THE WORLD BANK

Africa Group I Constituency Newsletter

A newsletter from the Office of the Executive Director

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Contents

Message from the Executive Director

Dr. Denny H. Kalyalya

The issue of inequality is once more being given increasing attention by academics, policy makers and development practitioners involved with poverty reduction. At the World Bank Group, inequality features prominently in its new strategy that was recently endorsed by the Governors through the Development Committee. In our October 2013 Special Edition of the Newsletter, we reported on the Strategy's twin goals of ending extreme poverty by reducing the proportion of people living on an equivalent of US$1.25 per day to 3 percent by 2030 and promoting shared prosperity in a sustainable manner by fostering income growth of the bottom 40 percent of the population in every country.

The concept of shared prosperity encapsulates the inequality dimension. It is however a complex concept and therefore not easy to define.That notwithstanding, and as a practical matter, reducing inequality will be measured as the income growth of the bottom 40 percent of the population in every country. This captures the two elements central to the notion of shared prosperity: a growing economy and a fundamental concern for equity.

From this perspective, the WBG is shifting from the traditional GDP per capita and trickle-down-impact approach by placing a focus on sustainable economic growth accompanied by equity. In many cases, the traditional approach, as experienced in many of our countries, resulted in the classical situation of "growth without development" characterized by increasing inequalities. This situation, in turn, contributed to recurring political instability and protracted socio-economic conflicts.

Today, there are encouraging signs that in many African countries the authorities are also swinging the development pendulum to embrace the paradigm shift to strategies geared towards inclusive and sustainable growth with focus on social inclusivity and equity. While the challenges in the process are enormous, they are not insurmountable. I am confident that with sustained commitment to the pursuit of our people's wellbeing and enhanced engagement with development partners our development aspirations and the noble goals of the WBG can be realized.

In this edition of the Newsletter our feature story briefly discusses the inequality dimensions of poverty and the World Bank Group (WBG) new strategic approach to address them through the "shared prosperity" concept. This edition also covers news of interest, primarily to our Constituency and Africa in general as well as WBG-related development issues. Specifically, it provides reports on the outcome of the Moscow IDA 17 Replenishment Meeting, senior management appointments for the WBG Global Practices and the Executive Director's outreach visits to some Constituency countries. It also provides highlights of the Global Financial Development and the Women and Trade Reports and a listing of the Constituency's current Governors and Alternate Governors. As usual, it provides a snapshot of projects that were approved by the Executive Board in the 4th quarter of 2013. ■

EXPLORING THE INEQUALITY DIMENSIONS OF POVERTY REDUCTION AND SHARED PROSPERITY: A PERSPECTIVE ON MAJOR ISSUES AND CHALLENGES

FEATURE STORY:

Introduction

In the fight against poverty, inequality has remained a perennial and fundamental challenging issue. This is especially true in the socio-economic context where multi-dimensions of inequality persist. Besides income, these dimensions include lack of enabling environment that facilitates access to health and education and related goods and services. It also includes challenges to judicial recourse, physical security and socio-economic opportunities.

For a long time the traditional indicator for the measurement of poverty has been the level of income, generally in terms of GDP per capita. For extreme poverty, the measurement was generally the number of people living on less than US$1.25 per day (2005 purchasing power parity). In essence, while many inequality issues have been considered in the development process, the income dimension of inequality has been the most widely used indicator.

Despite the importance of income, it is increasingly being recognized by development scholars and practitioners that ending extreme poverty, as traditionally measured, is most unlikely to translate to an end to the other non-financial and socio-economic dimensions of inequality.[1] From this perspective national and international efforts are being made to explore conceptual and more practical ways and means to tackle the challenges of poverty reduction more comprehensively by augmenting income with other non-financial dimensions of inequality. The WBG is among the leading institutions undertaking such initiatives.

This feature article briefly discusses the inequality dimensions of poverty and the WBG new strategic approach to address them towards the ultimate purpose of its mission, "having a world free of poverty". The article focuses on African countries in general and the inherent challenges and opportunities for poverty reduction in partnership with the WBG through its new Strategy. The Strategy stipulates that the overarching goal of ending poverty can be achieved specifically through its twin goals by ending extreme levels of poverty and promoting "shared prosperity". Conceptually, "shared prosperity" deals with issues, which have the potential to address the multi-dimensions of inequality in the poverty reduction process.

1 See for example, Alkire, S. and Santos M. (2013). Cited in OECD` Keeping the Multiple Dimensions of Poverty at the Heart of Development. An OECD and Post – 2015 Reflections Paper, 2013.

The Inequality Dimensions of Poverty Reduction in Africa

In recent times, Africa has achieved substantial economic growth and increased level of human development. Despite this general progress, many individual countries still face daunting challenging situations. For example, in some countries, the progress has been accompanied by rising inequalities. This has the potential to derail the progressive trend. In many others, growth has not yet engendered equitable socio-economic transformation necessary to sustain the progress in economic growth. It is also observed, as the Organization for Economic Cooperation and Development (OECD) correctly indicates, general achievements at the country and regional levels in health, education and income, while critically important, do not necessarily guarantee broad-based progress in poverty reduction and human development if socio-economic and political conditions constrain individual achievements[2]. Due to these and other factors, Africa is currently rated not only as the poorest region in the world, but also the second most inequitable region after Latin America.[3]

2 OECD, op. cit.

3 African Development Bank Group, "Briefing Notes for AfDB Long-Term Strategy". Briefing Note 5. Income Inequality in Africa, 2012.

