# Africa Group I Constituency
# FY10 Interim Report
# IBRD, IDA, IFC and MIGA

## May 2010

Angola
Botswana
Burundi
Eritrea
Ethiopia
Gambia
Kenya
Lesotho
Liberia
Malawi
Mozambique
Namibia
Nigeria
Seychelles
Sierra Leone
South Africa
Sudan
Swaziland
Tanzania
Uganda
Zambia
Zimbabwe

**Toga Gayewea McIntosh**
**Executive Director**

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# ACRONYMS

| | |
|---|---|
| AFGI | Africa Group I Constituency |
| DTCs | Developing and Transition Countries |
| EAP | East Asia and the Pacific |
| ECA | Europe and Central Asia |
| FIAS | Foreign Investment Advisory Service |
| IBRD | International Bank for Reconstruction and Development |
| IDA | International Development Association |
| IFC | International Finance Corporation |
| LAC | Latin America and the Caribbean |
| MDGs | Millennium Development Goals |
| MENA | Middle East and North Africa |
| MIGA | Multilateral Investment Guarantee Agency |
| ODA | Official Development Assistance |
| OECD | Organization for Economic Cooperation and Development |
| SSA | Sub-Sahara Africa |
| WBG | World Bank Group |

# FOREWORD BY THE EXECUTIVE DIRECTOR

This *Interim Report* is being released at a critical juncture for Sub-Saharan African economies. The recovery from the financial crisis, which brought to an end the longest economic expansion in African modern history, is underway, but many challenges remain and much uncertainty continues to cloud the outlook. This year's *Interim Report* analyses the immediate challenges posed by the financial crisis and describes some of the longer-term implications for economic recovery in SSA.

Over the last two years, a number of developed countries instituted fiscal and monetary policies to engineer a gradual recovery process of the global economy. Facilitated by these policy interventions, many developed countries are beginning to show signs of recovery. Industrial production and trade, after falling by unprecedented amount, are growing briskly; and the financial markets have recovered the steep losses incurred in late 2008 and 2009, but have yet to regain their pre-crisis levels.

While the global economy began the rebounding process, the outlook for most African countries continues to be uncertain and the question is whether the recovery in SSA will lag other regions, as in the past. The key risk in this aspect is a premature exit from expansionary policies in advanced economies and the rise in sovereign debt problems which would reduce demand for SSA exports and capital inflows.

Overall, these are still challenging times, but African governments will have to rise up to the challenge. The crisis has demonstrated the importance of implementing structural reforms to promote diversification of African economies. The lack of diversified production and exports exposes SSA to severe shocks in the global markets. Also policy obstacles within the region that have constrained cooperation and regional integration will have to be removed or minimized and efforts that were made towards reforms in governance and building stronger institutions and human capacities before the crisis must be restarted with more vigor. Institutional and human capital capacity building, investment in infrastructure, private sector strengthening, economic management, public sector reforms and improved quality and delivery of socio-economic services are therefore critical for policy considerations.

Whereas policies must be centered at the national level, greater international cooperation is needed to avoid exacerbating cross-border strains. At the same time, international support, including additional resources being made available to SSA can help the region buffer the impact of the crisis on real activities and limit the fall out on poverty. Dealing with these challenges requires galvanizing effective partnership collaboration with and support from regional and international institutions such as the African Development Bank and the World Bank Group.

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Executive Director

# EXECUTIVE SUMMARY

The world economy is near the bottom of a global recession brought on largely by the financial crisis that has plagued the global financial markets in 2007 and 2008. The aggressive measures that governments in developed and developing countries have taken to counter the financial crisis have not only helped prevent a more severe downturn but are now setting the stage for a recovery, albeit at a slow pace.

Recent World Bank data indicate that financial markets have stabilized; currencies, which fell worldwide against the US dollar in the immediate aftermath of the crisis, have largely recovered their pre-crisis levels; and international capital flows to developing countries have recovered. Given these positive developments, global economic growth is anticipated to recover from a contraction of 2.2 percent in 2009 to 2.7 percent in 2010 and 3.2 percent in 2011. Economic activities in most developing countries are also recovering and the overall growth is expected to pick up from 1.2 percent in 2009 to 5.2 percent in 2010 and 5.8 percent in 2011. Countries in the ECA region were hit hardest by the crisis and are expected to be the drag on developing countries' recovery, with GDP expanding by only 2.7 percent in 2010 and by 3.6 percent in 2011.

The outlook for SSA signals a modest recovery. While the financial sector in most SSA countries was not directly affected by the global financial crisis, most economies suffered the consequences of the financial crisis indirectly through the trade channel. Growth in SSA is expected to rebound from 1.1 percent in 2009 to 3.8 percent in 2010 and 4.6 percent in 2011. However, the outlook is uncertain and the strength of the recovery will depend to a large extent on growth performance in key export markets.

In the high income countries, the recovery is expected to be slow. As a group, high income countries are expected to grow by 1.8 percent in 2010 and 2.3 percent in 2011, with the United States recording the highest growth rate of 2.5 percent and 2.7 percent in 2010 and 2011 respectively.

As the financial crisis intensified in 2008 and 2009, the World Bank Group expanded lending and non-lending operations to member countries. Loan commitments and credits by IBRD and IDA increased from US$16.4 billion in the first half of FY09 to US$23.5 billion in the first half of FY10, with large increases in IBRD commitments going to LAC, ECA and SA regions. Gross disbursements also increased by 37 percent to US$14 billion in the first half of FY10.

IFC operations declined marginally in the first six months of FY10. The Corporation commitments declined from US$4.9 billion in the first half of FY09 to US$4.8 billion in the first half of FY10. However, disbursements improved slightly from US$3.3 billion to US$3.6 billion over the same period. Sub-Saharan Africa accounted for 12.3 percent of IFC commitments and 15.7 percent of disbursements. Compared to SSA, commitments and disbursements to the LAC region were higher at 26.6 percent and 24.9 percent, respectively.

MIGA, which insures projects against political risks, issued guarantees amounting to US$513 million during the first half of FY10. This represents a drop from US$554 million in the corresponding period of FY09.

On voice reform, significant progress has been made on the second phase of the reform process at the World Bank Group. The emerging consensus is one that intends to increase the voting power of Developing and Transition Countries (DTCs) by at least 3 percent at IBRD. For SSA, the major gains came with the Phase 1 reforms in terms of the third chair and increase in Basic Votes. In Phase 2 reform, the focus is on ensuring

that SSA voting power is maintained at post-phase 1 level. Regarding the Third Chair, significant progress has been made. An ad hoc committee headed by the African Caucus chairperson has been tasked to coordinate the consultations and report to the Caucus of decisions reached and required next steps.

