields by more than 20 percent.

- ***Action:*** Accelerate progress to the rate required to reach the gender MDG goal through strengthened country systems in 10 countries by FY08.
- ***Action:*** Continued implementation and expansion of the Region's Gender and Law program.

By mobilizing IDF/JSDf grant financing for legal reform programs. Priority will be given to supervision of ongoing programs in Burundi and Tanzania, backstopping supervision of ongoing programs in Kenya, Rwanda, Mali and Mauritania, developing a full JSDF grant program for Uganda, and, where possible, expanding the G&L program to Ethiopia and Cameroon.

- ***Action:*** Undertake assessment of access to financial services" in order to guide the development of "pro-poor" financial sector deepening programs.

138. Finally, women-owned businesses account for a significant portion of Africa's MSMEs, and they face even more difficult obstacles to growth and expansion. A new initiative by the WBG targets property rights and access to finance for women entrepreneurs, raising awareness on the depth of the issues in Africa, providing solutions design to address gender inequities, and piloting innovative approaches to overcoming access to finance for women. In addition, a Grassroots Business Organizations initiative supports innovative private and community ventures with social objectives to expand income generating activities at the bottom of the pyramid.

*We will use the IDA14 and MDG indicators on education, health and gender to track progress in the implementation of the human development agenda.*

## **5. Leveraging IDA14 for greater impact**

139. The IDA14 operational program provides the anchor of our larger IDA14 Partnership approach. IDA alone, however, cannot address the analytical and operational challenges posed by our action program to accelerate growth and reach the MDGs in every African country. This section sets out how, building on the IDA14 base the World Bank group will partner with others to increase both the volume and effectiveness of resources directed at Africa's development.

140. Under the Africa Action Plan, IDA would raise its lending to Africa to a total of \$15.2 billion over the FY06-08 period. (Figure 6) This amount includes \$1.3 billion to be used for arrears clearance in a number of post-conflict countries that are eligible for debt relief under the HIPC Initiative. As a result, the increase in new commitments under IDA14 is appreciably more modest than was originally predicted. Overall, as shown in Figure 6, commitments under IDA14 will basically follow the trend of the past few years. From a sector perspective, new lending for infrastructure (including rural infrastructure) is projected to rise from \$1.4 billion in FY05 to \$2.4 billion in FY08 to reflect the sharper focus on the drivers of growth. But given the overall IDA14 resource envelope, only modest increases will be possible for the other sectors (Figure 7). Responding the assistance strategy described under the IDA14 Partnership model will require additional resources beings IDA14 starting in 2006.



Figure 6 – Commitments and Disbursements

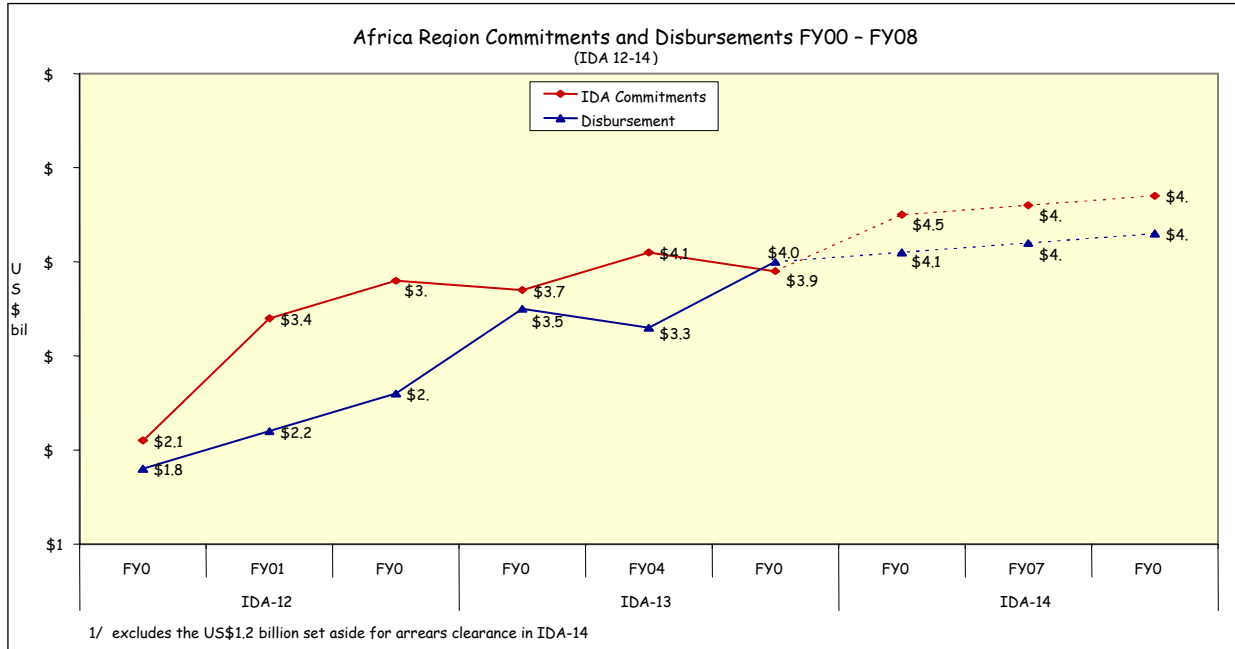
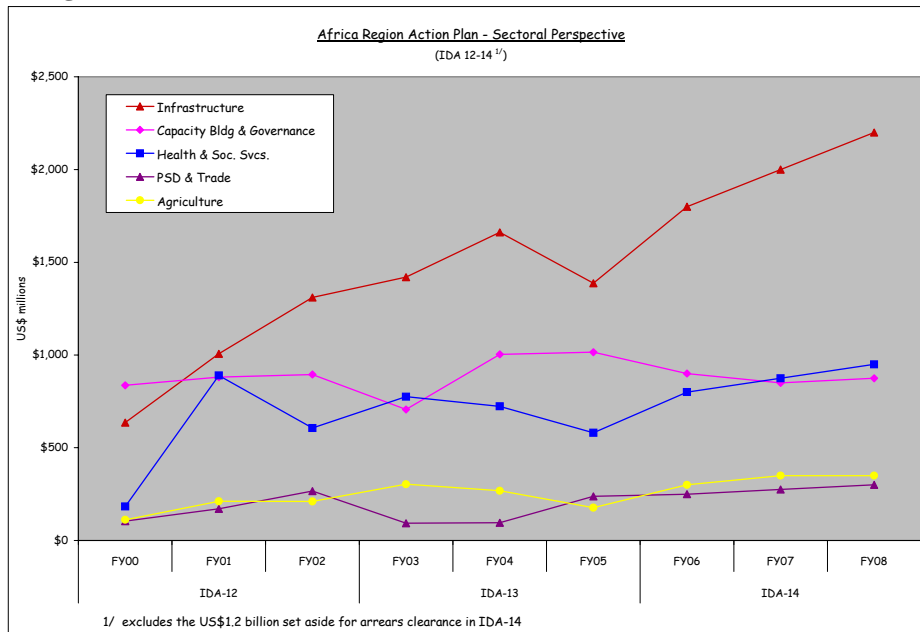


Figure 7 - Allocation of IDA14 vs. IDA12



### ***Deepening Approaches within the World Bank Group***

141. To leverage resources and improve the impact of its interventions in private sector development and infrastructure, the WBG capitalizes on the important synergies between IDA, IFC and MIGA, with IDA supporting public investment, IFC mobilizing private sponsors, and MIGA improving the conditions for private finance. Close collaboration between the three institutions on private sector and infrastructure projects has helped to identify a pipeline of future private sector and infrastructure projects that offer strong potential for cooperation, with a particular emphasis on regional integration. In transport, Bank Group approaches will include joint work on railways in Cameroon, DRC, Kenya, and Tanzania. In water, IFC and IDA have agreed to collaborate on water sector programs in DRC, Mauritania, and Nigeria, as well as on a multi-sectoral water/electricity operation in Burundi. In power, intensive WBG collaboration is taking place in Ghana, Senegal, and Uganda to provide clients with a mix of Bank Group instruments to better serve their needs. Close collaboration between IDA and IFC already exists via the MSME program and will be built through further cooperation in the SME sectors (particularly in larger countries like Nigeria), capacity building, and work on the business environment. A pioneering example of collaboration across the World Bank Group on a major infrastructure project in Mozambique is described in the Box 8 below.

#### **Box 8: Southern Africa Regional Gas Project (SARG)**

The SARG project successfully brought together all the relevant units of the Bank Group to leverage over US\$1 billion of private investment into one of world's poorest countries, Mozambique. The project builds on an innovative structure that deploys, for the first time, the whole range of World Bank Group (WBG) financing and risk mitigation instruments. The Project involves the development of gas fields, a gas processing facility, and an 865km gas pipeline to transport from Mozambique to the Republic of South Africa. The SARG Project provides the opportunity for gas to be commercialized and the domestic gas industry in the country to begin to develop, and is an important contributing factor to economic integration in the Southern Africa region.

### ***Strengthening Partnerships at the Country Level***

142. The Africa Region will work to accelerate implementation of the outcome-based agenda for harmonization, alignment and results at the country level as agreed at the Paris High-Level Forum on Aid Effectiveness. Action is needed in three key areas: (a) developing common approaches to support country led strategies, including use of government systems, (b) developing a set of tools and assessment methodologies with which to compare practices and accelerate coordination and harmonization, and (c) accelerating follow up actions on the indicators of progress.

143. A formal partnership for results, has been established through the Multilateral Development Bank (MDB) Working Group and, more recently, through the MDB/OECD-DAC Joint Venture on Managing for Development Results. The Second International Roundtable on Managing for Development Results, held in Marrakech in February 2004, helped foster an emerging consensus on priorities for the global partnership. The Bank in collaboration with other donors is preparing the Third International Roundtable on Managing for Development

Results that will take place in Washington DC during 2006. Examples of progress in harmonization include: i) the preparation of joint country assistance strategies learning from existing collaborative/joint assistance strategies e.g. Nigeria country partnership strategy and Tanzania and Uganda joint assistance strategies; ii) the use of local government practices and procedures in financial management (as in the Ghana and Tanzania (Health sector programs); and iii) the preparation of common financial monitoring reports (exemplified by use of Ghana and Tanzania's governments financial reports).