The views above are generally borne out by a growing body of studies. For example according to one of these studies[4], despite the recently recorded impressive African economic growth, inequalities have not declined over time in most countries. The study also notes that in 2010 six out of the 10 countries with most inequality worldwide were in Sub-Saharan Africa. The study further states that in terms of the share of income that goes to the poorest, inequalities are striking, and that the situation is accompanied by geographic disparities between urban and rural areas. Similarly, UNDP, in its Human Development Report for 2013, shows that most African countries have not only a low Human Development Index[5] ranking, but also have high inequality as measured by the Gini Coefficient. Compounding these findings, a World Bank Report[6] suggests that the impact of growth on poverty reduction is greater in low-inequality countries as the growth elasticity of poverty reduction in these countries is four times larger than that observed in high-inequality countries.

In terms of socio-economic and political conditions, an OECD study states that "those living in poverty, value freedom from fear and violence, social inclusion and honest government just as highly as income, education and health". From this perspective, dimensions of inequalities include not only unequal access to essential goods, services and other resources, but also opportunities and related intangible factors that enable people to meaningfully participate in and benefit from the development process. Implicitly, when such conditions do not equitably exist for the people, the situation may have

4 Ibid.

5 Human Development Index (HDI) is a composite measure of indicators along three dimensions: life expectancy, educational attainment and command over the resources needed for a decent living. See UNDP, Human Development Report, 2013.

6 World Bank, World Development Report: Equity and Development, 2005.

Box 1: The Imperative of Addressing Inequalities

Inequalities undermine efforts to achieve sustainable development and eradicate poverty: they dampen economic vitality, exacerbate health and environmental problems, increase social tensions and lead to political instability… Interlinked and intersecting, inequalities are widely recognized as barriers to development. Each type of inequality—social, political, economic and material—impacts another, compromises efforts towards reducing poverty, encourages unsustainable patterns of economic growth and ultimately, may lead to conflict.

A holistic approach to inequalities in the next development agenda must include addressing not only gender and overarching social inequalities but also economic equalities, namely the extremes of wealth and poverty…Both vertical and horizontal inequalities manifest in unequal access to opportunities, essential goods, services and other resources as well as differences in treatment or status and differences in the ability to participate in and influence decision-making. They are often mutually reinforcing and may create and perpetuate cycles of poverty over generations.

Source: United Nations, "Addressing Inequalities: The Heart of the 2015 Development Agenda, 2013".

adverse impact not only on the individuals and segments of the population, but also on societal progress in general.

The World Bank Strategy: Toward Addressing Dimensions of Inequality

In pursuit of its twin goals mentioned earlier, the Strategy calls for the repositioning of the WBG to operate as one entity with enhanced capacity. One of its primary focus is to customize the delivery of support to client countries with results-orientation, timeliness and efficiency. Through this process, supported by a financial strategy based on the principle of financial sustainability and cost-effectiveness, it is envisaged that the WBG would be transformed into a "Solutions Bank".

The promotion of "shared prosperity" is essentially intended to address dimensions of inequality as a major aspect of the path to poverty reduction on a wider scale and sustainable development. The WBG defines "shared prosperity" as "fostering income growth of the bottom 40 percent of the population in every country"[7]. According to a recent World Bank Policy Research Paper, quoted below, this indicator is a simple monitoring device and does not explicitly cover the non-monetary dimensions, which are more complex than simply raising incomes.[8] Elaborating further, it notes that the policy agenda underpinning the concept of "shared prosperity" includes the non-monetary dimensions, albeit using a money-based metric as a monitoring device, and should serve as a signal of where governments and development agencies should place a specific focus. More explicitly the paper states,

> …the use of money-based metric is not intended to ignore the many dimensions of welfare. First, income itself is a multi-dimensional indicator of welfare because it aggregates the purchase of many commodities and services, including health and education. Second, a measure expressed in monetary terms has the advantage of approximating the notion of welfare in a single indicator. That said, … sustainably ending poverty and sharing prosperity (the two goals set by the WBG) are unequivocally about progress in both monetary and non-monetary dimensions of welfare for the current and future generations. This includes, but is not limited to, education, health, nutrition, and access to essential infrastructure, as well as empowerment and enhancing voice and participation in economic, social, and political spheres. Hence, for shared prosperity to increase in a society, policymakers cannot just focus on maximizing income growth of the bottom 40 percent today (ibid. pp 2–3).

The intent of the WBG's new strategy to address the multi-dimension of inequality in the fight against poverty is laudable and its explanation for maximizing the income growth of the bottom 40 percent of the population in each country as a monitoring indicator is understandable. However, it is clear that the measurability of "shared prosperity" to capture the comprehensive nature of the concept is complex. That, notwithstanding, the non-monetary dimensions of inequalities are necessary for specific and strategic policy focus and results-oriented activities in the poverty reduction process. Concerted efforts are therefore required to address such issues as: (i) the identification and definition of credible targets and indicators; (ii) the reliability of their measurements; and (iii) the validity in using the indicators to gauge progress overtime.

Conclusion

The idea of adding "shared prosperity" as part of the WBG's goal to achieve "a world free of poverty" serves as the institution's intent to bend the "arc of history" towards this realization. Employing an income-focused indicator, albeit a monitoring one that departs from the traditional GDP per capita, is commendable. However, much more needs to be done to more accurately reflect the true meaning of "shared prosperity".