# Chapter 1

## Economic Developments and Prospects

- Overview
- High Income Countries
- Developing Countries
- Sub-Saharan Africa

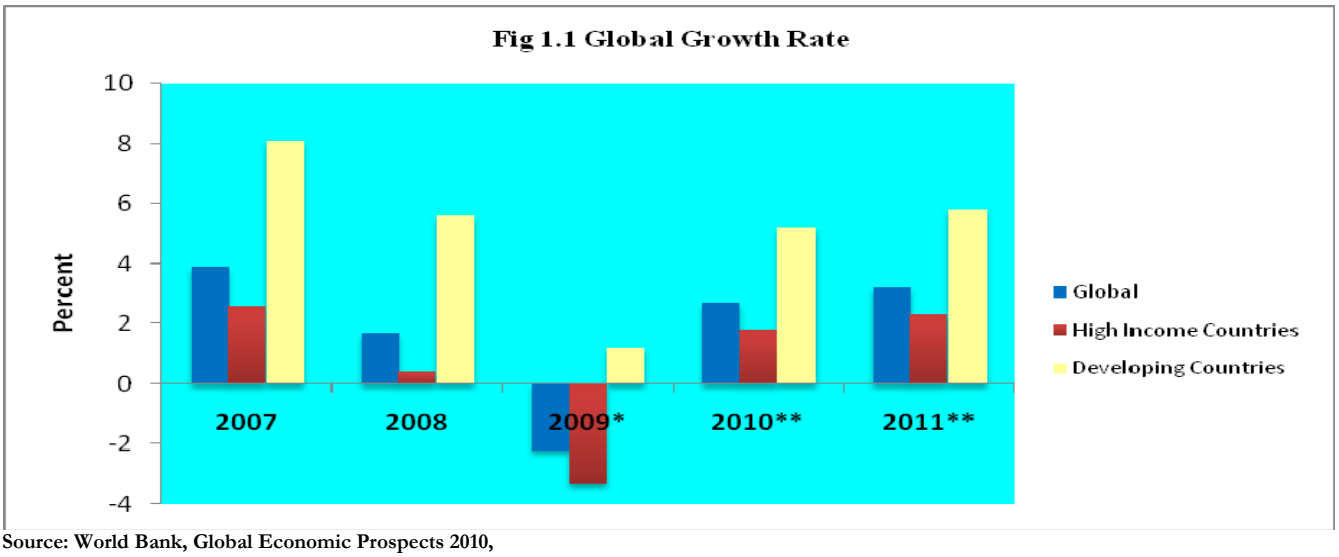
# ECONOMIC DEVELOPMENTS AND PROSPECTS

## 1.1 Overview

The consequences of the global financial and economic crisis over the past two years left virtually no region or country unaffected. The effects of the crisis included escalating housing foreclosures, massive spiraling downturns in many of the large banks, severe losses in the financial markets, increasing credit crunch, sharp reversal of capital flows, alarming business slowdowns, economic contraction and stagnating or decelerating growth. These factors and others led to heightening unemployment, reduced consumption and rising income insecurity with a disproportionate impact on low income groups. The crisis also caused increasing financing challenges for governments to meet their operations.

In developing countries, the impact of the financial crisis was felt through external pressures - fall in commodities prices, reduced export revenues due to weak global demand, decreased remittances, delayed fulfillment of international development assistance commitment, and reversal of capital inflows. This situation is expected to increase the prevalence and magnitude of poverty as well as exacerbate the challenges in meeting the millennium development goals.

There are however some signs of global economic recovery, albeit tempered by fragility and uncertainty regarding the robustness of the recovery. As figure 1.1 shows, global economic growth is projected to recover from a negative growth rate of 2.2 percent in 2009 to a modest positive growth rate of 2.7 percent in 2010 and 3.2 percent in 2011.




**Source: World Bank, Global Economic Prospects 2010,**

*estimates; **forecast

The optimism in global recovery is supported by a notable recovery in global industrial production which, as noted in the World Bank *Global Economic Prospects 2010*, was falling in February 2009 at a 27 percent annualized pace. However, at the beginning of April 2009, production began recovering and is projected to increase at about 13 percent annualized pace in the third quarter of 2009. This growth has been most encouraging in emerging markets where overall production has risen by about 20 percent.

The recovery in the volume of world trade is also expected. As shown in table 1.1, the volume of world trade is estimated to rebound from -14.4 percent in 2009 to 4.3 percent in 2010 and 6.2 percent in 2011. Despite the encouraging signs, the recovery is expected to be slow and below the pre-crisis period in the short-run. As already implied, this prognosis is predicated on the prevailing economic uncertainties attributed to a number of factors including weak domestic consumption, depressed investment demand, high unemployment and a low confidence level. It also includes the fragility of the financial markets and constraining credit conditions in many of the major developed economies.

**Table 1.1. Global Outlook (Percentage change from previous year)**

| | 2007 | 2008 | 2009 (PPP Estimate) | 2010 (PPP Forecast) | 2011 (PPP Forecast) |
|---|---|---|---|---|---|
| World Trade Volume | 7.2 | 3.0 | -14.4 | 4.3 | 6.2 |
| Real GDP Growth | | | | | |
| World | 3.9 | 1.7 | -2.2 | 2.7 | 3.2 |
| High Income | 2.6 | 0.4 | -3.3 | 1.8 | 2.3 |
| Developing Countries | 8.1 | 5.6 | 1.2 | 5.2 | 5.8 |
| Developing Countries (Excluding Transition Countries) | 8.1 | 5.6 | 2.5 | 5.7 | 6.1 |
| Sub-Saharan Africa | 6.5 | 5.1 | 1.1 | 3.8 | 4.6 |

**Source: World Bank Database.**

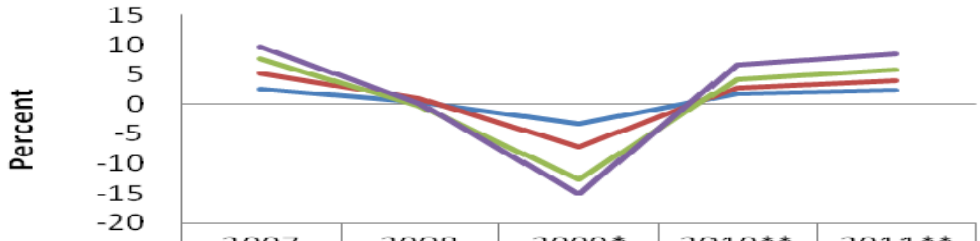
PPP = Purchasing Power Parity

In the developing countries, the recovery is contingent on the robustness of the recovery in the developed economies and the top performing emerging ones. In view of this, it is likely to be challenging for low income countries to significantly reverse the adverse impact of the global financial and economic crisis in the immediate future.

## 1.2 High Income Countries

Economic growth in high income countries is gradually rebounding from an estimated contraction of 3.3 percent in 2009 to a forecast of 1.8 percent in 2010 and 2.3 percent in 2011. This recovery trend is reflected in the United States, Japan and countries in the Euro Zone with the United States having the highest estimated growth rate of 2.5 percent and 2.7 percent in 2010 and 2011 respectively; Japan is expected to grow by 1.3 percent and 1.8 percent while the Euro Zone is expected to grow by 1.0 percent and 1.7 percent over the same period.

**Fig 1.2 High Income Coutries Real GDP Growth**
**(% change from previous year)**




| | 2007 | 2008 | 2009* | 2010** | 2011** |
|---|---|---|---|---|---|
| USA | 2.1 | 0.4 | -2.5 | 2.5 | 2.7 |
| Japan | 2.3 | -1.2 | -5.4 | 1.3 | 1.8 |
| Euro Countries | 2.7 | 0.5 | -3.9 | 1 | 1.7 |
| High Income Countries | 2.6 | 0.4 | -3.3 | 1.8 | 2.3 |

**Source: World Bank, Global Economic Prospects 2010**

*estimates; **forecast

The conditions to sustain growth in high income countries are however fragile. First, the credit crunch is still lingering on; business and consumers' confidence is low; and conditions for increased investment, domestic demand and consumption are not particularly conducive. With unemployment being high and unlikely to significantly decrease in the short-term, accelerated robustness in growth is unlikely and its duration uncertain. Second, the evolving recovery process is largely driven by substantial stimulus and financial rescue initiatives, which will be eventually withdrawn. Depending on the timing of the withdrawal and confidence resurgence, the extent to which the recovery becomes self-sustaining is uncertain.