144. Despite these accomplishments, there is a need for further work to strengthen global support for the results agenda. A high priority is to ensure that country partners are as active as the donor agencies in charting new directions for the Results Agenda. There is also considerable scope for better matching the efforts of the OECD/DAC community and the MDBs through alliance with emerging results-oriented work of other partners, including several foundations and UN agencies that are actively promoting the harmonization of reporting requirements.

145. The Africa Region will work to accelerate implementation of the outcome-based agenda for harmonization, alignment, and results at the country level, agreed at the Paris HLF. Action s needed in threes key areas: (a) developing common development community approaches to support country-led strategies, including the use of government systems, (b) developing a set of tools and assessment methodologies with which to compare practices and accelerate coordination and harmonization, and (c) accelerating follow-up actions on the indicators of progress:

- ***Action: Revamp the consultative group mechanism to become annual “resources and results meeting”, raising the scope of these meetings and strengthening partnership on the MDG agenda. Tighten the link between resources and results, and pursue more broadly the harmonization and alignment agenda at the country level. As part of these actions, the Bank will support an independent evaluation of country-donor relations in 5 African countries.***

146. The March 2005 Paris Declaration on aid effectiveness - to which 90 countries and 30 development institutions agreed - defined the concrete steps for development partners and countries to take to align more fully with country-owned strategies and to harmonize reporting requirements and behaviors. The World Bank is leading the work of developing the baseline information for 12 indicators of harmonization and targets for 2010 called for by the Declaration. It has also recognized the imperative to remove internal obstacles to greater harmonization and pro-actively work on implementation. For instance, to enhance harmonization in procurement processes, a number of actions are being taken on several fronts including the joint preparation and review of Country Procurement Assessment Reports (CPARs) with donor partners and countries and enhanced collaboration with other multilateral institutions, such as the African Development Bank (AfDB) to support procurement reforms at a regional level. In financial management, the Bank's strategy involves shifting from the traditional compliance-based fiduciary model to placing greater reliance on clients' own systems. Moreover, Public Expenditure Reviews (PERs), Country Financial Accountability Assessments (CFAAs), and Country Procurement Assessment Reports (CPARs) are conducted collaboratively with countries and other partners using a common framework. Twenty seven CFAAs were undertaken this way.

147. Efforts will also be taken to expand good harmonization practices. These include a stronger reliance on national capacity to implement Bank projects and a better division of labor among partners in the same country aimed at reducing transactions costs by defining primary and secondary responsibilities<sup>31</sup>. To promote the harmonization agenda at the country level, several actions will be undertaken, some in the context of the Strategic Partnership for Africa:

- *Action: Prepare and implement collaborative assistance strategies, using a common framework of conditions, single set of indicators and common results in 7 countries by end-FY08.*
- *Action: Tighten the link between donor commitments and delivery of support and promote stronger mutual accountability by supporting independent evaluations of country-donor relations. In addition, the Bank will promote the practice of joint donor assessments.*
- *Action: Work with other donors in selected countries to harmonize donor's procurement and financial management practices with the aim of aligning these practices and requirements to country systems.*
- *Action: Undertake an exhaustive review of the role of project implementation units (PIUs) with the view to sharply reduce their number in the Africa Region.*
- *Action: Begin to rationalize delegated cooperation arrangements WBG involvement including where the Bank participates as silent partners..*
- *Action: Phase-out instances of single donor country analytic work in CPARs (Country Procurement Assessment Reports), CFAAs (Country Financial Accountability Assessments), PERs (Public Expenditure Reviews).*

*To evaluate success we will use the Paris Declaration indicators with the aim of meeting all targets in 10 countries by end-FY08.*

### ***Developing a Menu of Options for Scaling Up***

148. Given the very large resource needs in most sectors, the IDA14 Partnership provides the framework through which the WBG alongside other donors can effectively deliver additional resources directed at achieving specific country-level outcomes. Several options are either being considered or to be scaled up both at the country and regional levels.

- ***Action: Develop a menu of options to make the analytical and operational knowledge of the World Bank Group available to the development community as a***

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<sup>31</sup> The concept of “silent partners” where one donor delegates full power of decision to another donor in a given sector for a country has been successfully implemented in a few cases (in Malawi, Sweden had delegated the management of its entire aid program, except budget support, to Norway. Norway and Sweden are planning a similar arrangement in Mali with Sweden as the lead donor. In Mali, Germany's KfW has delegated its role to GTZ and to AFD (France) in the education sector). As a secondary partner, the Bank would envisage providing financing without being actively involved in policy dialogue or project design and use project/program reports developed by another donor partner to be supplemented by an additional memorandum if needed.

*public good. Allow donors to channel their scaled-up aid in partnership with IDA, while retaining their identity.*

149. **Option: Expanding co-financing:** There are a number of ways in which additional funds could be mobilized from donors in order to augment IDA14 resources for Africa. Bilateral donors jointly co-finance projects with the Bank in Africa across a wide range of sectors, including infrastructure (energy, water supply, transport) health, education, environment, rural and social development, public sector governance and the financial sector. In FY04, joint financing for IDA project support to Africa amounted to slightly over \$3 billion. In addition, there has been a substantial amount of parallel financing, where Bank lending and other support for a particular sector is provided in a coordinated manner.

150. In recent years, there has been a trend toward decentralization of decision making by bilateral donors on co-financing of Bank projects and programs. The utilization of sector-wide approaches (SWAPs) has increased, reflecting a change toward harmonized, coordinated assistance rather than more direct joint financing. Despite the trend toward decentralization, the focus on Africa over the coming year presents an opportunity to work more directly with bilateral donors on their overall strategies toward committing resources to Africa. The Africa Region in close coordination with Global Programs and Partnerships will serve as a pilot to structure joint finance arrangements where additional sources of funds are needed in identified sectors or countries. In parallel, discussions are underway with the EC, which is one of the larger joint financiers, to develop new working arrangements for scaling up infrastructure projects.

151. In the health sector, the Bank has long-stand experience with positioning IDA resources as a major catalytic force to mobilize additional commitments in finance, knowledge, technical assistance and in-kind contributions (e.g. free drugs). Among the more prominent examples are the riverblindness program, where over \$1 billion were leveraged over a 30-year period with impressive results and the tropical disease research (TDR) program with similar numbers. Sector-wide health programs (SWAPs) have helped increased IDA funding by a factor of seven or eight in Ghana, Ethiopia and Tanzania. For the next several years, the Bank plans to pursue three modalities to leverage additional resources and knowledge in health:

- *Action: Develop partnerships for the malaria booster program; AIDS programs; riverblindness to include other interventions such as those for lymphatic filariasis and schistosomiasis; the new maternal, newborn and child health partnership among others.*
- *Action: Develop health sector-wide programs (SWAPs) in at least ten countries.*
- *Action: Develop specific health systems' priority alliances for human resources in health (HRH) and the joint health financing undertakings.*

152. Besides infrastructure and health, there are a number of approaches in other sectors where the WBG can contribute to help improve donor coordination:

- i) In education, the Education for All - Fast Track Initiative (EFA-FTI) is channeling resources to nine African countries and could soon reach an additional 15.

- ii) In agriculture and the environment, the most significant programs are the Consultative Group on International Agricultural Research and the Global Environment Facility.
- iii) The WBG will work closely with EU to ensure effective use of an additional 300 million euros to help the world's poorest countries trade effectively.

153. **Option: Improving donor coordination:** To enhance collaboration among donors around country-based programs linked to development outcomes and the MDGs the Bank Group will expand the range of formal partnership arrangements in which it participates. The WBG will help manage DFID's £250 million Scaling up Fund over the next three years to help deliver results across "hard-to-reach" MDGs in about a dozen African countries. Given that 80 percent of the MDG gap in water in Africa is concentrated in fifteen countries, the WBG has established formal cooperation mechanisms with the AfDB to support reform programs with additional financing. The AfDB and the WBG also have joint action plans to build synergies for development effectiveness in transport and energy. These cooperative programs are expected to draw in other development partners. The Africa Infrastructure Consortium, a newly created cooperative mechanism co-chaired by the World Bank Group and AfDB, provides a joint framework to further promote coordinated support for Africa. Besides its role of resource mobilization, the Consortium will also promote the harmonization of donor approaches, strengthen the monitoring of outcomes and help to accelerate the preparation of regional projects.

- *Action: Further enhance collaboration on country-based programs using the WB/AfDB cooperation mechanisms in all areas of infrastructure interventions.*

154. **Option: Leveraging private finance:** Private participation in infrastructure (PPI) is another area of work with others to scale up assistance to develop Africa's infrastructure. The WBG is well placed to play an important role in leveraging private financing for infrastructure by supporting public private partnerships, with IDA helping finance public investments, while IFC finances the private investment component and MIGA helps to mitigate political risks through guarantees and insurance products. The Senegal Electricity Sector Efficiency Enhancement program for example, has benefited from a combination of WBG interventions consisting of an IDA credit, partial risk guarantee and support on broader sectoral policies, combined with an IFC loan for the construction and operation of the oil-fired electrical plant. IFC is coordinating a syndicate of development financial institutions including AFD and PROPARCO of France, AfDB, BOAD and local banks to provide financing

- *Action: Play a lead role in helping to review PPI experiences in Africa with stakeholders and clients, and draw lessons for the future design of PPIs, with respect to contracts, investors (domestic and foreign), regulations, risk sharing, and financing.*

154. In the health sector, the WBG has also experimented over the last few years with a privately sponsored buy-down mechanism to increase the Bank's flexibility in providing appropriate levels of concessionality for particular activities such as those with significant positive cross-border externalities (e.g. vaccinations and communicable diseases)<sup>32</sup>. To date, the

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<sup>32</sup> Under a credit buy-down, IDA first extends a regular credit to a borrower, financed from its regular IDA allocation. Instead of collecting principal repayments and applicable charges from borrowers, upon the satisfaction

buy-down mechanism has been piloted on polio eradication projects in several countries in Africa and elsewhere with financial support from the Bill and Melinda Gates Foundation, the United Nations Foundation, Rotary International and other private sector partners including various pharmaceutical companies (Merck, Pfizer and Glaxo-Smith Kline) and others.