As pointed out earlier, while income is definitely relevant, the pursuit of shared prosperity should be augmented by other dimensions of inequality. In this context, other potential measures such as the Multi-dimensional Poverty Index (MPI)[9] and the Inequality-adjusted Human Development

7 World Bank, World Bank Development Report 2014: Risk and Opportunity-Managing Risk for Development, 2013.

8 Narayan, Amber, J Saavedra-Chanduvi and S. Tiwari, Shared Prosperity: Links to Growth, Inequality and Inequality of Opportunities, World Bank Policy Research Working Paper, #6649, October 2013.

9 MPI measures a range of deprivation factors such as poor health, lack of education, inadequate living standards, lack of income disempowerment, poor quality of work and threat of violence. Cited in OECD, op. cit. p. 6.

Index (IHDI)[10] should be considered and strengthened. Both of these measures more directly reflect some of the major social and economic inequalities that define the lack of "shared prosperity" and the uneven progress towards this goal. To facilitate this process, African countries and other developing countries should engage the WBG to: (a) pragmatically ensure that it's engagement with client countries is mutually enhanced through substantive partnership in words and deeds in the definition of targets and indicators; (b) meaningfully support capacity building for generating and managing relevant statistical data and related information; and (c) significantly promote the development and enhanced use of technology to facilitate timely and effective analysis of the data and information for better policy articulation and effective implementation.

10 IHDI incorporates the Human Development Index (HDI) which is a composite statistic of life expectancy, education, and income indices used to rank countries into four tiers of human development. The IHDI is considered as the actual level of human development (accounting for inequality)". Cited in UNDP, Human Development Report, The Real Wealth of Nations: Pathways to Human Development (2010) 87.

OUTCOME OF THE MOSCOW IDA 17 REPLENISHMENT MEETING

Following a series of negotiations in the course of 2013, the IDA 17 replenishment was finally and successfully concluded on December 17, 2013 in Moscow, Russia. A global coalition of developed and developing countries in their final session pledged to accelerate the fight against extreme poverty by committing about US$52 billion in financing over the next three years (July1, 2014 – June 30, 2017) for the International Development Association (IDA), the World Bank's funding window for its poorest member countries.

The IDA Deputies and Borrower Countries Representatives agreed that increased funding was needed to tackle the difficult issues in fragile and conflict affected states to help these countries move towards stability. The record commitment for IDA17 will foster increased focus on the most challenging frontier areas, such as transformative infrastructure programs, greater private sector mobilization, and stronger and more targeted investment in climate change and gender equality, as key to shaping the future.

The Constituency was ably represented in the IDA17 negotiations by our Borrower Representative, Mr. Sheku Sambadeen Sesay, Governor of the Bank of Sierra Leone, assisted by Alternate Borrower Representative, Dr. Geoffery Mwau, Economic Secretary, Ministry of Finance of Kenya. They provided strong advocacy in the interest of Sub Saharan African countries during the policy deliberations, and made a solid case for a robust IDA17 replenishment. Aware of the shared commitment to accelerating growth and reducing poverty, the Borrower Representative conveyed the appreciation of the partnership that donors demonstrated with the record level replenishment of IDA's resources and assured the donors of the African countries' commitment to the agreed policy framework and to effectively utilize the resources to deliver development results.

Mr. Sesay's statement at the finalization of the pledging session is provided as follows:

Statement by Mr. Sheku Sambadeen Sesay, Governor, Bank of Sierra Leone and Sub-Saharan Africa Borrower Representative

Let me take this opportunity to express, on behalf of the Sub Saharan African Countries that I represent, our sincere thanks to all donors (both traditional and new) for such a response to our call for a robust IDA17 replenishment, particularly given the fiscal constraints facing most donor countries. The IDA 17 outcome indeed matched our expectations. We are also particularly appreciative of the commitments to ensuring that half of the IDA resources are allocated to Sub Saharan Africa.

This response exemplifies donors' full appreciation of the urgency of the task ahead of low income countries in addressing their development challenges and recognition of the huge investment needed to make further progress in the fight against poverty and with all its ramifications. This response is also an expression, beyond doubt, that IDA remains the most effective multilateral institution for coordinating the delivery of development assistance to low income countries. We commend the World Bank management and staff (Joachim von Armsberg and team) for the tireless effort and excellent case made for an increased replenishment. The reports were excellent and a pleasure to read.

The contributions from the IDA's internal resources as well as that by IBRD and IFC are indeed commendable signal of commitment to the complementary and cooperative relations that exist in the World Bank Group. To the IDA graduates that have agreed to effect the acceleration of repayment to IDA during IDA17, namely, Angola, Armenia, Bosnia and Herzegovina, Georgia, India, Iraq an Philippines (even under difficult circumstances), we very much appreciate your commitment to IDA. We also recognize and appreciate the new donors during this IDA replenishment, namely, Indonesia, Malaysia and Thailand.

We have all called for IDA to be innovative in shoring up its financial capacity. The Concessional Partner Loans are surely new instruments that do meet the dire circumstances that this replenishment faces. We wish to commend all donors that have responded to this innovative instrument. Surely, grant contributions should be the core funding mechanism, but we are open to innovative financing modalities going forward, as long as, they do not fundamentally undermine the concessional nature of IDA.

Let me reassure all donor of the unreserved commitment of Sub Saharan African countries to the twin goals of the World Bank Group of ending extreme poverty and boosting share prosperity and the IDA results agenda to support the attainment of the goals. You have played your part. African countries are committed to playing their part to deliver faster and better results with the help of IDA. Indeed, IDA 17 replenishment deliberations have been thoughtful and we believe that the policies, thematic focus, instruments developed in these rounds of negotiations have only contributed to strengthen IDA's formidable role on the development platform. Once more, I thank you all for the spirited engagement, the commitment to shared responsibility and support for multilateralism in addressing the development needs of the poor.