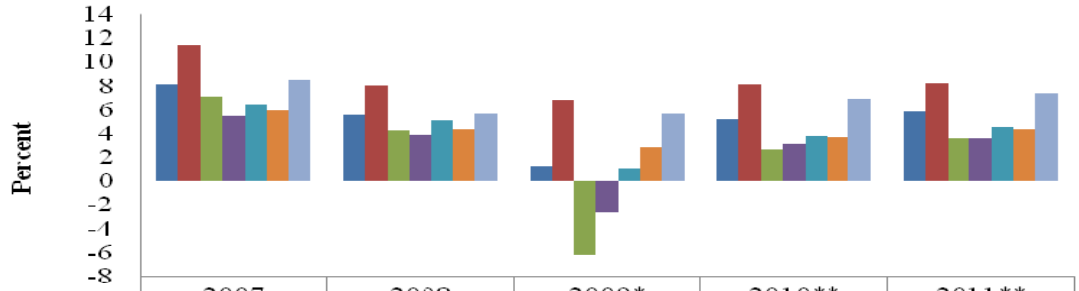
## 1.3 Developing Countries

The impact of the global financial and economic crisis on individual countries varied more widely among developing countries. In a general context, there was a decline in GDP growth from 5.6 percent in 2008 to an estimated 1.2 percent in 2009[1].

The decline was largely due to a precipitous fall in fixed investment, industrial production and commodity prices as well as the fall in remittances, which are estimated to have fallen by 6.1 percent in 2009. Other factors accounting for the decline were reduction in imports and layoffs instituted to minimize the substantial financing gap generated after the inflow of foreign capital were no longer forthcoming from the high income countries. Developing countries are however expected to recover rather robustly beginning in 2010 with a forecasted growth rate of 5.2 percent. In 2011, the growth rate is expected to further increase to 5.8 percent (figure 1.3).

[1] Excluding China, India and some of the developing countries in Europe and Central Asia which were able to withstand the worst effects of the crisis through large fiscal and monetary stimuli, GDP growth registered an estimated negative 2.2 percent in 2009 from the 3 percent trend growth rate prior to the crisis.

**Figure 1.3 Real GDP Growth (% change from previous year)**




| | 2007 | 2008 | 2009* | 2010** | 2011** |
|---|---|---|---|---|---|
| Developing Countries | 8.1 | 5.6 | 1.2 | 5.2 | 5.8 |
| East Asia & Pacific | 11.4 | 8 | 6.8 | 8.1 | 8.2 |
| Europe & Central Asia | 7.1 | 4.2 | -6.2 | 2.7 | 3.6 |
| Latin America & Caribbean | 5.5 | 3.9 | -2.6 | 3.1 | 3.6 |
| Sub-Saharan Africa | 6.5 | 5.1 | 1.1 | 3.8 | 4.6 |
| Middle East & North Africa | 5.9 | 4.3 | 2.9 | 3.7 | 4.4 |
| South Asia | 8.5 | 5.7 | 5.7 | 6.9 | 7.4 |

**Source: World Bank, Global Economic Prospects 2010**

*estimates; **forecast

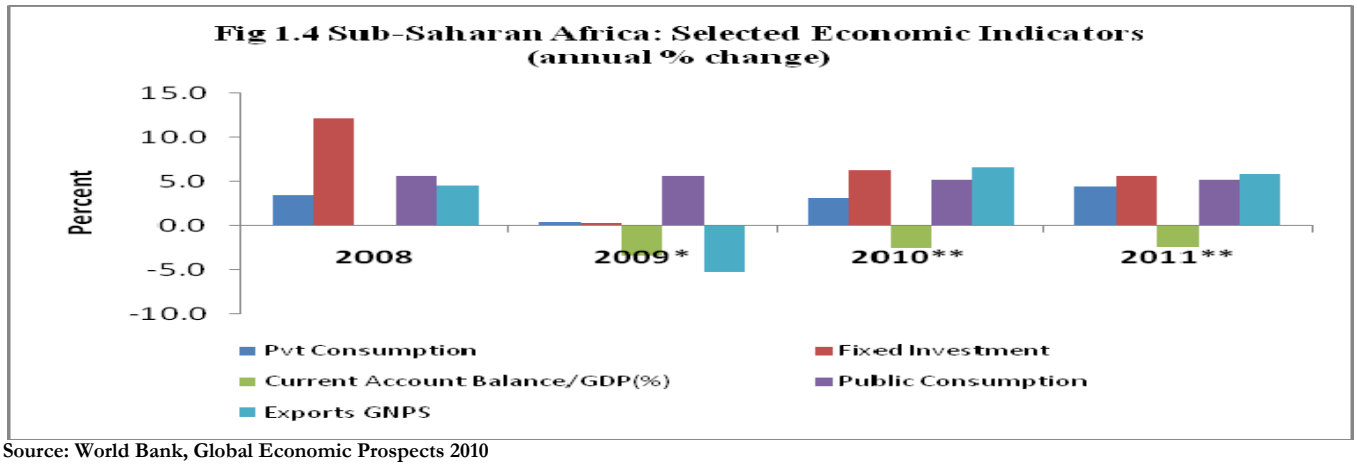
On regional basis, the decline in the growth rate was most severe in the ECA region, with an estimated contraction of 6.2 percent in 2009, down from 4.2 percent in 2008. This was attributed to pre-crisis vulnerable conditions, including substantial current account deficits, excessive reliance on foreign sources for capital to finance domestic consumption, and large fiscal deficits.

Recent World Bank estimates, however, points towards a robust recovery, albeit below the pre-crisis levels, for many countries. The growth rate in the ECA region is expected at 2.7 in 2010 and 3.6 percent in 2011 while EAP is expected to have the highest growth rates of 8.1 percent and 8.2 percent in 2010 and 2011 respectively, up from 6.8 percent in 2009.

## 1.4 Sub-Sahara Africa

As in most other regions, Sub-Saharan Africa experienced an economic downturn as a consequence of the financial crisis. While the financial sector in most SSA countries was not directly affected by the global financial crisis, most economies suffered the consequences of the financial crisis indirectly through the trade channel.

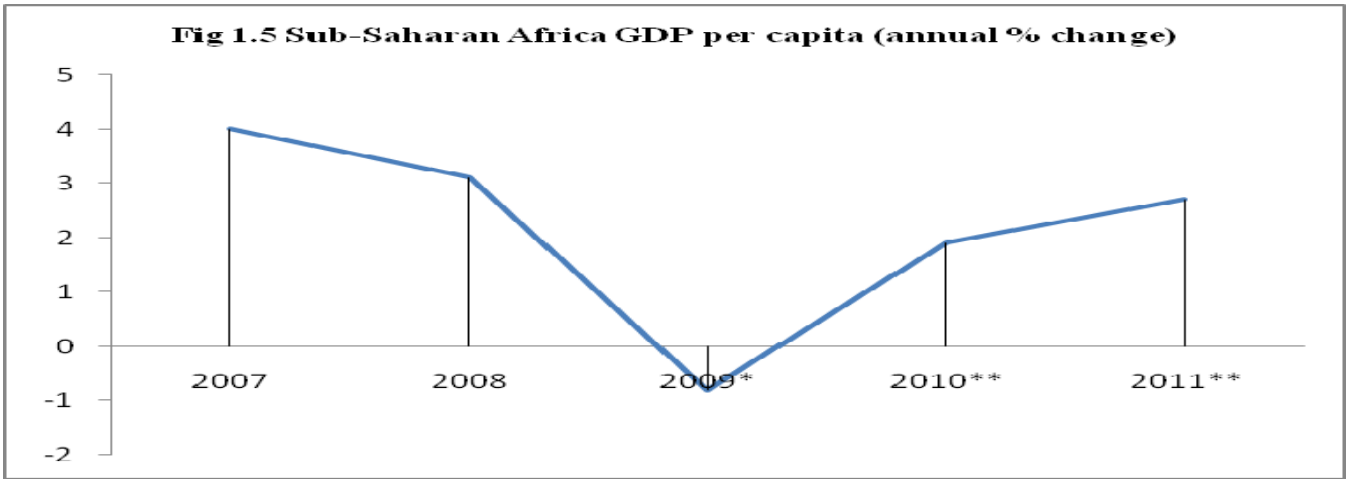
With the region's relatively high dependence on the exports of commodities, the fall in commodity prices coupled with the fall in remittances, foreign direct investment and official development assistance, the economic downturn is expected to have a negative cascading effect on overall growth and poverty reduction. As shown in figure 1.4, private consumption, fixed investment, exports and current account balances declined between 2008 and 2009.




