Botswana

Burundi

Eritrea

Ethiopia

Gambia, The

Kenya

Lesotho

Liberia

Malawi

Mozambique

Namibia

Rwanda

Seychelles

Sierra Leone

Somalia*

South Sudan

Sudan

Swaziland

Tanzania

Uganda

Zambia

Zimbabwe

Africa Group I Constituency

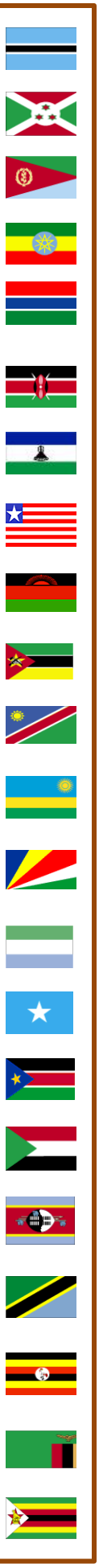
FY14 Annual Report

October 2014

WORLD BANK GROUP

IBRD
IDA
IFC
MIGA

Denny Hamachila Kalyalya
Executive Director



** Informal*

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Acronyms

ADB	African Development Bank
AFG1	Africa Group 1 Constituency
CCSA	Cross-Cutting Solution Areas
CPIA	Country Policy and Institutional Assessment
DCs	Developing Countries
DSA	Debt Sustainability Assessment
DSF	Debt Sustainability Framework
EAC	East African Community
ECA	Europe and Central Asia
ECB	European Central Bank
ECOWAS	Economic Community Of West African States
ED	Executive Director
EITI	Extractive Industries Transparency Initiative
FCS	Fragile and Conflict-affected States
FDI	Foreign Direct Investment
FY	Fiscal Year
GDP	Gross Domestic Product
GP	Global Practice
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
LAC	Latin American and Caribbean
LICs	Low Income Countries
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MENA	Middle East and North Africa
MICs	Middle Income Countries
MIGA	Multilateral Investment Guarantee Agency
NCBP	Non-Concessional Borrowing Policy
PPP	Public Private Partnership
SA	South Asia
SADC	Southern Africa Development Community
SDR	Special Drawing Rights
SIDS	Small Island Developing States
SSA	Sub-Saharan Africa
VSP	Voice and Secondment Program
WB	World Bank
WBG	World Bank Group

Foreword by the Executive Director

I am pleased to present the 2014 *Annual Report* of the Africa Group 1 Constituency at the World Bank Group (WBG). This Annual Report is issued during a period when the WBG has gone through an unprecedented reform, that began in financial year 2013 (FY13) with the endorsement during the 2013 Spring Meetings of the two goals, which refocus the work of the WBG on *(i) ending extreme poverty by reducing the number of people living on less than US$1.25 per day to 3 percent by 2030*; and *(ii) promoting shared prosperity by fostering income growth for the bottom 40 percent of the population in all countries.* In pursuit of these goals, the WBG, after a process of internal and external consultations, developed a Corporate Strategy that was also endorsed by the Governors at the Development Committee Meeting during the 2013 Annual Meetings.

Following endorsement of the Strategy, the WBG embarked on a process of reforms, which culminated into the reorganization of the internal operational structures of the WBG into sixteen *Global Practices (GPs)* and five *Cross Cutting Solution Areas (CCSAs).* The main objective of the structural reform was to break down the culture of regional and thematic silos, which was perceived to discourage sharing of knowledge and best practices among the various regional units across the WBG. The new organizational structure is expected to strengthen the WBG engagement with client countries and therefore to lead to better development outcomes.

On July 1, 2014 the WBG unveiled a new structure and implementation of the new Strategy in pursuit of the two goals started in earnest. These goals are ambitious and can only be achieved through a strong partnership between the WBG and member countries. It is also recognized that strong leadership from the WBG President will be a key factor in ensuring that WBG country teams are adequately capacitated to deliver results. More importantly, specific policy priorities by countries are required to ensure ownership and sustainability of results.