Let me close by expressing our deep appreciation and gratitude to Ms. Caroline Anstey for her leadership during the first two meetings of this replenishment and to Ms. Sri Mulyani for the calm, shrewd but effective and astute leadership during the rest of the replenishment process. Our thanks are also extended to the Government of Russia for the facilities provided and courtesies extended that made our stay fruitful and pleasurable. I would also like to commend the Deputies for accepting us as partners. There was consultation and engagement that made us part of the process. To my colleagues, borrower representatives, we should be proud of our input and the outcome.

We shall communicate to the countries that I represent the policies and resource outcome of this replenishment for their guidance and subsequent action. Let me conclude with a recount of President Obama's remark during his eulogy to late Nelson Mandela: "Mandela makes me want to be a better man". I would say: "IDA makes us want to be better people".

SENIOR MANAGEMENT APPOINTMENTS FOR THE WBG STRATEGY GLOBAL PRACTICE

A recruitment process for Senior Directors of the 14 Global Practices and 4 Cross-Cutting Solutions Areas is currently ongoing in the WBG. These positions are in the following areas: Jobs; Public Private Partnerships Transport and ICT; Agriculture; Energy and Extractives; Health Nutrition and Population; Urban Rural and Social Development; Environment and Natural Resources; Finance & Markets; Social Protection and Labor; Water; Macroeconomics and Fiscal Management; Governance; Gender; Fragility, Conflict & Violence; and Trade & Competitiveness. It is expected that the selection process will be concluded by early March 2014. As changes happen from the top (from Senior Management positions to Unit level positions), it is anticipated that the structure will become fully operational by August 2014.

The establishment of the global practices, as part of the new corporate structure, and the subsequent recruitment of senior directors comes under the auspices of the change process aimed at improving the way the WBG addresses development issues to achieve the twin corporate goals: (a) To end extreme poverty: the percentage of people living on less than US$ 1.25 a day to fall to 3 percent by 2030; and (b) To promote shared prosperity: foster income growth of the bottom 40 percent of the population in every country. It is believed that the establishment of the new corporate structure, including the global practices and cross cutting solutions will help the WBG to become the best development solutions provider by growing, supporting, and deploying global expertise for effective delivery to its clients. Management contends that the Bank will be allocating resources across its affiliates, to become the leading partner of choice; deploy the best knowledge, talent and solutions to help solve the toughest global and local challenges to achieve the WBG goals; provide a single line of accountability for technical quality and delivery; support continuous improvement through capturing codifying, and sharing delivery knowledge from operations; maintain local presence and regional accountability; enable task teams to easily access relevant cross-sectoral knowledge; and simplify internal procedures for faster client delivery.

Two acting Vice Presidents, Nena Stoiljkovic and Keith Hansen, have been appointed to oversee the institutionalization of Global Practices structures. ■

THE EXECUTIVE DIRECTOR'S OUTREACH VISITS TO RWANDA, TANZANIA AND KENYA

The Executive Director (ED), Mr. Denny Kalyalya, undertook official missions to Rwanda, Tanzania and Kenya from December 2-11, 2013. The main purpose of the mission was to consult with the authorities of the three countries on their development challenges and opportunities as well as on their relationship with the World Bank Group. The visits were also intended to explore ways to enhance the ED's representation of the three member countries at the Executive Boards of the WBG. In these countries he met with WBG Governors, Ministers and senior Government officials from various ministries, central banks, representatives of the private sector and staff of the World Bank Group country offices.

In his meetings with the authorities the ED apprised them of the progress of IDA17 replenishment and the new World Bank Group Strategy that would form the basis for future Bank's engagement with member countries. He commended the Authorities for their positive achievements in poverty reduction and expressed the readiness of his Office to support them in their endeavors.

Highlights of the deliberations held in the individual countries are summarized below.

Rwanda—December 2-4, 2013

The ED accompanied by his Advisor for Rwanda, Mr. Edouard Ngirente, paid a courtesy call on the Prime Minister of the Republic of Rwanda, Right Honorable Dr. Pierre Damien Habumuremyi. The Prime Minister expressed his appreciation to the World Bank for its broad support to Rwanda, especially in the areas of agriculture, energy and social protection. He reaffirmed the country's commitment to enhance its efforts in the fight against poverty. He also emphasized the importance of Bank's support to regional projects as they promote development and help the consolidation of peace and stability in the region.

The ED also met with the Minister of Finance and Economic Planning, Ambassador Claver Gatete, the Minister of Agriculture, Ms. Karibata Agnes, the Minister of Local Government, Mr. James Musoni, the Minister of Infrastructure, Prof. Silas Lwakabamba, the Governor of the Central Bank of Rwanda ("National Bank of Rwanda"), Mr. John Rwangombwa, and the World Bank Country Team.

The Honorable Ministers and senior officials shared with the ED the development challenges faced by Rwanda in their respective portfolios. The issues covered included Rwanda's expected allocation from the IDA 17 Window, its interest in accessing IBRD resources, sustained WBG's support for the Great Lakes regional projects, and enhanced engagements with IFC and MIGA. The Minister of Finance and Economic Planning reiterated his earlier request to the WBG that going forward, Rwanda preferred support in the form of Program for Results (PforR) operations, rather than budget support (DPOs), noting that access to the latter had become not as responsive to the country's needs.