**Source: World Bank, Global Economic Prospects 2010**

*estimates; **forecast

The decline would also affect GDP as it is expected to fall from 5.1 percent in 2008 to an estimated 1.1 percent in 2009. Per capita GDP is also estimated to decline from 3.1 percent to -0.8 percent over the same period (figure 1.5).




**Source: World Bank, Global Economic Prospects 2010**

*estimates; **forecast

The fall in the growth rate varied between countries. The region's middle income countries, including those which depend heavily on oil and large-scale mineral exports, were initially more adversely affected than low income and fragile countries which are less integrated with the world economy.

Following the stimuli impact in the high income and major developing countries, and contingent upon Sub-Saharan African countries maintaining macroeconomic stability, the recovery is expected to occur, but it will be modest and clouded with uncertainties in the short-term. GDP growth is projected at 3.8 percent and 4.6 percent in 2010 and 2011 respectively. Per capita GDP is also projected to increase to 1.9 percent and 2.7 percent over the same period. As the World Bank notes in its *Global Economic Prospects 2010*, the recovery will largely be driven by a recovery in private demand, exports and investment. Depending upon the favorable growth performance of the major exports markets, foreign direct investment and domestic efforts in ensuring an enabling business environment, exports are expected to play a major role in the recovery process.

### 1.4.1 Africa Group I Constituency Countries

In the context of Africa Group 1 Constituency, most countries experienced declines in growth amidst negative current account balances as a consequence of the global crisis. The growth decline was primarily due to the increased cost and reduced access to capital, falling export demand, declining commodity prices, decreasing remittances and foreign aid as well as stagnating or reduced foreign direct investment. Some of these countries particularly Angola, Botswana, Seychelles and South Africa registered negative growth. However, virtually all countries in the constituency are expected to rebound in 2010 and 2011, albeit below the pre-crisis period. In fact, compared to the rest of SSA, growth outlook is better in AFG1, with growth expected to rebound from an estimated 1.9 percent in 2009 to 4.5 percent in 2010 and 5.1 percent in 2011.

This prospect is based on a combination of factors that minimized the impact of the crisis thereby facilitating the countries expected resilience. As already noted, many of these countries, being relatively insulated from the global financial markets and having improved economic policies, including countercyclical monetary and fiscal policies, already in place, enabled them to better withstand economic disequilibria caused by the crisis.

The recovery however is subject to risks and uncertainties. As indicated in the World Bank *Global Economic Prospects 2010*, the risks include a possible slow recovery in the more developed countries. Furthermore, it is uncertain when the stimulus and financial rescue initiative would be removed and what the consequential impact would be. In the event the recovery is not robust as hoped, external demand for the commodities of constituency countries would be adversely affected. Moreover, resource inflow, investment, foreign aid and remittances would consequently dwindle culminating in decreased national revenue and possible cutbacks in social services. This in-turn would have a negative effect on poverty reduction and long term growth prospects.

# Chapter 2

## World Bank Group Operations

- Overview
- IBRD Operations
- IDA Operations
- IFC Operations
- MIGA Operations

# WORLD BANK GROUP OPERATIONS

## 2.1 Overview

The World Bank provides financial support to its middle income members through IBRD loans and to its low income members through IDA credits and grants. During the first half of FY10, the combined IBRD and IDA lending commitments stood at US$23.43 billion, an increase of 43 percent over the corresponding period of FY09.

This rise is attributed largely to an increase of 54 percent in IBRD commitments; IDA commitments increase marginally by 6 percent. The increase in the financing that the World Bank provided to countries rose up as nations struggled to fight a long running global crisis.

As the financial pressure seemed to be deepening during the first half of FY10, the World Bank increased its commitment to ensure adequate levels of funding for budgetary needs, protection of the poor and vulnerable, such as safety net support; and infrastructure finance to help sustain infrastructure financing in the place of declining private finance.

The activities of IBRD and IDA are complemented by that of IFC and MIGA. IFC provides investment and advisory services to foster sustainable economic growth in developing countries by financing private sector investment. MIGA promotes foreign direct investment into developing countries by providing political risk insurance to the private sector. During the first half of FY10, IFC committed US$4.8 billion in new investments in developing countries while MIGA issued guarantees amounted to US$513 million during the same period.

## 2.2 IBRD Operations

The IBRD lending portfolio has maintained its upward trend. Fiscal year 10 got off to a strong start with US$ 19.1 billion of IBRD commitments in the first half compared to US$ 12.3 billion in the same period of FY09. This increase was mainly due to increase in commitments by IBRD to SA, LAC and ECA regions (tab1e 2.1). In contrast, IBRD loans to SSA and MENA were relatively low, reflecting the low level of IBRD activities in those two regions.

Lending to IBRD countries is expected to continue to be strong in FY10 due to the expected additional demand resulting from the financial crisis. The latest projections indicate that IBRD commitments in FY10 will be in the US$30 billion to US$50 billion range higher than the budget document range of US$25 billion to US$44 billion.

**Table 2.1. IBRD Commitments by Region (US$ millions)**

| Region | FY 09 1st Half | Share (%) | FY 10 1st Half | Share (%) |
|---|---|---|---|---|
| Sub-Sahara Africa | 58 | 0.5 | 488 | 2.5 |
| East Asia and Pacific | 1,970 | 15.9 | 2,006 | 10.5 |
| Europe and Central Asia | 3,008 | 24.3 | 4,338 | 22.7 |
| Latin America and Caribbean | 6,557 | 53.1 | 6,394 | 33.4 |
| Middle East and North Africa | 58 | 0.5 | 675 | 3.5 |
| South Asia | 706 | 5.7 | 5,250 | 27.4 |
| Total | 12,357 | 100.0 | 19,152 | 100.0 |

**Source: World Bank data base**

## 2.3 IDA Operations

IDA lending operations increased slightly from US$4 billion in first half of FY09 to US$4.3 billion in the same period of FY10. Commitments to SSA increased from US$1.8 billion to US$2.2 billion over the same period, reflecting the Bank's increasing focus on low income and conflict affected countries in Africa. Commitments to South Asia on the other hand have decreased from US$1.7 billion to US$1.1 billion over the same period.

**Table 2.2. IDA Commitments by Region (US$ Millions)**

| Region | FY 09 1st Half | Share (%) | FY 10 1st Half | Share (%) |
|---|---|---|---|---|
| Sub-Sahara Africa | 1,839 | 45.7 | 2,290 | 53.5 |
| South Asia | 1,742 | 43.3 | 1,120 | 26.2 |
| East Asia and Pacific | 176 | 4.4 | 440 | 10.3 |
| Europe and Central Asia | 157 | 3.9 | 327 | 7.6 |
| Latin America and Caribbean | 96 | 2.4 | 37 | 0.9 |
| Middle East and North Africa | 15 | 0.4 | 65 | 1.5 |
| **Total** | **4,026** | **100.0** | **4,278** | **100.0** |

**Source: World Bank Database**

Total IDA disbursement increased by 47 percent from US$4.3 billion in the first half of FY09 to US$6.3 billion in the first half of FY10, with almost half (46 percent) of the disbursement going to SSA.