- *Action: Widening of the scope of experimentation of privately sponsored buy-down mechanisms to other priority sectors such as Education for All.*

155. More recently, the WBG has developed a new framework known as Advance Market Commitments (AMC), to be established at an early stage in the R&D pathway for certain vaccines with a goal of providing market incentives for private investment in research and innovation in vaccines for developing countries.

- *Action: Expand Africa-focused initiatives that pursue global public goods for health development such as the development of new vaccines and drugs such as the Global Alliance for Vaccines and Immunizations (GAVI<sup>33</sup>); the advance market and purchasing commitments (AMCs) for drugs and vaccines for African diseases.*

156. The Private Enterprise Partnership for Africa (PEP Africa) was set up to promote PSD and SME development and is another platform to help identify potential investment opportunities, lay the groundwork to develop projects, and mobilize private sector investment. The initial focus of PEP Africa will be on sectors that have clear potential to accelerate economic growth, job creation and poverty reduction. These are: financial markets, infrastructure, agribusiness, health and education, oil, gas and mining, and tourism. In addition, because of their cross-cutting role there will be a focus on entrepreneurship and the investment climate.

157. **Option: Mitigating political risk in conflict countries:** To alleviate the perception of high political risk in post conflict countries, the Commission for Africa recommended setting up a MIGA implemented guarantee facility that will provide political risk guarantees to investors in post-conflict countries in Africa. The core element is a trust fund consisting of bilateral and multilateral donor funding, which would serve as a “first loss” buffer against a large portfolio of guaranteed projects.

- *Action: MIGA will leverage its own capital and other public and private insurance programs to create insurance capacity in the amount of some US\$500 million.*

## 6. Implementing the IDA14 Partnership at the country level

158. Countries in Africa can be broadly grouped into four categories according to three criteria<sup>34</sup> by (a) economic performance (measured by GDP growth and CPIA rankings); (b) progress toward meeting the MDGs; and (c) prospects for effective harmonization of

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of defined results requirements IDA receives from the donor partners an amount equal to the net present value of these reflows.

<sup>33</sup> The recent decision by Eurostat to not count commitments towards the International Finance Facility for immunization (IFFim) as debt will likely make it easier for donor countries to participate.

<sup>34</sup> For the special case of Middle Income Countries (MICs) see Box 9.

development partners. These criteria determine the speed with which we will be able to show demonstrable progress in using the additional resources available beginning in 2006 under the IDA14 Partnership model outlined above.

159. ***Countries capable of using more aid quickly across a wide range of interventions*** —for example, Burkina Faso, Ghana, and Tanzania. In these countries outcome orientation is high, donors are well aligned, and more resources can be used effectively immediately. The country can be counted on to set priorities and largely manage aid. Challenges include macroeconomic management of more aid, rapid identification of scalable programs, and rapid implementation of an improved results framework (including strengthening data systems). These economies are “under-aided” at present in the international system and may provide an opportunity for major scaling up as the Gleneagles commitments are realized.

160. ***Countries where selective scaling up is possible.*** —for example, Ethiopia, Mali, and Nigeria. In these countries outcome orientation is moderate, development partners are partly aligned (around some budget support and sector programs), and additional resources can be used selectively to scale up programs. Development partners will need to be more active in harmonizing behavior and aligning to country priorities, while respecting country ownership. Challenges include strengthening country strategy (priorities and results), deepening common donor frameworks; selectively strengthening scalable programs, and developing a results framework and data. These are economies in which the current international performance based allocation system works well, and where IDA can lead with the menu of options.

161. ***Fragile states where additional aid is likely to be focused on targeted programs*** —for example, Burundi, Chad, and DRC. In these countries there is little outcome orientation, national strategies lack priorities, aid agencies lead the aid effort, and implementation capacity is weak. Challenges include strengthening state capacity, fostering ownership, effectively implementing existing programs, and strengthening data and monitoring systems. Scaling up will be confined to specific targeted programs such as malaria, education, HIV/AIDS and some infrastructure. Political turnarounds, however, may offer scope for effective use of additional resources outside the current performance based allocation system.

162. ***States affected by recent conflict***—for example, Liberia. In these countries the focus is on stopping and preventing renewed conflict, and recreating the rudiments of a state. Donors lead and are tightly coordinated around a small number of programs related to the conflict. Challenges include rebuilding capacity and establishing a viable state, and identifying specific programs that deliver services quickly and effectively. Scaling up would involve responding to specific opportunities where providing higher levels of support for basic service provision in the immediate post-conflict period could cement the transition out of conflict. See Box 10.



**Box 9: Addressing the Needs of Africa's Middle Income Countries**

Twelve percent of Africa's poor live in middle-income countries (MICs): Botswana, Cape Verde, Gabon, Lesotho, Mauritius, and South Africa. Meeting the MDGs in many of these countries remains a challenge. The key areas of concern in the MICs are: (i) scaling up interventions in HIV/AIDS and malaria; (ii) management of natural resource revenues; (iii) public expenditure management and support for PRSs. As a knowledge bank, the WBG can both learn from and advise Africa's MICs. Key actions have been identified in both growth diagnostics and analytical and advisory services for HIV/AIDS which will yield both useful services for MICs and broader knowledge for the region.

**Box 10: The Role of the Bank Group in Conflict Prevention and Post-Conflict Reconstruction in Africa**

Worldwide, proneness to violent internal conflict is closely related to adverse economic conditions: low income, economic stagnation, and dependence upon primary commodities, especially mineral resources. It is thus not surprising that for the many African countries that have these characteristics, conflict has been prevalent. Conflict is 'development in reverse' for the country directly affected. But it also has substantial adverse spillovers for neighbors. For this reason, the pronounced prevalence of conflict has been an important cause of Sub-Saharan Africa's economic problems. Although the incidence of conflict in Africa has recently declined, the legacy of conflict portends a heightened risk of further conflict. Indeed, several countries in the region are vulnerable to a trap in which post-conflict recovery is either too slow or shallow to avoid more conflict.

The World Bank Group has an important role both in conflict prevention and in post-conflict reconstruction. Its role in prevention is essentially to bring development to economies that are poor and stagnant, while helping increase the development of mineral resource revenues. Its role in reconstruction is more sharply defined. Post-conflict situations face highly distinctive economic challenges and opportunities and so, as the action plan proposes, call for distinctive assistance strategies. Although post-conflict governments usually start with very weak policies, governance and capacity, the political situation is often sufficiently fluid to permit rapid economic reform. Capacity strengthening and technical assistance are likely to be particularly useful because of the conjunction of rapid policy and institutional change with weak capacity. Experience has shown that Africa's post-conflict countries can absorb aid productively. However, because risks are high, this aid should normally be in the form of grants. Key priorities are typically infrastructure to assist market reintegration, and broad-based provision of basic social services. A central objective of Bank country strategies during this period should be to assist post conflict governments to deliver basic services at a level that strengthens the commitment of their populations to state building and reinforces accountability.

**VI. A FRAMEWORK FOR ACCELERATED PROGRESS TOWARDS THE MDGs**

163. As aid volumes increase in line with the Gleneagles commitments, from about an extra \$6-8 billion of multilateral and bilateral assistance per year in 2006 toward the additional \$25 billion promised for 2010, the IDA 14 Partnership strategy and action plan can be scaled up via an "accordion" approach in which more aid is committed to economies and activities capable of using aid effectively. As our efforts to support fragile states and conflict affected countries yield results, we would expect an increasing number of those countries to move into the better performing categories of the IDA performance based allocation system. Very substantial increases in aid would also allow partnering with bilateral donors to focus resources on three "under-aided" categories – high performers, turnarounds and regional economic communities – where the potential for impact on a region wide basis is high.

## 1. How much aid can Africa use effectively?

164. Estimates of the additional annual external financing that Africa can effectively use to reach the MDGs—including those of the UN Millennium Task Force (\$70 billion additional) and the UK Commission for Africa (\$25-\$50 billion additional)—vary widely because of several factors: sensitivity of cost estimates to assumptions about spending efficiency, the difficulty of factoring in the complementarities from progress in one area on other MDGs, the impact of countries’ own fiscal efforts on aid requirements, and macroeconomic management of increased aid flows. In addition, most studies of MDG “costing” focus only on the direct costs of providing services in the sectors associated with the goals themselves (mainly education and health) and ignore the need for investments in complementary growth-oriented sectors such as infrastructure. With the caution that these estimates are subject to large margins of error, a conservative estimate of the additional ODA that Africa could use effectively in both infrastructure and human development ranges from \$14-18 billion per year during 2006-2008 to \$24-28 billion by 2015.<sup>35</sup> Thus, the international community appears to be well on track to match the proposed increases in development finance arising from the Monterrey and Gleneagles processes to the ability of African economies to use additional resources effectively to boost growth and reach the MDGs.

165. Table 2 sets out some preliminary estimates of how donor support might be used at the sector level, compared with IDA13. The first scenario shows the projected average composition of commitments under IDA14 alone. The second scenario shows a range of possible allocations of the \$10 billion annual additional assistance available under the “IDA14 partnership”. The projected allocation reflects both our knowledge of the existing plans of development partners for cofinancing with IDA14 and the further assumption that countries will express increased demand for assistance in the areas outlined as priorities under the IDA14 Partnership framework. Under this scenario, there is a notable increase in the volume of support for infrastructure and a modest shift toward growth-enhancing investments. The final scenario, “Post Gleneagles,” represents one estimate of how \$25 billion of additional assistance might be used in 2010. The projection – which is highly speculative, since expenditures at the country level will be determined by country priorities and handled through normal public expenditure management systems – reflects projected demand for financing in each sector, as constrained by our estimates of ability of African countries to use additional resources effectively. The major structural shift in projected expenditures, relative to the IDA14 Partnership is a very substantial scaling up of financing for health and education.

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<sup>35</sup> Recent World Bank studies attempt to provide estimates of the capacity of African countries to use more ODA in education, health and infrastructure. Estimates for human development financing show incremental funding needs ranging from \$8 billion in 2006 to \$14 billion in 2015. Global programs for HIV/AIDS, malaria and tuberculosis could add an additional \$3-4 billion per year. (*Global Monitoring Report*, 2005; Supporting Sound Policies with Adequate and Appropriate Financing, September 2003 (DC2003=0016). Recent work by the Infrastructure Network (Estache, 2005) places the total investment needs for African infrastructure in the range of \$17-22 billion annually. A conservative estimate of the ODA that would be needed might be on the order of \$6-8 billion per year.