In the area of agriculture, the issues discussed included land consolidation, improvement of food flow in the Great Lakes Region, rural financing facilities as well as the importance of irrigation projects to sustain the development made in agriculture sector, including the modernization of the smallholders-based agriculture sub-sector. In relation to local government the authorities informed the ED about peace and stability issues in the region, domestic affairs, decentralization process and social protection programs. The ED was also informed that one million people have been lifted out of extreme poverty over the last five years and that the government's target to end extreme poverty is 2020. Concerning the area of infrastructure, the ED was apprised of serious challenges of access to energy, and Government efforts to address them. He was also briefed on the issues of urbanization and regional project management capacity.

The ED visited two World Bank projects: (1) Land Husbandry, Water Harvesting and Hillside Irrigation project; and (2) Social support project-Model Village. He also visited the Rwanda Land Center, where he was briefed on the land registration process in Rwanda.

The ED welcomed the progress the country has made, especially in establishing a stable macroeconomic environment as well as a solid discipline in the management of public affairs, aid coordination, and social protection programs. He commended the authorities for the sound land registration process and other developments and undertook to do his best in promoting the interest of Rwanda at the Executive Board.

Tanzania—December 3–8, 2013

The ED, accompanied by his Senior Advisor for Tanzania, Mr. Wilson T. Banda, was officially welcomed by the Tanzanian Deputy Minister of Finance, Hon. Saada Salum Mkuya M.P. In their deliberations she underscored the importance of WBG missions in Tanzania and the leading role the WBG plays among Tanzania's development partners, particularly in providing knowledge services, policy advice and technical support, in addition to financing various development projects. She noted that the WBG has the largest portfolio among Tanzania's development partners. She informed the ED about some of the major poverty challenges Tanzanians face, which included food insecurity and rising youth unemployment, amongst others. She thanked the ED for the WBG's support in general and particularly in the Government's new delivery service initiative in the areas of energy, water, education, transport and agriculture. She also mentioned the WBG's planned support for poverty reduction through scaling up the safety net program and job creation.

In Zanzibar the ED met with the Minister of Education of Zanzibar and was briefed about the challenges in the sector. In addition to the meeting, the ED had the opportunity to visit several World Bank funded projects. They included the Tanzania Central Corridor Transport Project (BRT) and some World Bank funded projects at the University of Dar es Salaam, the Basic Education and Urban Services Projects in Zanzibar and the Tanzania Social Action Fund (TASAF) Projects in Bagamoyo where he met with beneficiaries of the Conditional Cash Transfer and the Community Savings and Investment Promotion (COMSIP). He was informed, that the TASAF projects are expected to support about 800, 000 households or 4.2 million people with funds amounting to US$250.0 million.

In his response the ED thanked the Authorities for their kind reception and commended them for the progress made in the socio-economy. He encouraged them to keep up the momentum in tackling the lingering challenges. He also expressed his continued commitment to promote the interest of Tanzania at the Executive Board.

Kenya—December 9–11, 2013

The ED accompanied by his Senior Advisor for Kenya, Mr. Chris Hoveka, visited Kenya during December 9-11, 2013. He met with Ministers and senior Government officials from the Ministries of Finance, Transport and Infrastructure, Energy and Petroleum, and Environment. He also met with the acting Managing Director and senior officials of the Kenya Airports Authority (KAA) and the World Bank Country Director. In addition, the ED visited Airport Terminal Project, two Bank funded projects on energy and airport terminal.

After thanking the ED for the visit, the authorities briefed him on the current economic developments in Kenya and on the progress of Bank funded projects. They indicated that they were generally happy with the implementation progress of various projects, although the pace of disbursements has been slow.

The authorities also commended the Bank for the excellent response to the fire that broke out at the airport which burned down the entire arrival terminal. Regarding infrastructure, the authorities underscored the importance of improving transportation system in Kenya through better roads connections, and efficient rail and air transportation systems.

The authorities also indicated that they want to increase capacity to generate more power supply to support planned economic activities including the creation of a Special Economic Zone to promote manufacturing activities. The authorities indicated further that with the creation of the new county governments, there is a need to decentralize the provision of some of the services such as water services to the counties governments. To ensure a smooth transition process, the authorities noted that they will need both financial and technical support from the Bank in the area of water management including standardization of regulations for all counties.

The ED also met with the Country Director, who briefed him on the ongoing work on the new Country Partnership Strategy for Kenya. She indicated that the new CPS will be formulated within the context of the new WBG Strategy and will highlight lessons learned in the implementation of the current CPS. The CPS therefore will be specific in areas of focus and will spell out expected development impact of the various projects.

The ED visited two projects: the Northern Corridor Transport Improvement Project at Jomo Kenyatta International Airport (JKIA) and the Geothermal Project. Both projects are progressing well. The JKIA project involves the construction of the fourth terminal at the airport, which the World Bank is co-financing. The Kenya Airport Authority (KAA) informed the ED that the construction work is 91 percent complete.

The geothermal project is run by the Kenya Electricity Company (KenGen). KenGen owns two geothermal power stations with a combined generation capacity of 150 MW. The power generated is transmitted to the national grid.

The ED's visit coincided with the commemoration of the 50th Anniversary of Kenya's independence and with the inauguration of the World Bank Group new building, which was opened by His Excellency Uhuru Kenyata, the President of the Republic of Kenya.