## 2.4 IFC Operations

### 2.4.1 Commitments

IFC total commitments decreased slightly from USS4.9 billion in the first half of FY09 to US$4.8 billion in the first half of FY10. Total commitments to all regions decreased except to the MENA region which saw an increase from US$460 million in the first half of FY09 to US$577 million in the first half of FY10. In SSA, IFC commitments declined from US$671 million in FY09 to US$589 million in FY10, thus continuing the declining trend that has been observed since FY08.

Consistent with the declining trend in IFC commitments to SSA, total commitments to countries in AFG1 Constituency declined from US$465.6 million to US$301.6 million over the same period, with the highest commitments of US$226 million going to Nigeria.

**Table 2.3. IFC Commitments, Disbursements and Approvals by Region (1st Half FY10)**

| Region | Commitments | | Disbursements | | Approvals | |
|---|---|---|---|---|---|---|
| | US$ Mn | Share (%) | US$ Mn | Share (%) | US$ Mn | Share (%) |
| Sub-Saharan Africa | 588.8 | 12.3 | 562.1 | 15.7 | 196.8 | 5.6 |
| Asia | 959.7 | 20.0 | 788.6 | 22.0 | 449.1 | 12.8 |
| Europe and Central Asia | 1,105.1 | 23.1 | 820.7 | 22.9 | 999.8 | 28.5 |
| Latin America | 1,274.5 | 26.6 | 890.9 | 24.9 | 721.5 | 20.6 |
| Middle East and North Africa | 577.4 | 12.1 | 312.4 | 8.7 | 428.7 | 12.2 |
| World | 283.2 | 5.9 | 204.2 | 5.7 | 712.5 | 20.3 |
| Total | 4,788.7 | 100 | 3,578.9 | 100 | 3,508.4 | 100 |

**Source: IFC Database**

### 2.4.2 Approval

IFC approvals decreased from nearly US$5 billion in the first half of FY09 to US$3.5 billion in the first half of FY10. Approvals for SSA decreased from US$233 million to nearly US$197 million. The amount approved for projects in AFG1 countries decreased substantially from US$192 million in the first six months of FY09 to US$20 million in the first six months of FY10. Overall, more than 60 percent of the approved projects in AFG1 Constituency were in the form of loans while equity and quasi-equity accounted for about 36 percent of all approved projects.

**Table 2.4. IFC Approvals for Selected AFG1 (1st Half FY09 and 1st Half FY10)**

| Country in AFG1 | Year | Loans (US$Mn) | Equity US$Mn) | Quasi-Equity (US$ Mn) | Quasi-Loan (US$Mn) | Total (US$Mn) |
|---|---|---|---|---|---|---|
| **Liberia** | 2010 | 0.0 | 0.5 | 0.0 | 0.0 | 0.5 |
| | 2009 | 10.0 | 0.0 | 0.0 | 0.0 | 10.0 |
| **Nigeria** | 2010 | 13.0 | 1.5 | 0.0 | 0.0 | 14.5 |
| | 2009 | 67.1 | 9.7 | 0.0 | 0.0 | 76.8 |
| **South Africa** | 2010 | 0.0 | 0.0 | 2.5 | 0.0 | 2.5 |
| | 2009 | 0.0 | 0.0 | 0.0 | 43.6 | 43.6 |
| **Zambia** | 2010 | 0.0 | 3.0 | 0.0 | 0.0 | 3.0 |
| | 2009 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

**Source: IFC Database**

### 2.4.3 Advisory Services

Consistent with WBG increasing focus on SSA, IFC continued to expand its advisory services to unlock investment opportunities in infrastructure in Sub-Saharan African countries. IFC continued to align advisory and investment strategies to strengthen impact on best practice in environmental, social and corporate governance standards that target value-added services. As of December 31, 2009, IFC has funded 170 projects valued at US$233.8 million in various African countries, mainly in infrastructure, renewable energy and energy efficiency. Of this amount, US$108 million was spent on projects in Africa Group 1 Constituency countries.

### 2.4.4 Doing Business Results

Business reforms have been on the rise in Africa for the past 3 years. In 2009 sixty-seven regulatory reforms were recorded in 29 Sub-Saharan African countries (*see Doing Business 2010: Reforming through Difficult Times*). For the first time a Sub-Saharan African country—Rwanda—was the world's top reformer, based on the number and impact of reforms implemented between June 2008 and May 2009.

Rwanda implemented reforms in seven of the 10 business regulation areas measured by Doing Business. Thanks to the reforms, it now takes a Rwandan entrepreneur just two procedures and three days to start a business. Imports and exports are more efficient, and transferring property takes less time thanks to a reorganized registry and statutory time limits. Investors have more protection, insolvency reorganization has been streamlined, and a wider range of assets can be used as collateral to access credit.

Significant reform progress was also recorded in several post conflict economies, such as Liberia and Sierra Leone. Liberia, the second-fastest reforming economy in the region, eased procedures for business start-up, reduced fees for construction permits, and sped trade with a new one-stop center. Sierra Leone introduced a company law that strengthened investor protections, enhanced access to credit, and provided for the reorganization of troubled firms. It also established a one-stop center for business registration.

Mauritius moved up from 24th to 17th out of 183 economies thanks to reforms in 5 areas. Mauritius was the top Sub-Saharan economy for the second year in a row in terms of the overall regulatory ease of doing business. It adopted a new insolvency law, established a specialized commercial division within the court, eased property transfers, and expedited trade processes. Other leading reformers were Mali, Angola, Cameroon, Ethiopia and South Africa. As in the previous year, nearly half the reforms in the region focused on making it easier to start a business or trade across borders.

## 2. 5 MIGA Operations

During the first half of FY10, MIGA issued guarantees in the amount of US$512.9 million, which represents a decline from US$554.4 million issued during the same period in FY09. Of the new issuance, US$401 million were underwritten as part of the *Financial Sector Initiative*, through which MIGA extended support to the financial institutions in the aftermath of the financial crisis. As the impact of the crisis receded, the level of underwriting under this initiative has also declined from the US$558.3 million reported under the initiative in FY09.

As a result, MIGA's gross portfolio exposure increased to US$7.5 billion in the first half of FY10 from US$6.7 billion in the first half of FY09. Sub-Saharan Africa share amounted to US$857 million, or 11 percent of the total gross portfolio exposure. Likewise, net portfolio exposures increased to US$4.1 billion from

US$3.6 billion, with SSA accounting for US$689 million, or 16.7 percent of the total net exposure. This exposure change resulted mainly from issuance of new guarantees during the first half of FY10, as well as other factors such as portfolio runoffs and currency revaluations.

**Table 2.5. MIGA's Operations (US$ million)**

| | FY07 | FY08 | FY09 | FY10 (H1) | FY09 (H1) |
|---|---|---|---|---|---|
| Total Guarantees Issued | 1,368 | 2,098 | 1,377 | 513 | 554 |
| Gross Exposure | 5.3 | 6.5 | 7.3 | 7.5 | 6.7 |
| Net Exposure | 3.2 | 3.6 | 4.0 | 4.1 | 3.6 |

**Source: World Bank Database**

During FY10, portfolio run-off, which negatively impacts the size of the overall portfolio, increased to US$335.9 million from US$179.5 million in the corresponding period of FY09. This happened on account of guarantees cancellation, expiry, value reduction, but mainly due to repayments of the underlying loans covered by MIGA guarantees in FY10.

On the positive side, a translation adjustment to the Euro denominated part of the portfolio of US$16.7 million was recorded in the first half of FY10 due to the US Dollar depreciation against the Euro. This is a shift from the negative change of US$112.7 million translation adjustment recorded over the same period in FY09.