**Table 2 - Allocation of Additional Donor Support (\$billions average per annum)**

	<i>IDA13</i> <i>(Average 2003-2005)</i>	<i>IDA14<sup>a</sup></i> <i>(Average 2006-2008)</i>	<i>IDA14</i> <i>Partnership<sup>b</sup></i> <i>(Average 2006-2008)</i>	<i>Post</i> <i>Gleneagles<sup>c</sup></i> <i>(Average 2009-2011)</i>
Governance, PSD, Export Push, Regional Integration	1.1	1.2	2.0-2.6	2.0-5.0
Infrastructure (including rural infrastructure)	1.5	2.0	4.0-4.2	6.0-9.0
Agriculture	0.3	0.3	0.5-0.9	1.0-3.0
Education	0.4	0.3	0.5-0.9	3.0-5.0
Health	0.7	0.8	1.9-2.3	7.0-9.0
<b>Total/Average</b>	<b>4.0</b>	<b>4.6</b>	<b>10.0</b>	<b>25.0</b>

<sup>a</sup> Excludes \$0.4 b per year set aside for arrears clearance.

<sup>b</sup> Assumes additional US\$ 10b donor community financing (including \$0.6 b from IDA14).

<sup>c</sup> Based on estimates of ability to absorb additional resources in each sector

## 2. Keeping the Country at the Center

166. The actions proposed to reinforce the country-based model under the IDA14 partnership particularly sharpening our focus on governance and shared growth—provide a strong basis for countries to manage additional resources. The G8 initiatives, however, pose a challenge to using new resources through country systems. “Vertical” programs to achieve specific outcomes in infrastructure, education, and health are attractive vehicles to mobilize taxpayer support for development assistance. Major increases in funding for infrastructure and human development at the country and regional level may come with a high probability of multiple delivery systems. This will imply a major “brokering” role for the Bank between global programs’ funds and country clients.

167. Leadership by the Bank Group, through additional analytical work and policy advice, will be needed to help countries use these funds flexibly and integrate them into country systems. The Bank, together with other donors, will need to provide support to partner countries to help them develop coherent sector strategies thus empowering them in their interactions with vertical funds donors. One approach is to use the experience of EFA-FTI initiative, where partners have focused on policy and sector coordination, thus making it easier for partner countries to manage funds when they become available. Also, it is desirable for donors under vertical funds to adopt common procurement and disbursement procedures.

168. The Bank (together with the IMF) can also strengthen countries’ capacity to use more resources through better understanding of the macroeconomic management and sectoral allocation of aid flows. Because budget support will likely play a much larger role in aid disbursements, further strengthening of public sector management mechanisms including project analysis, budgeting, reporting and M&E will also be needed.

## 3. Increasing support to countries with strong neighborhood effects

169. Under IDA14 all Sub-Saharan African countries receive resources according to the IDA performance-based allocation system (PBA). The availability of substantially scaled-up aid would make it possible to focus resources additional to the PBA on particular groups of countries

and regional initiatives that can have important spill-over effects. These efforts could have substantial impact on Africa's overall performance and on the rate of attainment of the MDGs.

### *High performers*

170. These countries demonstrate to neighbors that success is possible. Africa would seem a very different place once three significantly-sized countries were growing above 8 percent. The complementary investments in different sectors (roads, power, ports etc.) needed to allow potential high-performers to reach competitive indirect cost levels and break into manufacturing exports are likely to be large, requiring a "big push" for these countries to reach a cost threshold level low enough to succeed on the world markets. Focusing a relatively large aid effort on a limited number of countries could maximize growth and progress toward those countries meeting most or all of the MDGs. Table 3 shows the likelihood of attaining the MDGs, based on current trends, in 10 well performing African countries. With the important exception of the health goals, these countries are positioned to reach most of the MDGs with realistic accelerations of growth and improvements in service delivery.

**Table 3 - MDG progress for selected SSA countries**

	Poverty Headcount*	Completion of Primary Education	Gender Equality in Primary Education	Child Mortality	Births Attended by Trained Personnel	Access to Improved Water Sources
Benin						
Burkina Faso	**					
Cameroon						
Cape Verde		☆☆☆	☆☆☆			
Ghana						☆☆☆
Mozambique						
Rwanda			☆☆☆			
Senegal	**					
Tanzania			☆☆☆			☆☆☆
Uganda						
☆☆☆☆						
MDG Already achieved	On track to achieve MDG by 2015	Will reach between 50 to 95% of MDG	Will reach between 30 to 50% of MDG	Will reach between 10 to 30% of MDG	Not improving or deteriorating	No data

Data source: World Bank DECDG. \*Estimates are based on national poverty line. \*\*Most recent data seem to show poverty reductions in these two countries, although earlier data have indicated otherwise.

### *Turnarounds*

171. Many of the costs of poorly performing economies are borne by the neighborhood and turnarounds would generate large benefits across the region; see Box 11. The cost savings of avoiding a return to conflict can be substantial. Collier (2004) has estimated the country-level cost of the average civil conflict to be 105 percent of initial GDP not including additional military spending. For neighboring countries, the cost of the conflict is equivalent to 115 percent of initial GDP, assuming that each conflict country has, on average, 2.7 neighbors. When additional military spending is added, the total cost of a seven year civil conflict could be roughly 250 percent of the initial GDP. There is evidence that economies can use substantial technical

assistance and financial support effectively to assist in market reintegration and provision of basic services. They merit special attention because there may be some cases where funding needs cannot be sufficiently met by mechanisms, such as front loading of resources at the country level and through intra-regional reallocations, built into the IDA14 and other development partners' resource allocation frameworks. The Bank Group and the larger donor community have sufficient country-specific expertise to make judgments as to which turnarounds might be sustainable based on small improvements in the CPIA, close observation of leadership, and political realities.

**Box 11: Mozambique as a Turnaround Country**

At independence in 1975, Mozambique was one of the world's poorest countries. Economic mismanagement and a brutal civil war from 1977-92 exacerbated the situation. Sustained macroeconomic reforms combined with donor assistance and political stability, since the multi-party elections in 1994, have led to dramatic improvements: spectacular growth of 8 percent annually between 1996 and 2003; single-digit inflation; poverty reduction from 69 to 54 percent between 1997 and 2003. Increased education spending raised the (gross) enrolment rate in lower primary schooling from 56 percent in 1995 to 110 percent by 2003. The infant mortality rate fell from 149 per 10,000 in 1995 to 101 in 2003, one of the fastest reductions observed in Africa; roads in good or fair condition rose from 10 percent to 70 percent of the network.

Large aid inflows (varying between 10 to 15 percent of GDP) helped finance expanded public investments in education, health, and roads. They also played a critical role in the immediate post-civil war period in the form of food aid that made it possible to sustain the reconciliation. Mozambique has just had its third general and presidential elections. The country has also been able to attract large foreign investments in titanium extraction and processing and garment manufacturing but will continue to rely on foreign assistance for the massive investments in infrastructure to promote growth and further reduce poverty.

***Regional initiatives***

172. In practice, regional initiatives have utilized relatively limited support under the current IDA allocation system. Because these investments have very high potential payoffs, especially for landlocked countries, well designed regional projects merit increased funding as resources become available. Besides its role in capacity building and institutional strengthening, the World Bank Group's pipeline of regional integration projects has been growing rapidly and currently stands at more than \$2 billion of projects able to be financed over the next three years.

***A "Venture Capital Country Aid Fund"***

173. As we manage the opportunities additional financing can provide the focus should be on using new flows effectively taking advantage of the strengths of the existing system. A challenge, however, will be to maintain the integrity of the current Performance Based Allocation (PBA) system while providing greater flexibility to deal with circumstances in which aid can be highly effective and achieve large "neighborhood effects": (a) opportunities to make a "big push" in countries that can productively absorb large increases in aid; (b) exceptional support in turnaround situations with high risk but potentially high return, including post-conflict and incipient reform cases; and (c) scaling up regional investments that represent a clear opportunity

to achieve regional public goods. Each of the above uses of aid offer high expected payoffs, but they require flexible and rapid responses, and involve risks that are greater than those associated with the conventional uses of IDA resources. A ‘venture capital country aid fund’ (VCCAF) could address special opportunities that cannot be dealt with adequately by IDA and its development partners at present, including star performers, turnaround situations, and regional investments, while maintaining country ownership and the integrated expenditure management systems supported by IDA. Importantly, a VCCAF would be a *complement* to and not a *substitute* for IDA. As with any such fund Bank Group management would take responsibility for the overall return on resources used and for managing risks:

- *Action: Exploring possibilities for a new financing mechanism anchored in the Bank (a “venture capital country aid fund”). This fund could address the special opportunities noted above, including for high-performing countries, turnaround situations, and regional investments.*

174. To ensure that such a fund operates efficiently, the specific circumstances and criteria under which its financing could be used would have to be precisely delineated.

## VII. ORGANIZATION, STAFFING AND BUDGET IMPLICATIONS

175. Implementing the Africa Action plan will draw on the resources of the whole World Bank Group, including IFC, MIGA and the Networks. At the sector level, increased support by all of the Bank Networks will be needed to improve the results focus of our work, assess service delivery gains, and to enhance our analytical and operational support. On results monitoring and impact evaluation, close collaboration with OPCS, DEC and development partners will be needed. Strengthening the drivers of growth depends fundamentally on effective alliances with IFC and MIGA both at headquarters and at the country level.

176. Within the Africa Region, implementing the Action Plan will also require some shifts in resources and personnel to reflect the new priorities. The initial scaling-up will require recruitment of additional staff with the specialized skills called for by the change in approach and the stronger focus on promoting partnership.