The ED thanked the Authorities for their courtesy and hospitality extended to him and his delegation. He also assured them of his continued support at the Executive Board. ■

PICTURES OF THE ED'S VISIT TO RWANDA

The Prime Minister, Right Honorable Dr. Pierre Damien Habumuremyi, expressing his appreciation for the WBG support to Rwanda

ED and the Minister of Agriculture, Honorable Agnes Matilda Kalibata (on the right if the ED), meeting with beneficiaries of the Land Husbandry, Water Harvesting and Hillside Irrigation Project

ED with Honorable Ambassador Claver Gatete, Minister of Finance and Economic Planning addressing the press, following the meeting with the Prime Minister

ED addressing beneficiaries of the Land Husbandry, Water Harvesting and Hillside Irrigation Project

ED visiting the Land Husbandry, Water Harvesting and Hillside Irrigation Project

The ED visiting a health center in rural Rugendabari Model Village, a Social Support Project

ED visiting the Land Husbandry, Water Harvesting and Hillside Irrigation Project

The ED signs a guest book of an elderly resident of the rural model village

PICTURES OF THE ED'S VISIT TO KENYA

The ED with Dr. Kamau Thugge, Permanent Secretary

The ED with Ms. Lucy Mugua, Acting Director, Kenya Airports Authority

The ED with Eng. Michael Kamau, Cabinet Secretary



Construction of Airport Terminal 4 at Jomo Kenyatta International Airport

PICTURES OF THE ED'S VISIT TO TANZANIA

ED meeting with Hon. Saada Salum Mkuya (center), Deputy Minister of Finance

ED meeting with Principal Secretaries and Heads of Government Departments

ED's visit to an Education Project in Zanzibar

ED and Country Director for Tanzania, Burundi and Uganda, Mr. Philippe Dongier, addressing staff of the WBG Office in Tanzania

Second Central Transport Corridor Project (CTCP2). Dar-es-Salaam Bus Rapid Transit system

Construction of offices of the Dar-es-Salaam Bus Rapid Transit (BRT) system

ED's visit to a WBG supported Higher Education Project at the University of Dar-es-Salaam

Women's group in Bagamoyo admire a micro-business enterprise funded by the WBG (COMSIP Project)

Tanzania Social Action Fund (TASAF): a beneficiary of the Conditional Cash Transfer in Bagamoyo District.

ED's visit to Bagamoyo where he saw activities funded by the WBG (TASAF)

HIGHLIGHTS OF THE GLOBAL FINANCIAL DEVELOPMENT REPORT 2014: FINANCIAL INCLUSION

"…half of the world's adult population —more than 2.5 billion people— does not have an account at a formal institution."

Global Financial Development Report 2014

Financial sector development remains a central focus of the World Bank Group (WBG) in its effort to attain the twin goals of reducing extreme poverty and promoting shared prosperity. On account of the nexus between financial development and economic development, the WBG has been actively engaged in financial sector work, including providing support in the areas of financial regulation and supervision, corporate governance, and financial infrastructure, among other works. In 2012, the WBG complemented these works by embarking on the publication of a series of flagship reports, which would contribute to the body of knowledge by shedding light on contemporary challenges and policy debates in financial sector development, with each report focused on a central theme topical to the time. Against this background, the inaugural publication of this series of reports, the Global Financial Development Report 2013, highlighted the evolving debate on the role of the state in the financial sector.

Following through on that publication, the Global Financial Development Report 2014 was published in November 2013 with a focus on Financial Inclusion. The goal of this Report is to review and synthesize research on financial inclusion, pointing out the causes of financial exclusion and highlighting proven approaches that do and do not work. Insights into the current state, barriers and views on financial inclusion are derived from a 2011 survey that covered 148 countries—accounting for 98 percent of the world's population.

The State of Financial Inclusion

Financial inclusion, in the 2014 Report, is defined as "the share of the households and firms that have access to formal financial institutions". Based on this definition, it is estimated that 50 percent of the world's adult population (or 2.5 billion people) in 2011 did not have an account with a formal financial institution. It is also reported that small firms have less access to the financial services than larger firms.

But why should these gaps be of concern to policy makers? The reason for concern about this state of affairs is that evidence shows that the financial excluded section of society is less likely to save, invest and insure against risks. As such, there is a higher contribution to economic development derived from financial sectors that are more inclusive, than from those that are less inclusive. The appreciation of this relationship has resulted in an upward shift of financial inclusion as an explicit development goal on the agendas of many countries and the adoption of formal targets for inclusion.

What are the Barriers to Inclusion?

The Report notes that barriers to inclusion generally relate to market and government failures. Market failures include situations where unconstrained supply of financial services by financial institutions result in a suboptimal equilibrium where the price and location of financial products do not cater for a significant share of the population. Market failure is often followed by attempts by the authorities to remedy this situation, sometimes through interventions that coerce financial institutions to extend credit to underserved member society and/or through direct interventions by state-owned financial institutions. This often results in the politicization of the supply of credit and the overextension of credit, which effectively results in the substitution of one form of failure for another.

How Can Public Policy Support Inclusion?

The key message of the Report is that public policy should focus on addressing both market and government failures. The Report calls on policy to: (i) develop the appropriate legal and regulatory framework; (ii) support an enabling information environment; (iii) educate and protect users of financial services; and (iv) promote completion among financial sector providers.

- *Developing the Appropriate Legal and Regulatory Framework.* Evidence shows that legal, regulatory and institutional environments, which tend to be supportive of the financial sector in general, are more impactful on financial inclusion.

- *Supporting an Enabling Information Environment.* Evidence also shows that financial inclusion can be enhanced through introduction or reform of credit bureaus and collateral registries.

- *Educating and Protecting Users of Financial Services.* The Report notes that the public campaigns to reach out to the public about the benefits of maintaining contact with the financial sector have shown to be more effective when delivered alongside popular television or radio programs.