**Table 2.6. Risk Profile of Outstanding Contracts by Sector**

| | Gross Exposure | | Net Exposure | |
|---|---|---|---|---|
| | US$ Million | Share (%) | US$ Million | Share (%) |
| Agriculture | 74.1 | 0.99 | 66.7 | 1.62 |
| Construction | 5.8 | 0.08 | 5.8 | 0.14 |
| Financial | 3,711.2 | 49.54 | 1,783.0 | 43.23 |
| Infrastructure | 2,465.6 | 32.91 | 1,460.7 | 35.41 |
| Manufacturing | 608.1 | 8.12 | 359.3 | 8.71 |
| Mining | 159.4 | 2.13 | 51.1 | 1.24 |
| Oil & Gas | 285.1 | 3.81 | 234.8 | 5.69 |
| Services | 163.4 | 2.18 | 146.6 | 3.55 |
| Tourism | 18.1 | 0.24 | 16.7 | 0.41 |
| Total | 7,490.8 | 100 | 4,124.8 | 100 |

**Source: World Bank Database**

### 2.5.1 Environment and Social Sustainability

MIGA's social and environment specialists visited seven projects, including four in the infrastructure sector, to carry out due diligence. Two other infrastructure projects and a manufacturing project were also visited to carry out monitoring of social and environmental compliance assessment.

In Africa, MIGA's "Environmental and Social Challenges Fund for Africa" (J/MTF) completed the second phase of a program supporting a project in developing and implementing an Environmental and Social

Management System. The J/MTF Coordinator completed a scoping mission to Ethiopia and Sierra Leone and visited four projects which are potential Trust Fund candidates.

### 2.5.2 Technical Assistance

Foreign Investment Advisory Service (FIAS) completed 14 Outputs that fell under the Investment Generation portfolio. These included achieving key results on land reform in Nigeria where property transfer time, payment confirmation time were reduced by half

In Rwanda, 47 companies have received facilitation services to identify the main investment climate obstacles they are facing, address their concerns and assist them in fast-tracking their investment projects. These projects are expected to infuse US$127 million in the Rwandan economy and create over 500 jobs.

# Chapter 3

## Selected Policy Issues

- Bank Response to the Financial Crisis
- IBRD and IFC Financial Capacities
- Post Crisis Directions and the African Strategy Update
- Internal Reform Agenda
- Voice and Participation – Phase 2
- IDA 15 Mid-Term Review

# SELECTED POLICY ISSUES

## 3.1 Bank Response to the Financial Crisis – an Update

The succession of a series of global crises (food, fuel, and financial) has led to an increasing recognition that there is a gap in the international aid architecture to systematically assist low-income countries (LICs) in dealing with the impact of large shocks on government core spending and on the poor and vulnerable. The slow-down in economic activity as a result of the financial crisis has reduced fiscal revenues in many countries putting core spending at risk. The World Bank estimates that in IDA-only countries annual core spending needs at risk amounted to about US$11.6 billion in 2009. Many IDA countries have protected core spending in areas such as social protection, education, and health by running higher fiscal deficits, frequently financed from unsustainable sources such as domestic borrowing from the banking sector or the drawdown of savings. As these financing sources are not sustainable in most cases, concessional external financing becomes even more critical if core spending is to be protected without risking macroeconomic disequilibria.

In line with this view, the Development Committee and the G-20 requested the World Bank to examine the feasibility of a new crisis response mechanism to protect LICs from crises. In response to these requests—and based on feedback from donors and clients, including discussions at the IDA15 Mid-Term Review—Management proposed and the Board approved the establishment of a Crisis Response Window (CRW) within the IDA financial architecture. The facility will be implemented in two phases. In the first phase, the Bank established a pilot CRW in IDA15 to assist IDA countries in mitigating the impact of the current global crisis. In this case the CWR covers the second half of IDA15 (i.e., January 2010 - June 2011). In the second phase, a proposal for a more general crisis response window will be presented in the course of the IDA16 replenishment process.

Eligibility of resources from the window would be limited to non-oil exporting IDA-only countries. It is expected that funds will be used to protect core spending including on health, education, safety nets, infrastructure, and agriculture. Implementation should be fast and make a difference on the ground. Consequently, the bulk of CRW resources are expected to be used for scaling up ongoing activities through Additional Financing for investment projects or Supplemental Development Policy Operations that directly address the country level impact of the crisis.

## 3.2 IBRD and IFC Financial Capacities

As a result of the crises, the commitments made over the past two years, the strong pipeline for the remainder of FY10, and the expectations that Bank clients' demand will remain high over the next two years, IBRD's financial capacity is expected to be stretched. IFC is also facing a capital constraint, with the financial crisis having unfavorably affected its profitability and capital position.

IBRD has adopted various measures to expand its financial capacity to ensure continued delivery of services to its clients. It has continued to exercise budget discipline and improve efficiency by maintaining a flat budget in real terms since 2006 even as the institution scaled up lending in FY09-10. The IBRD continues to undertake measures to maximize the use of its existing resources while adhering to its prudent financial

policies. These measures include leveraging IBRD's balance sheet, allowing reasonable flexibility in IBRD's equity/loan ratio relative to the strategic capital adequacy range, introducing a new exposure management framework that makes efficient use of existing capital given country and portfolio risks through the allocation and reallocation of credit limits among countries, suspending implementation of IBRD's Long-Term Income Portfolio program to boost risk capital in the short term, and working with relevant shareholders to release their national currency paid-in capital.

The Development Committee was informed of the financial profile of the institution and the ongoing measures to ensure the institution's sustainability at the Annual Meetings in October 2009 in Istanbul. The Committee welcomed the interim measures geared at improving the Bank Group's financial capacity and committed to ensure that the Bank Group has sufficient resources to meet future developments challenges. The Committee asked for an updated review of the Bank's general capital needs to be completed by spring 2010 and ready for decision. It requested that the review address all possible contingent approaches as well as keep in mind the injection of capital that would come from a selective capital increase for voice reform.

The Board has held several discussions on exploring contingent capital approaches, possibility of charging premiums for longer maturity loans as part of a package to enhance IBRD's financial capacity and refining the assessment of IBRD's general capital increase (GCI) needs. Further discussions on the size and modalities of a GCI and other mechanisms are expected to be concluded during the Spring Meetings in April 2010.

In an effort to ease IFC capital adequacy constraints to support the corporation's development goals, capital management alternatives consisting of a combination of a GCI and new hybrid capital instrument have been under discussions. One put forward is for a hybrid to serve as a bridge to GCI; the other is that a hybrid be pursued in parallel with a smaller GCI supplemented by a long-term hybrid. The possibility of an SCI in the context of the IFC voice reform has also been put on the table but its impact is expected to be limited on capital adequacy.

## 3.3 Internal Reform Agenda

A broad-based reform program has been launched to bolster the institution's capacity to address the challenges and opportunities of a post-crisis world. These reforms cover the review of instruments, establishing a global bank to enhance service delivery through a decentralization process, embarking of a human resource reform and improving the capacity to measure and manage by results. While these reforms are still unfolding, their objectives and emerging directions are highlighted for information of the Constituency.

*Instrument Review*- the focus is on upgrading the Bank's financial and knowledge services to enhance responsiveness to clients and strengthen partnership. A key instrument under review, the Investment Lending instrument, is being redesigned to focus more on risk identification, implementation and results. The knowledge strategy is also under review and it aims to strengthen the Bank's ability to generate, capture and create incentives for sharing knowledge across the Bank Group and with partners.

*Global Bank* – There is a push to further decentralize the Bank and enhance its field presence especially in low-income and fragile states with more task and sector management in the field. The proposal is also exploring options for establishing larger offices outside Washington DC.