### 1. Staff skills will need to change

177. Staff skills among Bank Group staff working on Africa will need to shift to support effectiveness in the areas of monitoring and evaluation, capacity building, public expenditure management, and sector strategy. Technical specialists with broad multi-sector programmatic and integrative skills will be needed, especially in INF and HD, the sectors where programs will grow most. In addition, some decentralization of positions is also planned. The combination of additional deployments and filling field positions for normal rotations will be a challenge, as it has proven difficult to attract strong candidates for field assignments. We will need to address issues related to incentives and working spouses. The region will also need the active support of the relevant Networks and Sector Boards both to identify staff from elsewhere in the Bank who have skills relevant to the increased needs in Africa and to provide staff time in specific thematic areas and countries. Also, since both the INF and HD sectors have good track records of

recruiting strong locally recruited senior-level technical staff, as part of the decentralization efforts, these sectors will need to devolve more of their work programs to this cadre of staff. Over time, this approach to decentralization would increase the percentage of locally recruited staff (LRS) to Internationally Recruited Staff (IRS), with the ancillary reduction in overall staff cost.

178. The incremental activities and organizational challenges identified include:

- i) *Strategy and results framework development:* PRSPs and CASs will need to be strengthened as part of an effort to (i) build country capacity, (ii) strengthen the Bank's focus on results, and (iii) strengthen in-country partnerships for harmonization and results;
- ii) *Lending and supervision:* The incremental IDA14 portfolio and enhanced monitoring of the portfolio will be strengthened to improve results;
- iii) *Economic Sector Work (ESW):* Additional ESW will be necessary with a stronger focus on the constraints to and drivers of growth and the management of larger aid flows. This will require stronger collaboration across the various sectors;
- iv) *Partnership and harmonization:* A review is being undertaken of the effectiveness of current partnership arrangements with a view to strengthening results in this area.

179. A significant buildup of capacity will be needed focusing on the following skills:

- Monitoring and evaluation;
  - Impact evaluation;
  - Public expenditure and financial management for macroeconomists and sector staff;
  - Broad multi-sectoral programmatic and integrative skills (particularly for INF and HD sectors);
  - Analytical skills in such areas as drivers of growth, management of larger aid flows, and
  - Partnership and harmonization.
- *Action: The Region will increase the number of GG-GH level staff in field assignments, raising the Internationally Recruited Staff (IRS) percentage.*

## **2. Budget implications**

180. The region has considered the following work program areas in estimating the cost implications of implementing the Africa Action Plan.

- The enhanced results framework.
- Incremental lending and knowledge work linked to higher IDA-14 resources and mobilizing donor resource flows under the IDA partnership.
- Decentralization of additional staff.

181. Effective implementation of the AAP will require a modest increase in the Africa Region's budget. The cost estimates for the Action Plan were arrived at through a region-wide consultation process, and therefore reflect our best estimate of likely costs. Briefings were

arranged to allow for discussion and feedback on our proposals, and estimates were reviewed to ensure that all potential redeployment opportunities were identified.

182. Increased costs will accrue primarily in infrastructure, governance, human development, post-conflict countries, donor coordination and creating the results framework. Substantial resources will be needed at the design stage to align vertical funding mechanisms with country based strategies through PRSPs. Budget requirements in INF and HD will rise more than proportionately with lending volume increases due to increased complexity of sectoral operations and partnership arrangements. While some efficiencies are possible over time with the refocusing of staff skills already on board, in other cases recruitment will be called for, thereby increasing the staffing costs in these two sectors. As implementation of the plan progresses, we will report on progress through the quarterly budget reviews, and we intend to come to the Board with an updated request for FY07-08 once we can more accurately gauge several factors. We will revisit the cost estimates in the context of annual budget reviews, and provide annual submissions for incremental funding, based on experience, additional information, and results achieved.

## VIII. CONCLUSIONS

183. In April 2005 the Board of Executive Directors asked the Africa Region to present to the Development Committee an action plan to show how the Bank Group will implement its Africa strategy. This Africa Action Plan (AAP) addresses that request and the Gleneagles commitment to coordinate the international response to expanded assistance to Africa, by setting out concrete, monitorable actions intended to ensure that African countries, the World Bank Group and the development community increasingly focus on achieving *measurable outcomes* at the country, sector and project level; that the resources now available for 2006-2008 can be used effectively to *deliver results* in the areas of growth, human development and poverty reduction; and that increases in assistance beyond current levels will be used *in a way that increases impact*. Progress achieved under the Africa Action Plan will be regularly assessed and reported annually to the Board using the results indicators outlined in Annex A to provide feedback to enable modifications for improvements. In this context, the Bank Group envisions the AAP as a “living” document.

184. Drawing from the larger program of actions set out in this *Africa Action Plan*, the Africa Region will focus on three core strategic elements over the course of the IDA14 period (2006-2008):

- First, we shall significantly sharpen our *focus on results* in three areas, building country based results frameworks, rolling out complete coverage of results based country assistance strategies, and increasing management attention to and incentives for results management of the IDA portfolio. Using the outcome indicators outlined above and in the larger action plan we will monitor and report on external evaluations of the results focus.
- Second, we shall increase our analytical and operational *focus on the drivers of shared growth*. In particular we shall actively partner with others to help countries build a



vibrant African private sector, push exports – including agricultural and processed agricultural exports – and close the infrastructure gap. In each country through the PRSP process, we shall identify and increase support to one high impact intervention – in for example rural development, health or education – which governments and their citizens agree demonstrates tangible evidence of progress in sharing the benefits of growth. We shall monitor our progress using a combination of country based survey instruments, the IDA14 results framework, and Bank designed purposive surveys of the investment climate and service delivery.

- Third, we shall ramp up our *partnership agenda* to accelerate and reinforce at the country level the international momentum achieved through the Monterrey and Paris process. In particular we shall work to develop and implement our “menu of options” to make Bank Group analytical, operational, and country knowledge available to other development partners as a public good in order to leverage the growing resources available to Africa efficiently. We shall also actively promote the formation of “results and resources” consultative group meetings designed to sharpen the results focus of country level alignment and harmonization efforts, and ensure greater predictability and timeliness in the delivery of assistance. We shall measure our success in these areas using the Paris Harmonization Indicators, and will also sponsor and participate actively in country level independent evaluations of government and development partner practices.

185. The opportunity afforded this year to support better performance across Africa with more and more effective development assistance cannot be missed. The Africa Action Plan provides a set of concrete steps that will enable the World Bank Group and the broader development community to improve its ability to help every Africa country accelerate growth, enable the poor and women to participate in and benefit from new opportunities, and reach as many of the Millennium Development Goals as possible by 2015, thereby turning the “Year of Africa” into a “Decade of Africa”.

MATRIX OF ACTIONS IN THE WORLD BANK GROUP AFRICA ACTION PLAN <sup>36</sup> Summary of Objectives, Actions, Responsibilities (Units in bold have principal responsibility)					
Focus	Objective	Actions	Indicators of progress/results <sup>37</sup>	Risks	Responsibilities
1. Results Framework for Achieving Impact	Helping countries build outcome-driven national development strategies	<b><i>Increase analytical and advisory work – together with development partners to support strengthened, results-oriented national strategies in all 29 countries undertaking their new or second PRSP</i></b>	<ul style="list-style-type: none"> <li>At least 75% of countries have operational development strategies by 2010 (Paris Indicator 1)</li> <li>Increase the proportion of countries with transparent and monitorable performance assessment frameworks (Paris Indicator 11)</li> <li>Increase number of MDG/Long Term Goal outcome based PRSPs from 5 in FY06 to 10 by end of FY08</li> </ul>	Government commitment and readiness to manage for results, lack of country ownership (donor driven). Clients may need more time to elaborate internal processes. Some delays	<b>AFTPM; AFTQK, PRMPR, OPCCE</b>
		<b><i>Assist all 29 PRS countries to develop and implement Monitoring and Evaluation Plans- including strengthening statistical systems- for their national strategies by end FY08</i></b>	<ul style="list-style-type: none"> <li>Increase the Statistical Capacity Score for countries to at least 63 (average for IDA-IBRD countries)</li> <li>Monitoring and evaluation plans implemented in at least 20 countries by 2008</li> <li>Integrated national M&amp;E database in 15 of the 29 PRS countries by end- FY08</li> <li>Capacity building plans for M7E will be monitored in all countries</li> </ul>	Lack of evidence-based policy making practices, poor statistical capacity, lack of sound M&E advice & TA	<b>AFTQK/AFTPM; OPCCE, WBI</b>
		<b><i>Mount, in close collaboration with other development partners, a major effort using a joint grant funding mechanisms to strengthen national statistical and database management capacities, including the development of statistical</i></b>	<ul style="list-style-type: none"> <li>15 countries will have National Statistical Development Strategy (NSDS).</li> </ul>	Lack of donors & government commitment, poor donor program alignment to national goals, weak statistical capacity and poor coordination among the MDAs	<b>AFRCDS; AFTQK, OPCE; DECDG</b>

<sup>36</sup> Actions in bold correspond to the priority actions set in the Executive Summary.