- *Promote Competition among Financial Service Providers.* A wider consumer base is reached when competition between financial service providers is fierce, resulting in outcomes that give consumers better access and choices. In this regard, public policy could contribute to account penetration by requiring financial service providers to offer basic or low-fee accounts and allowing the sharing of financial infrastructure in a bid to lower the cost of the provision of financial services.

In advancing these policy options, the Report points out several important aspects to addressing the barriers to financial inclusion. One is that public policy is more effective when there is sufficient buy-in from the private sector. For instance, the introduction and functioning of a credit bureau will require active participation of financial services providers in pooling client information. Another aspect is that the sequencing of public interventions matters. This would be particularly important where reforms such as the introduction of credit bureaus are packaged together with other reforms like regulatory reforms. In this case the latter would be sequenced to be undertaken first to lend support to the types of reforms in the class of the former.

The Report concluded by pointing out three reinforcing focus areas that have the potential to support financial inclusion: (1) impact of new technologies, such as mobile banking; (2) the role of business models and product design; and (3) the role of financial education.

It is worth noting that some countries in the Constituency (particularly in East Africa) have recently registered marked improvements in financial inclusion on account of the growth in mobile banking. This notwithstanding, much scope remains for the further growth and inclusion. In this regard, the Global Financial Development Report 2014 is a useful treasure-trove that should capture the attention of policymakers that seek to improve the contribution of the financial sector to economic development and equitable prosperity. ■

HIGHLIGHTS OF THE REPORT ON WOMEN AND TRADE IN AFRICA: REALIZING THE POTENTIAL

The Poverty Reduction and Economic Management (PREM) Department in the Africa Region Vice Presidency (AFVP) launched a new Report titled, "Women and Trade in Africa: Realizing the Potential," on November 20, 2013. The Report provides new analysis on women's participation in trade, which looks at the ways that women participate in trade in Africa, the constraints they face, and the impact of those constraints. It highlights the importance of identifying and removing the conditions that prevent women from exploiting their full potential of trading activities. The report highlights the role that women will play in achieving Africa's potential in trade, recommends public policies, and presents a knowledge base for more research and analysis in Africa.

The African continent has enormous potential for trade both with the global market and amongst the African countries. Regional trade in Africa has four vital roles; diversifying economies and reducing dependence on the export of a few mineral products; securing food and energy security; generating jobs for the increasing numbers of young people; and alleviating poverty and promoting shared prosperity. The growing per capita incomes and increasing urbanization provide new opportunities to provide food and manufactured goods; trade in services provides a route to more diversified exports and more competitive domestic services markets; and functioning regional markets have become a springboard to markets in other continents. It is imperative that Governments maximize the potential of trade as a driver of growth, employment and poverty reduction.

Women play a key role in trade in Africa and will be essential to Africa's success in exploiting its trade potential. Their major contribution to trade in most African countries is through their involvement in the production of tradable goods, cross-border trader, and as managers and owners of firms involved in trade. However, this contribution is constrained by various specific nontariff barriers which prevent women from taking full advantage of the opportunities created by trade. These barriers often force women traders and producers into the informal economy where lack of access to finance and information, for example, jeopardize their capacity to grow and develop their businesses.

The Report comprises an Introduction and 8 chapters which the authors look at different aspects of women in trade in different countries and economic sectors. The Introduction provides a background and a summary of the findings. Chapter two presents barriers, risks, and productive potential for small-scale traders in the Great Lakes Region. It examines the socioeconomic background of the traders and officials at the DRC and Rwanda borders. Chapter three focuses on women harvesters and small scale traders involved in "eru", a high value non-wood forest product, in cross-border trade between Cameroon and Nigeria. Chapter four discusses in greater detail the challenges for women cross-border traders, highlights the need for change in attitude toward women, and heightened appreciation of their rights and contribution to trade. The fifth chapter gives the gender dimension of Uganda's cotton sector. It reveals that the cotton sector has not realized its full potential partly due to the gender related gap. In chapter six, the focus is on a survey of east and southern Africa, where there are gender imbalances at managerial level of professional firms. Chapter seven focuses on gender in the tourism industry, with Kenya as a case study. It notes that given the importance of tourism in many African countries for growth and job creation, the skew against women is a source of concern. Chapter eight presents findings on gender constraints to growth and exporting firms in South Africa which show that female-owned firms face specific barriers compared to male counterparts. Similarly, any interventions to improve export business will impact firms differently according to the owner. Lastly, chapter nine analyzes gender aspects of entrepreneurship in large export firms in Tanzania. Findings show that female-owned firms tend to be smaller and less profitable.

The key messages

The major messages from the analysis in the book are summarized below.

Governments should:

1. recognize the role that women play in trade, communicate it to officials at all levels, and reflect it in discussions on export promotion and the export strategy;
2. ensure that the rules and regulations governing trade are clear, transparent and easily accessible, to all traders, especially the small traders in the informal sector including women, working with very limited margins;
3. simplify documents and regulatory requirements where possible to ease time and mobility constraints for women;
4. design interventions to develop trade such as through improved access to information; and vocational training in export-oriented activities which recognize the barriers that women face in attaining higher-level positions; and
5. help women address the risks they face in their trade-related activities.

Condolence Note:

Our Office expresses deep sadness and sorrow on the sudden demise of our Governor for Tanzania, Dr. William Mgimwa, who passed away on January 1, 2014. The late Hon. Minister was very engaging and played a very important role not only on the Boards of World Bank Group, but also in the affairs of our Constituency as well as those of the African Caucus. All of us will therefore sorely miss him. May his soul rest in eternal peace.