*Human Resources Reform* – There is also underway, a human resources reform that is geared at ensuring staff mobility, organizational flexibility and a more incentive and performance based structure.

## 3.4 Voice and Participation – Phase 2

Following closely on the heels of the G20 agreement in 2009, for at least a 3% increase in voting power of Developing and Transition Countries, the Development Committee at its October 2009 meeting in Istanbul reiterated its commitment to reach consensus on the World Bank Group Voice Reforms by April 2010, along the same lines as the G20, in the following statement:

> **"**We are committed to pursue governance and operational effectiveness reform in conjunction with voting reform to ensure that the World Bank is relevant, effective, and legitimate. We stressed the importance of moving towards equitable voting power in the World Bank over time through the adoption of a dynamic formula which primarily reflects countries' evolving economic weight and the World Bank's development mission, and that generates in the next shareholding review a significant increase of at least 3% of voting power for developing and transition countries, in addition to the 1.46% increase under the first phase of this important adjustment, to the benefit of under-represented countries. While recognizing that over-represented countries will make a contribution, it will be important to protect the voting power of the smallest poor countries. We recommitted to reaching agreement by the 2010 Spring Meetings".

### 3.4.1 IBRD Shareholding Realignment

As the target date for reaching agreement on the Phase 2 reforms package draws near, Voice Reform at the World Bank Group continues to elicit intensive discussions among stakeholders. In this regard, and in a bid to ensure that there is no slippage on the April 2010 date, DC Deputies met in Washington DC on February 18 – 19, 2010 and considered the various options on the table with the aim of narrowing down areas of differences and moving towards consensus.

The DC Deputies reconfirmed a consensus on IBRD shareholding review and realignment to achieve another increase in DTC voting power of at least 3%, in addition to the 1.46% increase in Phase 1 through a dynamic formula which primarily reflects countries' evolving economic weight and the Bank's development mission. To meet the goal for IBRD, there was general agreement on five building blocks: (i) economic weight; (ii) recognition of financial contributions; (iii) recognition of development contributions; (iv) protection of the smallest poor; and (v) introduction of periodic shareholding review. Although there was broad agreement on the five areas, members still held divergent views on the issues of formulas and details that are acceptable within the five areas. It was therefore agreed that more work needed to be carried out, with additional meetings, ahead of the April 2010 Development Committee meeting.

### 3.4.2 IFC Voice Reform

On IFC, the goal is to achieve a significant increase in DTC voting power. There is emerging support for a broad and flexible alignment of IFC with IBRD shareholding. While there appeared to be growing consensus for use of Basic Votes and some form of selective capital increase, among others, details are however still being discussed. As a starting point, it was agreed that IFC Management should begin consultations with member countries, for formal non-binding indications of interest to take up shares in an SCI.

Whilst consensus is already forming on broader issues and principles, stakeholders intend to consult further with the aim of narrowing down differences and reaching agreement by April, 2010.

For Sub-Saharan Africa, it is evident that the major gains came with the Phase 1 Reforms in terms of a third chair and increase in Basic Votes. In the Phase 2 discussions, it is important to ensure that the voting power of SSA is maintained at post Phase 1 level. However, we find that the focus of Phase 2 reforms on "protecting the smallest poorest" may not provide adequate protection for all countries, as some will fall through the cracks when the Bank goes into revising the definition of the "smallest poor".

## 3.5 IDA15 Mid-Term Review

Representatives of donor countries (The Deputies) that support the financial capacity of the International Development Association (IDA), together with representatives of IDA's clients (Borrower Representatives) met in Washington DC from 18th to 20th November, 2009 to review progress in the implementation of the IDA 15 framework, taking into account the implications of the global financial crisis. The meeting reviewed (i) the IDA15 financing framework, (ii) IDA's role in the global aid architecture, (iii) IDA's country-level effectiveness, and (iv) IDA's effectiveness in Fragile States.

### 3.5.1 IDA15 Financing Framework

Given IDA's fixed resource envelop during a replenishment period, the response to the crisis through front-loading of existing IDA 15 allocations in FY09 and FY10 is projected to result in lower level of resources during the remaining IDA15 period. It was deemed important to ensure that the financing framework remains intact. Although donors had formalized the pledges with Instruments of Commitment which cover 99 percent of the financing requirement for the first year of IDA15, a key challenge that remained was getting firm appropriated commitments for donor financing in lieu of the forgone reflow arising out of the MDRI. The recommended approach to addressing the shortfall was to amend the MDRI resolution to harmonize it with the African Development Fund and use some internal resources to cover any remaining MDRI financing.

In addition, despite the financing provided by IDA and other multilateral agencies, a significant financing gap to the tune of US$11.6 billion was identified to protect core spending requirements in IDA countries. In this regard, two proposals were put forward for Deputies' consideration. The first was the establishment of the Crisis Response Window already discussed in section 3.1. The second proposal was to eliminate the MDRI netting out mechanism, which leads to a reduction in resources IDA allocates to many countries in Africa, Latin America and the Caribbean by the amount of forgiven debt service under each replenishment cycle. Management made the proposal in order to reverse the decrease in IDA's new allocations to countries and to scale up assistance to low-income countries that have been hit hard by the financial crisis. While some Deputies supported the proposed change, the majority preferred to preserve the principles (equity and avoidance of moral hazard) underlying the netting-out principle.

### 3.5.2 Multilateral Debt Relief Initiative Financing Gap

The Deputies asked management to seek Board and Governors' approval of a change in IDA's financing framework to allow IDA to count as part of its resources available for lending to countries, 85 percent of *qualified* donor financing commitments towards the Multilateral Debt Relief Initiative (MDRI). Under existing procedures, donor funding commitments that are qualified are not regarded as being available for IDA's immediate use (the commitment authority). The amount of such qualified funding commitments remains substantial as a number of countries continue to face budgetary difficulties to commit funding for forty years. Thus, if the proposed change is not effected, IDA will in future have to scale back its lending to levels consistent with its ability to disburse on its commitments to client countries. Therefore, the proposed change is intended to allow IDA to utilize fully its commitment authority under IDA15 and in future replenishment cycles. To avoid undermining the mutual trust that underpins IDA's financing framework, the Deputies recognized the need to qualify the proposed change as not altering donor commitments to fully fund the MDRI.

### 3.5.3 Review of Other IDA 15 Recommendations

In addition to the financial issues, the following special themes and policies underpinning the IDA15 framework were reviewed.

#### *i. IDA's role in the global aid architecture*

Noting the role played by IDA in supporting countries as they weathered the immediate impact of the food, energy and financial crisis, the Deputies focused on the areas important for the long term development agenda, particularly climate change, gender equality and regional integration.

*Climate Change Action* - Participants strongly supported IDA's facilitating role as a development platform in the context of supporting climate change action. They noted considerable progress in scaling up financial flows to climate-sensitive sectors and integrating climate change risks in CASs. Many participants supported Management's proposal to strengthen the monitoring of climate actions within the IDA portfolio. Several participants underscored the importance of additionality and of ensuring that climate actions not divert resources from poverty reduction and other core development programs. Participants strongly urged the avoidance of proliferation of funds and instruments for climate change. They noted that the climate financing architecture and division of labor would need to be discussed after the Copenhagen meeting.

*Gender Action Plan* - Participants welcomed progress in implementing the Gender Action Plan (GAP) and the commitment of President Zoellick to increase IDA investments for gender equality. While initial results are encouraging, challenges remain. Participants encouraged the Bank to continue to use its range of instruments; its multi-sectoral reach and its country dialogue to help countries mainstream gender in both social and economic sectors, with a particular focus on women's empowerment and to ensure appropriate funding for gender activities including from the Bank. In order to advance gains in the gender mainstreaming supported by the GAP beyond December 2010 when the GAP Trust Fund closes, Participants endorsed management's proposal to develop a GAP Transition Plan. Participants welcomed the Bank's consideration of a World Development Report on gender issues in 2012, and urged that gender be a key theme for IDA16.