<sup>37</sup> Indicators in bold correspond to the IDA 14 Results Indicators and the MDGs indicators

**MATRIX OF ACTIONS IN THE WORLD BANK GROUP AFRICA ACTION PLAN <sup>36</sup>**

**Summary of Objectives, Actions, Responsibilities**

*(Units in bold have principal responsibility)*

Focus	Objective	Actions	Indicators of progress/results <sup>37</sup>	Risks	Responsibilities
	<p>Strengthening the Results-Based Country Assistance Strategy</p>	<p><i>master plans</i></p> <p><i>The WBGs Africa Region flagship publication of the African Development Indicators (ADI) will be revamped for it to become the result reporting framework for the Region</i></p> <p><i>Link national PRS within sub-regional poverty reduction strategies by 2008</i></p> <p><i>Use the results based approach in all new CASs and retrofit existing CAS for results at the CAS (midterm) Progress Report</i></p> <p><i>Adopt results-driven country portfolio reviews</i></p> <p><i>Complement this work with efforts to undertake pilot regional sector reviews (such as in HIV/AIDS) to show how regional outcome based reporting can support country based approaches and vice versa</i></p>	<ul style="list-style-type: none"> <li>• ADI will produce indicators focus on the IDA 14 results indicators, the MDGs, other PRSPs related indicators</li> <li>• Monitoring and evaluation plans implemented at the sub-regional level in at least 5 selected regional economic communities (RECs) by 2008</li> <li>• Integrated sub-regional M&amp;E database in 5 of the 29 PRS countries by end-FY08</li> <li>• Have results based CAS in 20 active countries by end FY08</li> <li>• 6 customized reviews by FY06</li> <li>• 10 results driven portfolio reviews initiated by FY07</li> </ul>	<p>Variable commitment by country teams to outcome base approach; lack of alignment with government PRS, nation plan not result oriented and outcome based.</p> <p>Variable commitment by country teams to outcome base approach; lack of alignment with government PRS, national plan (PRS) not result oriented and outcome based</p>	<p><b>AFRCDs; AFTQK, OPCCE</b></p> <p><b>AFRCDs; AFTQK, OPCCE</b></p>

**MATRIX OF ACTIONS IN THE WORLD BANK GROUP AFRICA ACTION PLAN <sup>36</sup>**

**Summary of Objectives, Actions, Responsibilities**

*(Units in bold have principal responsibility)*

Focus	Objective	Actions	Indicators of progress/results <sup>37</sup>	Risks	Responsibilities
	<p>Measuring and Reporting on progress in shared growth and service delivery</p> <p>Measuring and Reporting on Progress in Programs and Projects</p>	<p><i>Support DEC's work to develop and track the core IDA 14 Tier 1 indicators for Africa</i></p> <p><i>Undertake further work – together with Bank networks (DEC and OPCS) and other development partners to determine whether the indicators under IDA 14 are fully appropriate for evaluating linkages between public actions and outcomes such as accelerated growth or improved service delivery</i></p> <p><b>Collect baseline and comparative information in 10 countries in key areas of public service delivery using targeted, purposive surveys of clients and service providers</b></p> <p><i>Improve the quality at entry (results focused and aligned with the national results/ policy framework)) and increase the % of satisfactory use of M&amp;E</i></p> <p><i>Starting in FY06, monitor and report on sector outputs in all new IDA operations in four sectors (health, education,</i></p>	<ul style="list-style-type: none"> <li>• Complete set of IDA 14 Tier 1 Indicators for reporting for Mid Term Review</li> <li>• Complete 10 purposive surveys of clients and service providers on key areas of public service by end FY08</li> <li>• Improved quality of data jointly with DEC to monitor the 14 selected country outcome indicators of IDA 14 Tier 1</li> <li>• Number of new projects with impact evaluation components by end-FY08.</li> <li>• 95 + % of new operations with improved quality at entry and satisfactory use of M&amp;E by FY08</li> <li>• Increase the % of satisfactory use of M&amp;E during supervision to 80% + for existing projects by end FY08</li> </ul>	<p>M&amp;E data unavailable in the country-weak capacity</p>	<p><b>AFRQK, DEC</b></p> <p><b>AFRCDs; AFTQK, OPCC, DECDG</b></p> <p><b>AFRSDs; AFRCDs; AFTQ, All relevant Networks</b></p> <p><b>AFR; DEC</b></p>

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**Summary of Objectives, Actions, Responsibilities**

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	<p>Targeted impact evaluation</p> <p>Implementing the framework</p>	<p><i>water supply, and rural transport), and couple this with efforts to strengthen country capacity as necessary and feasible to ensure adequate monitoring</i></p> <p><i>Raise the share of Implementation Completion Reports (ICRs) with satisfactory data on project outcomes and share of Implementation Status and Results Reports (ISRs) with satisfactory baseline data for outcome monitoring</i></p> <p><i>Develop a medium-term impact evaluation strategy to provide feedback for new project/program designs</i></p> <p><i>The internal organizations of the Africa Region IDA will be strengthened with the creation of a Quality and Results Unit</i></p> <p><i>Real time training and sustained management support for results management</i></p> <p><i>The Region will work closely with others in the development community to address</i></p>	<ul style="list-style-type: none"> <li>• 85% of ICRs with satisfactory data on project outcomes from 70 % in 2004 to 85 % by FY08</li> <li>• 95% of ISRs for new operations with satisfactory outcomes by 2008.</li> <li>• Share of ISRs with satisfactory baseline data for outcome monitoring from 80 in FY04 to 85+ for existing project by end FY08.</li> <li>• OED evaluated satisfactory outcome 80%+ in FY08</li> </ul>	<p>M&amp;E data unavailable/unreliable. Country environment deteriorates; weak "borrower/Bank performance</p>	<p><b>AFRCDs; AFRSDs; AFTQK</b></p>

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		<p><i>challenges particularly relevant to Africa – such as results based aid allocation, differences in the use of performance assessment frameworks for budget support and ways to implement the Paris Declaration with a clear focus on results.</i></p>			

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2. Building Capable States and Improving Governance	Improve Governance Diagnostics	<p><i>Assist 10 countries develop and implement governance diagnostics including citizen's scorecards in collaboration with WBI</i></p> <p><i>Provide analytical tools and support for local governments, line departments, civil society and community organization to diagnose public sector governance</i></p>	<ul style="list-style-type: none"> <li>At least 10 countries will have taken concrete actions including public disclosure of assets and income by senior public officials (Director level and above), citizen's score cards among others.</li> <li>Improvement in CPIA scores for transparency, accountability and corruption in the public sector from 3 in 2003 to 3.3 in 2008</li> </ul>	Government's leadership and commitment, and readiness by other partners in participating in the process.	AFTPM, PRMPS, WBI
	Strengthening Institutional Capacity	<p><b>Require every new CAS to have a systematic program for capacity building based on the recommendations of the Task Force on Capacity Development and raise the total of such CASs from 15 to 25 in 3 years.</b></p> <p><i>Increase the share of Bank-provided TA that is pooled with the TA of other partners, and which is managed by the partner country for capacity development activities</i></p>	<ul style="list-style-type: none"> <li>Raise the number of countries with scores of government effectiveness at or above world average from 4 to 10 out of the 47 by 2010</li> </ul>	Government's leadership and commitment; and readiness/commitment by other donors	AFTQ, PSM, AFRVP
	Strengthening Public Expenditure Management and Financial Accountability	<p><b>Assist 20 countries in strengthening the core elements of their Public Expenditure Management and Financial Accountability systems (e.g. accounting, cash management, commitment control, public</b></p>	<ul style="list-style-type: none"> <li>Measure and monitor the 28 indicators of the PEFA Performance Measurement Framework</li> <li>Increase the number of countries with satisfactory ratings on their PEFA from 0 in FY05 to 10 by FY09. Countries move up at least one measure (i.e. 0.5</li> </ul>		AFTPR, PRMPS, AFTP1-P4
					AFTQK/AFTP1-P4/ AFTPR, AFTQG; PRMPS, AFTPI, WBI in selected countries

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	Reforming Legal and Judicial Systems	<p><i>procurement as well as the introduction of a consistent performance measurement framework, including the use of Public Expenditure Tracking Surveys)</i></p> <p><i>Work with governments to improve the efficiency of internal and external controls that monitor budgetary execution to contain the misuse of public resources</i></p> <p><i>Scale up efforts to modernize public procurement, in particular assisting governments to institutionalize a renewed and institutional framework into the public administration, e.g. by enhancing support for training and capacity building</i></p> <p><i>Assist at least eight countries in improving operational efficiency of the judiciary (e.g. by introducing service standard, by streamlining commercial proceedings, and by strengthening accountability), in reducing procedural and financial hurdles, in developing informal conflict resolution mechanisms (e.g. arbitration,</i></p>	<p>points on the PFM/CPIA scale of performance)</p> <ul style="list-style-type: none"> <li>• In HIPC countries Increase performance on the IDA14 public expenditure indicators from 6.5 in 2004 to 7.5 in 2008. In the other countries establish baseline using PFM performance indicators</li> <li>• Improvement in CPIA scores for transparency, accountability and corruption in the public sector</li> <li>• At least 8 countries will improve operational efficiency, reduce procedural and financial hurdles and develop informal conflict resolution mechanisms.</li> </ul>	Bank is not the most advanced in this area. It will need to partner with other donors	AFTPR/LEGJR; PRMPS, LEGAF, WBI's Judicial Reform Program.





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	<p>Enhance Accountability and Transparency in Resource-Rich Countries</p> <p>Building the Capacity of Post-Conflict States to Deliver Essential Services</p>	<p><i>to assist governments to rationale the system of fiscal transfers and to develop an own resources base for local communities</i></p> <p><i>Increase the number of projects with CDD funding and improve their integration into Poverty Reduction Strategies and as successful projects are scaled up</i></p> <p><i>Promote transparency in accounting for revenues by adopting the Extractive Industries Transparency Initiative (EITI). Help governments to maintain fiscal discipline</i></p> <p><b><i>Working with development partners develop tailor made country strategies emphasizing community and local delivery of essential services in 5 post-conflict countries by 2007</i></b></p> <p><i>Scale up analytical work on the economic and social impacts of conflict; scale up investments in reconstruction</i></p> <p><i>Promote the adoption of</i></p>	<ul style="list-style-type: none"> <li>• Promote transparency in accounting for revenues by adopting by 2009 the Extractive Industries Transparency Initiative (EITI) and helping 6 governments establish and maintain fiscal discipline, strengthening PFM, setting savings rules and maintaining fiscal discipline in decentralized fiscal systems</li> <li>• Develop tailor made country strategies in 5 post conflict countries</li> <li>• Monitor country outcome IDA 14 indicators on Infrastructure (water) and Human Development (education and health)</li> <li>• Significant improvement (&gt;0.5) in the CPIA/PPI for at least 25% of fragile/conflict states by end FY08</li> <li>• Analytical work carried out in 90% of fragile/conflicted states by FY09.</li> </ul>	<p>Security problems may create setbacks in progress on policies and institutions; limited donor support for post conflict/fragile states</p>	<p><b>AFTSD::SDV;OPCCS</b></p>