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SNAPSHOT OF APPROVED PROJECTS FROM OCTOBER 2013 TO DECEMBER 2013

Country	Approval Date	Project Title	Source of Funding	Amount (Equivalent in US$ Million)	Project Development Objective
Burundi	November 27, 2013	Seventh Economic Reform Support Grant (ERSG VII)	IDA*	26	To contribute to the Government of Burundi's objective of protecting and consolidating the country's transition from a post-conflict to a more stable economy through: (i) Strengthening Public Finance Management and Budget Transparency; (ii) Promoting private sector development and economic diversification; and (iii) Improving protection of vulnerable groups.
Ethiopia	November 12, 2013	General Education Quality Improvement Project II	IDA	130	To improve the learning conditions in primary and secondary schools and strengthening of institutions at different levels of educational administration.
	November 22, 2013	Sustainable Land Management Project II (SLMP-2)	IDA	50	To reduce land degradation and improve land productivity in selected watersheds in targeted regions in Ethiopia.
			Trust Fund[11]	8.33	
			Trust Fund[12]	4.62	
			Trust Fund[13]	42.65	
	December 12, 2013	Pastoral Community Development Project III	IDA	110	To improve access to community demand-driven social and economic services for pastoralists and agro-pastoralists of Ethiopia.
Kenya	October 31, 2013	Cash Transfer for Orphans and Vulnerable Children Project—Additional Financing	IDA	10.0	To enhance the impact of the CT-OVC Program, which has proven to be an effective means of supporting poor and vulnerable households taking care of orphans and vulnerable children.
	December 30, 2013	Health Sector Support Project—Additional Financing and Restructuring	IDA	41	To help to finance the cost of the scale-up activities and subsequent restructuring of the project to effectively respond to changes in the Kenyan health system due to ongoing devolution, scale-up Results. Based Financing (RBF) to further enhance the impact of the project and join government's efforts towards achieving universal health coverage specifically targeting the poor.
			Trust Fund[14]	20	

11 THE GLOBAL ENVIRONMENT FACILITY TRUST FUND

12 THE LEAST DEVELOPED COUNTRIES FUND TRUST FUND

13 THE ETHIOPIA SUSTAINABLE LAND MANAGEMENT PROJECT TRUST FUND

14 THE MULTI DONOR TRUST FUND FOR HEALTH RESULTS INNOVATION

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Country	Approval Date	Project Title	Source of Funding	Amount (Equivalent in US$ Million)	Project Development Objective
Lesotho	October 31, 2013	Second Private Sector Competitiveness and Economic Diversification Project	IDA	13.1	To contribute to the development of selected non-textile sectors resulting in increased private sector investment, firm growth and job creation.
Malawi	December 18, 2013	Strengthening Safety Nets Systems Project—Fourth Malawi Social Action Fund (MASAF IV)	IDA	32.8	To strengthen Malawi's social safety net delivery systems and coordination across programs.
Mozambique	December 13, 2013	Roads and Bridges Management and Maintenance Project Phase 2—Second Additional Financing	IDA	36.25*	To provide additional financing to support the Mozambique Roads and Bridges Management and Maintenance Program objectives, (Phase 2).
			IDA	3.15	
			Trust Fund[15]	9.25*	
				6.50	
Rwanda	December 19, 2013	Land Husbandry, Water Harvesting and Hillside Irrigation Project—Additional Financing	IDA	35	To increase the productivity and commercialization of hillside agriculture in target areas in Rwanda.
Sierra Leone	October 31, 2013	Republic of Sierra Leone Proposed Investment in Union Trust Bank Limited	IFC	5.0	To support local banks in Sierra Leone that reach underserved economic sectors with high development impact such as SMEs, agribusiness and affordable housing.
	December 18, 2013	Energy Sector Utility Reform Project	IDA	40	To improve the operational performance of the national electricity distribution utility.
	December 23, 2013	Sixth Governance Reform and Growth Credit	IDA	25	(i) To improve the allocation and efficiency of public spending to support poverty reduction; (ii) To strengthen domestic resource mobilization and management; and (iii) To increase provision of electricity.
Sudan	December 18, 2013	Sustainable Natural Resources Management Project	IDA	7.73	To increase adoption of sustainable land and water management practices in targeted landscapes.
Uganda	November 7, 2013	Proposed Investment in Pearl Dairy Farms Limited	IFC	8	To support the operations of Pearl's milk processing plant and the establishment of milk collection centers.

[15]THE STRATEGIC CLIMATE FUND

*Grant

Country	Approval Date	Project Title	Source of Funding	Amount (Equivalent in US$ Million)	Project Development Objective
Tanzania	December 27, 2013	Private Sector Competitiveness Project—Additional Financing and Restructuring	IDA	60.2	To strengthen the business environment in Tanzania, including land administration reform, and improve access to financial services.
Regional Projects					
African Capacity Building Foundation (ACBF)	December 5, 2013	ACBF (Regional Capacity Building Project)	IDA*	65	(i) To improve the capacity of ACBF's clients to deliver and measure their development results; and (ii) To enhance ACBF's organizational effectiveness and efficiency.
Eastern[16] Africa Region	December 4, 2013	Proposed Investment in The Kibo Fund II	IFC	12.5	To support the growth of medium-sized enterprises in the Eastern and Southern Africa region (excluding South Africa)

[16] Uganda, Kenya, Tanzania, Rwanda, Burundi, Democratic Republic Republic of Congo, Angola, Zambia, Malawi, Mozambique, Namibia, Botswana, Madagascar and Mauritius.

Upcoming Meetings

IMF/World Bank Group Spring Meetings
April 12–13, 2014

African Development Bank Annual Meetings May 19–23, 2014

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