*Regional Integration* - Participants stressed the importance of regional integration for development in Africa and other regions and encouraged IDA to increase geographical coverage of the regional program and participation of non-IDA countries. They agreed that IDA could expand, on a pilot basis, grant financing to regional entities acting as implementing agencies for regional projects after ensuring that adequate due diligence is undertaken and that other sources of grant funding were appropriately accessed.

#### *ii. IDA's country level effectiveness*

The review on country level effectiveness focused on the aid effectiveness agenda, improvements in IDA's operational efficiency and the results orientation of its programs and operations. The resource allocation framework was also discussed.

*Aid Effectiveness and Results Measurement* -They appreciated the Bank's progress to date in meeting IDA15 commitments on aid effectiveness and results measurement. They welcomed the progress on investment lending reform including the shift to a risk differentiated approach and the focus on implementation support. They urged a continued focus on strengthening and using country systems, including through capacity building. They noted that successful decentralization across all regions, particularly to fragile states remained central. While participants were broadly satisfied with Bank efforts to meet commitments to the Paris and

Accra Declarations, some participants reported that implementation was uneven. They emphasized the need for further progress consistent with the Bank's leadership role on development effectiveness. Participants strongly supported the ongoing institutional effort to address weaknesses in IDA's controls for managing fraud and corruption and welcomed the significant progress in this regard.

*Performance Based Allocation System-* They also reviewed IDA's Performance Based Allocation system and its effectiveness in allocating resources to countries that achieve better development outcomes. Several participants stressed the need for a comprehensive review of the allocation system particularly with regard to the emphasis placed on needs and vulnerability. Participants noted progress achieved with the implementation of the Output Based Aid (OBA) approach and, while acknowledging challenges, requested IDA to carefully explore further use of the OBA.

### *iii. IDA work in Fragile and Conflict Affected Countries*

Three reports were considered in reviewing IDA's effectiveness in fragile and conflict affected countries. Participants welcomed progress in IDA's work in these countries, but also noted that significant challenges remain. They urged further progress on decentralization of and incentives for staff to work on fragile states and other human resources related issues; implementation of partnership agreements, particularly with the United Nations; and strengthening the performance of Multi Donor Trust Funds. While Participants broadly agreed with the recommendations of the external panel established to review IDA's Post-Conflict Performance Indicators, some expressed caution regarding the need to develop criteria for "turnaround countries". Participants also acknowledged the positive operational and financial impacts of the lengthened phase-out period and, in light of this experience, some suggested consideration be given to lengthening this period even further in IDA16.

# Chapter 4

## Constituency Matters

- Africa Group I Constituency Coordination
- Update on the Third Chair for SSA and Constituency Reconfiguration
- Voice Secondment Program (VSP) Update

# CONSTITUENCY MATTERS

## 4.1 Africa Group I Constituency Coordination

Africa Group I Constituency has since shared parallel membership on the Boards of World Bank and International Monetary Fund. In this regard, constituency activities have been coordinated jointly by the offices of the Executive Directors of the Bank and the Fund on an annual rotational basis.

However, in view of the Voice Reforms at the BWIs and related approval of the third chair for SSA on the Boards of the World Bank, the two SSA constituencies in the Bank would be reconfigured into three new constituencies. This implies that the parallel structure of the Africa Group I at the World Bank and IMF will seize to exist by October 2010. While the 21 member countries will continue to be represented by one Executive Director at the IMF, the 22 member countries in the Bank will have to split into new groups. Beginning November 2010, the constituency activities will therefore have to be coordinated separately by the respective offices of the Executive Directors in the Bank and the Fund.

## 4.2 Update on the Third Chair for SSA and Constituency Reconfiguration

A significant progress has been made on the reconfiguration of Sub-Saharan Africa Constituencies in the context of the 25th Chair on the World Bank Boards. The African Caucus meeting in Freetown in August 2009 built on earlier engagements by the current two constituency bureaus to confirm the guiding principles (on sovereign choice, average size of constituency, and voting power) and proposed scenarios for reconstituting the new constituencies (geographical location-Eastern, Western and Southern African groups-, and combination of regional economic blocs). It was expected that the process of reconfiguration would have been concluded in Istanbul, Turkey in October 2009. This was, however, not realized.

### 4.2.1 Outcome of the African Caucus Meetings in Istanbul Turkey

Countries could not agree on any of the proposed scenarios for reconfiguring the constituencies. In this regard, an ad hoc committee was established to follow up on the reconfiguration process and made appropriate recommendations. The committee comprises of the Chair of the Caucus (Mauritania), the Chairs of the two constituency bureaus (The Gambia and Cote d'Ivoire) and the Executive Directors for Constituencies I and II, respectively.

### 4.2.2 Expectations from Sub Saharan African Countries on the Reconfiguration

The two existing Sub-Saharan Africa Constituencies in the World Bank are expected to urgently conclude their reconfiguration process into three viable constituencies. The following issues underscore the urgency to bring the reconfiguration process to a closure as early as possible with clear pronouncements on the three new constituencies.

- The regular elections for Executive Directors in the World Bank and International Monetary Fund Boards will be held in October 2010. Therefore the reconfiguration should be concluded well in advance of the voting date to facilitate a timely and smooth process of nominating and voting for the ED.

- Given that each new constituency would need to address its internal governance arrangements in terms of rotation of Board and Development Committee representations, there is time implication in developing and negotiating these in readiness for the election. Therefore pronouncement on the new groups as soon as possible would be helpful.

- Given the lead-time and processes required by the Management and Board of the World Bank Group to establish and operationalize the three offices – identifying budgetary resources, space, equipment, and staffing realignment – ahead of the 2010 election of Executive Directors, it is important for the reconfiguration to be concluded not later than end May.

Based on the above, the African Caucus Committee on the Reconfiguration is expected to spearhead the process by substantiating the status and concluding the reconfiguration process bearing in mind the guiding principles.

## 4.3 Voice Secondment Program (VSP) Update

In December 2009, the Board approved a renewal of the VSP for another five years in order to build on the momentum gained and increases the number of trained civil servants in the member countries. Over the past five years, the Program matured and established itself as a comprehensive capacity-enhancement tool. It also contributed to increasing the countries' operational effectiveness, knowledge sharing, and partnerships with the Bank. To further deepen the impact of the program, the following improvements were introduced:

- ***Partnerships and Program Ownership:*** stronger partnering with the Bank's country teams in all stages of the program, from nomination to post-assignment monitoring.

- ***Nomination:*** Executive Director's (ED) office and the regional VPUs would collaborate to ensure that nominations of participants are consistent with the strategic capacity-building and operational needs of the countries.

- ***Selection:*** To reinforce quality at entry, a minimum rating criterion would be introduced to the selection process to ensure that participants strongly match the program's objectives.

- ***Post Assignment Monitoring:*** Alumni's placement in key positions in focal agencies is a critical success factor in achieving the expected results; therefore, the ED would continue to monitor alumni's utilization.

- ***Program Monitoring and Evaluation:*** increase the M&E effectiveness and response rates to program surveys.

- ***Future Program Funding:*** funding for the program estimated at $5 million to cover the next three fiscal years (FY2011-2013) will be secured from the Bank's budget.

The sixth cohort started in January 2010 with five participants from countries in our constituency: Mozambique, Namibia, Nigeria, Seychelles, and Zimbabwe. Calls for the next cohort have been issued, and we expect the active participation from members.