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		<p><i>IFC is targeting a doubling of investment levels, from \$ 400 million to over \$ 800 million by 800 million, by 2008</i></p> <p><b>Support an increase in Investor Councils to develop concrete programs to remove critical constraints to private investment from 5 in FY05 to 8 by FY08 (1 additional council per fiscal year). Use results of Doing Business Surveys and Investment Climate Assessments as inputs for councils' deliberations</b></p> <p><i>Complete 12 additional joint World Bank/IMF Financial Sector Assessments in FY06-FY08 ( 15 have been completed to date, 4 additional per FY).</i></p> <p><b>Increase IFC Private Enterprise Partnerships interventions including agro-business for Africa. Evaluation of program</b></p>	<p>the cost of registering property is an obstacle to operating business</p> <ul style="list-style-type: none"> <li>• <b>Improve performance on IDA 14 indicators of cost and time to establish business in 9 countries by FY09 (3 per year)</b></li> <li>• <b>Cost required for business start up ( % of GNI per capita) will be reduced from 231 in 2004 to 200 in 2008 in Sub-Saharan Africa IDA countries</b></li> <li>• <b>Time required for business start up (days) will be reduced from 67 in 2004 to 55 in 2008 in Sub-Saharan Africa IDA countries</b></li> <li>• <b>Increase domestic credit to private sector as % of GDP from 44.2% in 2003 to 53% by end FY08.</b></li> <li>• <i>Undertake 12 additional joint World Bank/IMF Financial Sector Assessment Program (FSAP). Implement key recommendations through integrated financial sector development programs</i></li> <li>• <b>Increase PEP interventions from 1 country in FY05 to 10 countries in</b></li> </ul>	<p>Lack of prioritization of ICAs. Risks for completing diagnostic ICAs low, but implementation of recommendations will depend on government commitment and availability of resources.</p> <p>Risks for completion of diagnostic FSAPs low, but program implementation will depend on government commitment, capacity, and Bank processing (including adequate budget)</p>	<p><b>AFTPI/FIAS; AFRCE; WBI's Investment Climate Program, PREM</b></p> <p><b>IFC; AFTPS</b></p>

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		<p><i>completed in FY09</i></p> <p><i>By FY06, MIGA will put forward proposals to develop a Political Risk Insurance (PRI) Fund for Africa in order to accelerate the recovery of the private sector and increase FDI flows to conflict-affected countries in the region</i></p> <p><i>Increase use of MIGA benchmarking program from 11 countries in FY06 to 20 countries in FY08</i></p>	<p>FY08. Evaluation of program completed in FY09</p> <ul style="list-style-type: none"> <li>• Implementation of Political Risk Insurance fund (PRI) in 10 countries by FY08</li> <li>• Increase use of MIGA benchmarking program from 11 countries in FY06 to 20 countries in FY08.</li> <li>• Evaluation of program completed in FY09</li> </ul>		<p>MIGA</p> <p>MIGA, AFPS</p>
<p><b>3. Supporting the Drivers of Growth: Creating the Export Push</b></p>	<p>Creating an Export Push</p>	<p><i>With partners, support analysis and operations to identify and remove “behind-the-border” constraints to export competitiveness and regional integration in 10 countries, 3 in FY06, 3 in FY07 and 4 in FY08</i></p> <p><i>Increase support for 23 Sub-Saharan countries under the Trade Facilitation Initiative to about US\$ 530 million (compared to about 80 for FY01-FY03) by end FY06</i></p>	<ul style="list-style-type: none"> <li>• New advisory work on improving the “behind-the-border” business environment, competitiveness and regional integration in 20 countries</li> <li>• Indirect costs of exporters fall by 15% from FY06 base in 10 countries by FY09</li> <li>• Using based firm surveys show improvements in Trade Facilitation and Logistics: <ul style="list-style-type: none"> <li>• Reduction in custom's clearance (time and cost)</li> <li>• Reduction in cross-border processing (time and costs)</li> <li>• Reduction in transport &amp; handling</li> </ul> </li> </ul>	<p>Risks include slower than expected utilization of resources; lack of effective market access, and lack of regional approaches to trade facilitation</p>	<p><b>AFTPI/AFRCE;</b> PRMTR, INF Network, PSD Network</p> <p><b>AFTPI/PRMTR;</b> INF Network, PSD Network</p>

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		<i>In collaboration partners, assess systematically the benefits and costs of existing preferential schemes and make concrete recommendations for modification by FY07</i>	costs <ul style="list-style-type: none"> <li>• Assess the benefits and costs of existing preferential schemes and make concrete recommendation by FY07</li> </ul>		

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<p><b>3. Supporting the Drivers of Growth: Closing the Infrastructure Gap</b></p>	<p>Closing the Infrastructure Gap</p>	<p><i><b>Substantially scale-up financing for SSA infrastructure to about US\$ 1.8 billion by FY06, \$ 2 billion in FY07, and \$ 2.4 billion in FY08</b></i></p> <p><i>Work as a part of the Africa Infrastructure Consortium to mobilize additional donor support for infrastructure to about a \$2.5 billion increase by FY08</i></p> <p><i>Facilitate private sector participation in energy, transport and water sector based on public-private partnerships and integration of Bank Group instruments across IDA, IFC and MIGA</i></p> <p><i>The Bank in collaboration with other donors, will initiate a major program of analytical work to enhance our knowledge of the impact of policy reforms and the efficacy of past investment projects in the infrastructure sector</i></p>	<ul style="list-style-type: none"> <li>• Increase population with access to safe water source from 60% in FY05 to 63% by FY09</li> <li>• Raise population with telecommunications access from 31 per thousand in FY05 to 50 per thousand by FY09</li> <li>• Increase IDA 14 household electrification rate outcome from 24% in FY05 to 30% by FY09</li>   <li>• WBG will facilitate effective PPP arrangements in at least (6) countries by FY09 (2 per year)</li>   <li>• Define a baseline monitoring platform on a range of infrastructure performance indicators</li> </ul>	<p>Risks for achieving lending targets and indicators include slower than expected progress in reaching agreement on policy/institutional issues that are essential for sustainability, client absorptive capacity, and inadequate Bank resources for processing. Fiscal space is a risk</p> <p>Government commitment and availability of resources</p>	<p><b>AFTCDs/AFTPI; INF Network, CITPO</b></p> <p><b>AFTPI; INF Network, IFC, MIGA, WBI</b></p>

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		<p><i>IDA will scale use of the Minimum Infrastructure Platform (MIP) for growth</i></p> <p><i>The Bank Group will scale up its support to telecommunications infrastructure development in Africa</i></p> <p><i>In FY06 MIGA will focus on growing the pipeline of business in infrastructure</i></p>			MIGA
<p><b>3. Supporting the Drivers of Growth: Regional Integration</b></p>	<p>Supporting Regional Integration</p>	<p><i>Develop capacity in regional institutions, such as ECOWAS Secretariat, to help implementation of NEPADs initiatives</i></p> <p><b><i>With partners, including the private sector, leverage World Bank Group support for regional investment in Infrastructure and Health of approximately \$ 1 billion per year through FY08</i></b></p> <p><i>Take a leadership role in defining viable regional projects ( such as the West Africa Gas Pipeline) and mobilize appropriate public and private financing</i></p> <p><i>Complete updates to the two Regional Assistance Strategies</i></p>	<ul style="list-style-type: none"> <li>• Joint financing approximately \$ 1 billion per year through FY08</li> <li>• Capacity building programs will be implemented with at least 4 RECs by FY08.</li> <li>• REC/NEPAD programs for regional trade facilitation under implementation in at least 3 RECs by FY09</li> <li>• Reduction in health incidence indicators for cross border diseases</li> </ul>		<p><b>AFC16</b>; AFRCs, WBI through its Trade Program</p>



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		<i>(RAS) for West Africa and Central Africa in FY06</i>			
<b>3. Supporting the Drivers of Growth: Building Skills for Growth and Competitiveness</b>	Building skills for growth and competitiveness	<p><b><i>Develop and implement operational plans for IDA support to secondary education in 12 countries and for technical, tertiary, and research institutions including agricultural education in 8 countries by FY08</i></b></p> <p><i>Step up analytical work and IDA support for technical, tertiary and research institutions including agricultural education; help strengthen links between them and the productive sectors.</i></p> <p><i>Complete at least five new education country status reports that put the overall policy challenges of growing systems of post-primary education in perspective; develop an issues paper on the special challenges of developing diverse systems of higher educations that include apex institutions operating at global quality standards as well as those adapted to local markets.</i></p>	<ul style="list-style-type: none"> <li>• Improvements in the quality and relevance of skills, post-secondary education and science and technology (using investment climate assessments responses)</li> <li>• By end-FY08, SSA countries would have adopted comprehensive secondary education and training strategies, of which 6 would be implementing their strategy with IDA support.</li> <li>• By end-FY08 IDA will provide support to technical and tertiary institutions in 8 countries.</li> </ul>	<p>Political difficulty in implementing cost-sharing policies at the post-primary levels, and developing partnerships with the private sector.</p> <p>Sustaining political support for reforms needed to build efficient and financially viable systems; and ensuring coordination among countries as well as sustaining donor support for Science and technology Institutes</p> <p>Database development would</p>	<b>AFTHD; AFTPS, AFRES, WBI, HD Network</b>

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		<i>Develop a baseline database on skills and productivity levels of labor force to complement ICAs</i>	<ul style="list-style-type: none"> <li>By end-FY08, a comparative data series on skill and productivity levels of labor force to complement ICAs</li> </ul>	require a substantial amount of work and resources	<b>AFTHD</b> ; AFTPS, AFRES, WBI, HD Network
<b>3 Supporting the Drivers of Growth: Strengthening Agriculture</b>	Making agriculture more productive and sustainable	<p><b><i>Mobilize global programs (such as CGIAR) to expand investment in agriculture science and technology and strengthen national innovation systems in agriculture</i></b></p> <p><i>Undertake or support with partners, rural economy analytical work in those countries where this has not been done in the last 2-3 years in appropriate sequence by FY08. Use results to develop appropriate baseline data to monitor trends in agricultural productivity, develop and implement action plans</i></p> <p><b><i>Increase public and private financing to expand irrigated perimeter by 50 percent over FY05 base by end FY08, with the Bank as lead financial partner</i></b></p> <p><i>Augment land productivity through investments in soil conservation and better farming practices by expanding the quantity of fertilizer used per hectare by increasing areas</i></p>	<ul style="list-style-type: none"> <li>Rate of increase in cereal crop yields in SSA is doubles from 1995-99 to 2005-2009.</li> <li>Develop and Implement 12 rural growth action plans by FY09 – four in each year from FY06 to FY08</li> <li>Projects under implementation to increase irrigated perimeter by 50% over FY05 base by FY08</li> </ul>	<p>Limited donor support for joint ESW</p> <p>Lack of government commitment to rural infrastructure and irrigation national PSD environments unfavorable to private irrigation</p>	<p><b>AFRTSD,ARD CGIAR, DEC, ESSD Network, AFTP1</b></p> <p><b>AFTSD</b>; AFTPM; ARD; DEC</p> <p><b>AFRES</b>; ESSD Network, AFTP1</p>

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		<p><i>under sustainable land management practices</i></p> <p><i>The Bank, in collaboration with partners, will perform diagnostic analysis to enhance the understanding of the cross-sectoral impacts on growth in Africa of sustainable natural resources management, with the aim of developing concrete policy recommendations for African governments</i></p>			
<p><b>3 Supporting the Drivers of Growth: Helping countries manage the impact of shocks</b></p>	<p>Helping countries manage the impact of shocks</p>	<p><i>Complete vulnerability assessments (as part of poverty assessments and reviews of PRSPs) for 10 countries frequently affected by shocks by end-FY08 and help to develop social protection mechanisms to lessen the impact of shocks</i></p> <p><i>Lead in developing stronger coordinating mechanisms across multilateral and bilateral creditor and donor agencies to facilitate a more effective global response to exogenous shocks on appropriately concessional terms</i></p> <p><i>Help at least 3 countries with adequate financial depth, develop and implement commodity risk management techniques. Working with</i></p>			

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		<i>producer organization (use of market-based mechanisms for strengthening mutual insurance and other types of informal arrangements including hedging instruments where available) and continue analytical work on the issue</i>			
<b>4. Participating in and Sharing Growth: Connecting the poor to markets</b>	Connecting the Poor to Markets	<p><b><i>Increase investments in rural roads, starting with feeder roads by 20% per annum.</i></b></p> <p><i>The Bank will carry out, in collaboration with development partners, diagnostic work assessing how the elimination of distorted incentives in agriculture can achieve neutral trade and price policy for the main agricultural goods; can eliminate bias against rural populations in public spending; and promote agricultural exports</i></p>	<ul style="list-style-type: none"> <li>• <b>Increase percentage of rural population with access to all season roads from 34 in FY05 to 40 by FY09</b></li> <li>• Monitor trends in income gaps in rural and urban areas using household data and purposive surveys</li> </ul>	Lack of funds for publicly financed irrigation and roads. Low profitability of irrigation; high cost of road construction and maintenance	<b>AFRES; ESSD Network, AFTP1</b>
<b>4. Participating in and Sharing Growth: Scaling Up Human Development</b>	Scaling up Human Development	<p><b><i>Expand the Malaria Booster Program by 150% in 17 countries by end 2008</i></b></p> <p><b><i>Scale up non lending support for HIV/AIDs</i></b></p>	<ul style="list-style-type: none"> <li>• For countries supported by Booster Program: 60% ITN utilization of those at risk, particularly children under 5 years and pregnant women; at least 60% treatment of malaria patients within 24 hours of onset of symptoms; 60% coverage of IPT for pregnant women</li> <li>• Coverage of: a) 75 % prevention</li> </ul>	<p>Weak implementation capacity and leadership at country level; insufficient global funding for ACT production and procurement; difficulties of collaboration with other partners</p> <p>Slow harmonization progress with AIDS partners; Weak</p>	<p><b>AFTHD; HD Network</b></p> <p><b>AFTHV; AFTHD, HD Network</b></p>

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		<p><i><b>programs in and address funding gaps in 10 countries including at least two MICs by 2007</b></i></p> <p><i>Reinvigorate the nutrition funding and expand IDA support to a minimum of eight African countries with the worst nutritional indicators</i></p> <p><i>Intensify support to vaccination programs (e.g. GAVI, the polio partnerships, the measles program, etc) in order to reach around 75 % coverage by 2009</i></p> <p><i>Scale up RH and family planning programs – especially in West- and Central African countries that still have exceptionally high total fertility rates (TFRs of &gt;5)--, with the objective of reaching a minimum of 25% contraceptive prevalence rate (CPR)</i></p> <p><i>Initiate work with four African countries (Ghana, Malawi, Ethiopia and Mali, possibly with the addition of Rwanda) to aim for increased retention of</i></p>	<p>activities among epidemiologically relevant groups (i.e. those who account for the majority of new infections); and b) treatment coverage in line with targets agreed with UNAIDS, WHO, the Global Fund &amp; PEPFAR.</p> <ul style="list-style-type: none"> <li>• <i><b>Decrease in the prevalence of HIV female (%) from 9.4 in 2003 to 7.5 in 2010 in Sub Saharan Africa</b></i></li> </ul>	<p>implementation at country level</p>	

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		<p><i>physicians and nurses by 2009 (up to 75% of graduates). This will be pursued in close cooperation with the medical &amp; nursing schools, universities, as well as the civil service and relevant government ministries</i></p> <p><b>Increase IDA support to primary education to at least 15 countries through the Education for All Fast Track Initiative (EFA-FTI)</b></p> <p><i>Expand IDA support for post-primary education in at least 6 countries</i></p> <p><i>Promote policy dialogue and action plans for the development of tertiary education, particularly science and technology</i></p> <p><i>Develop effective Public – Private Partnerships to support post- primary education and training</i></p> <p><b>Accelerate progress to the rate required to reach the gender MDG goal through strengthened country</b></p>	<ul style="list-style-type: none"> <li>• <b>Primary completion rates in SSA rise from 57% in FY04 to 65% by FY09</b></li> <li>• By FY09, 8 countries would have adopted a tertiary education strategy, of which 5 would be implementing their strategy with IDA support</li> <li>• By FY09, at least 8 countries would have concluded agreements with private sector providers on the delivery of post-primary education and on accreditation frameworks in technical and vocational education and training (TVET)</li> <li>• Integration of gender issues into 10 country PRSPs and will be reflected in</li> </ul>	<p>Credibility of EFA FTI undermined by difficulties with funding and implementation in already endorsed countries, thereby reducing incentives for new countries to participate. Constraints on completion rates, esp. on the demand-side, may be impervious to policy interventions in the short run</p> <p>Lack of political/social</p>	<p><b>AFTPM; PRMGE, WBI programs on Gender Mainstreaming,</b></p>

**MATRIX OF ACTIONS IN THE WORLD BANK GROUP AFRICA ACTION PLAN <sup>36</sup>**

**Summary of Objectives, Actions, Responsibilities**

*(Units in bold have principal responsibility)*

Focus	Objective	Actions	Indicators of progress/results <sup>37</sup>	Risks	Responsibilities
		<p><i>systems in 10 countries by FY08</i></p> <p><i>Continued implementation and expansion of the Region's Gender and Law program</i></p>	<p>result-based CAS</p> <ul style="list-style-type: none"> <li>• <b>Increase the ratio of girls to boys in primary and secondary education (%) from 80% in 1995 to 90% in 2010</b></li> </ul>		<p>Community Empowerment &amp; Social Inclusion, and Health &amp; HIV/AIDS</p>
<p><b>5. Leveraging IDA-14</b></p>	<p>Strengthening Partnerships at the Country Level</p>	<p><b><i>Revamp the consultative group mechanism to become annual "resources and results meetings", raising the scope of these meetings and strengthening partnership on the MDG agenda. Tighten the link between resources and results, and pursue more broadly the harmonization and alignment agenda at the country level. As part of these actions, the Bank will support an independent evaluation of country-donor relations in 5 African Countries</i></b></p> <p><i>Develop a "menu of options" to make the analytical and operational knowledge of the World Bank Group available to the development community as a public good. Allow donors to channel their scaled-up aid in partnership with IDA, while retaining their identity</i></p> <p><i>Prepare and implement collaborative assistance</i></p>	<ul style="list-style-type: none"> <li>• Donor community on track to reach Paris Declaration objective in at least 20 countries for FY09. Paris Declaration indicators will be improved in 15 countries by end FY08</li> <li>• Independent evaluations of country-donor relations in 5 African countries</li> </ul>	<p>Conflicting priorities among donors and differences in instruments</p>	<p><b>AFTQK, AFRPG</b></p>

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**Summary of Objectives, Actions, Responsibilities**

*(Units in bold have principal responsibility)*

Focus	Objective	Actions	Indicators of progress/results <sup>37</sup>	Risks	Responsibilities
		<p><i>strategies, using a common framework of conditions, single set of indicators and common results in 10 countries by end-FY08</i></p> <p><i>Tighten the link between donor commitments and delivery of support and promote stronger mutual accountability by supporting independent evaluations of country-donor relations. In addition, the Bank will promote the practice of joint donor assessments</i></p> <p><i>Work with other donors in selected countries to harmonize donor's procurement and financial management practices with the aim of aligning these practices and requirements to country systems</i></p> <p><i>Undertake an exhaustive review of the role of project implementation units (PIUs) with the view to sharply reduce their number in the Africa Region</i></p> <p><i>Begin to rationalize WB involvement including where the Bank participates as silent partnerships</i></p>			







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<b>6. Country Targets for Neighborhood Effects</b>	Create a Venture Capital Approach	<i>To support the proposed approach to selectivity the World Bank Group will explore possibilities for a new financing mechanism anchored in the Bank (a "Venture Capital Fund" or "Catalytic Aid Fund")</i>	<ul style="list-style-type: none"> <li>One or more model economies success emerge and one or more turnarounds occur</li> </ul>	Without such a Fund, staff would unlikely to deliver the appropriate degree of risk taking	
<b>7. Organization, Staffing and Budget Implications</b>	More decentralization	<i>The Region will increase the number of GG-GH level staff in filed assignments, raising the Internationally Recruited Staff (IRS) percentage from 17 to 27 percent; depending on the sectors, sub-regional hubs will also need to be established. To achieve this goal, current field staff would need to be replaced as they rotate back to headquarters (approximately 14 each year) and an additional 10 staff would need to be decentralized each year</i>			AFRSDs, AFRCDs, HR
<b>8. Self Assessment</b>	Assess implementation of AAP	<i>Annually report to the Board on the implementation of this plan. First report will take place in 18 months to coincide with the discussions of Global Monitoring Report</i>			