While these policies will vary from country to country, several areas are essential for inclusive growth in the Sub-Saharan Africa (SSA) including investment in infrastructure, increased private sector investment, macroeconomic stability and good governance. A dynamic agricultural sector is also crucial for strong and inclusive growth. Although SSA made significant economic progress in recent years, more needs to be done both in terms of policy reforms and resource transfer to accelerate growth and promote shared prosperity. In the last decade, many SSA countries have increased investment in infrastructure, but the sub-region still faces a huge infrastructure gap compared to other regions. This gap needs to be closed if SSA is to be competitive in attracting foreign direct investment and facilitating regional integration. Against this backdrop, SSA policy makers need to strategize on how best to work with all the WBG entities – IDA, IBRD, IFC and MIGA. In this context, SSA leaders have to think about how to take advantage of the record increase in the IDA replenishment from US$49 billion in IDA 16 to US$52 billion in IDA 17. Several implementation policies for IDA 17 are described in detail in Chapter 3 of this report.

With respect to growth prospects, recent World Bank data indicate that the global economy continues to recover with divergent rates of growth across regions. The SSA region continues to be among the fastest growing regions of the world, but there are countering factors that pose a challenge for the performance of the region. Economic performance in SSA will continue to face the drag imposed by conflict, disease (notably Ebola epidemic currently), climate change, supply-side constraints and weakening commodity prices. Further, currency instability and widening fiscal

deficits are likely to remain key macroeconomic challenges for several economies. Export prices are expected to slow down, due to softening commodity prices, particularly for copper, iron ore and gold. Imports are expected to widen as consumer demand strengthens, causing a widening in current accounts

Countries in Africa Group 1 (AFG1) Constituency continued to exhibit strong growth performance, with several countries growing at rates higher than the SSA average of 4.7 percent. Growth outlook for the Constituency is promising, but countries must position themselves for effective partnership with the WBG in the context of the new Strategy to maintain the growth momentum.

Finally, I would like to take this opportunity to express my heartfelt appreciation to Governors, Alternate Governors, and their officials for their guidance and support during the two years of my tenure as Executive Director. The Office has continued to advocate for improved development effectiveness of the Bank's policies and programs in client countries. Further, we have urged WBG Management to be sensitive to peculiar country circumstances, respect country sovereignty, and promote country ownership of programs. We believe that the latter will be particularly important as the Institution rolls out the new country engagement framework comprising the Systemic Country Diagnostic (SCD) and the Country Partnership Framework (CPF). In this regard, we have urged Management to be accommodative of countries' national aspirations rather than prescribing what they believe is best for respective countries.

We have strengthened collaboration with the other SSA EDs for matters pertaining to the Caucus and at the Board, and in relating with Management. We have managed to get Management's commitment on assistance for regional projects in energy and agriculture, with Staff dedicated to these initiatives. Our collaboration was also instrumental in the approval of emergency funding for the Horn of Africa to support the emergency response for nutrition and health following the drought and famine. More recently, we galvanized Board support for the Ebola Emergency Response Project (EERP) to assist the governments of Guinea, Liberia, and Sierra Leone to respond to the Ebola crisis. In addition, strong commitment has been secured for the WBG President to follow through on our concerns regarding the underrepresentation of Africans within the ranks of senior Management. In this respect, Management is examining modalities of building a pipeline of African professionals to improve diversity and inclusion in the Institution.

We have endeavored to keep the Constituency intact. At the beginning of my tenure, the Constituency welcomed South Sudan as the newest member. We have since reached out to Somalia. I have visited all the capitals, except for Eritrea and Somalia, and held fruitful talks with Governors, their colleagues and other key stakeholders. The Office will, under the able guidance of my successor, Mr. Peter Louis Larose, continue to follow up on the outstanding issues. I wish to appeal to Governors and Alternate Governors to accord Mr. Larose the same kind of support.

This Annual Report provides further highlights of these and other issues pertinent to our development agenda. I hope Governors will find the report useful.

Denny H. Kalyalya
Executive Director

Executive Directors

 Mr. Denny H. Kalyalya Executive Director ZAMBIA	 Mr. Louis Rene Peter Larose Alternate Executive Director SEYCHELLES

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Wubalech Mekonnen Sr. Executive Assistant Ethiopia	Mohammed Ahmed Program Assistant Sudan	Catherine Samali Kavuma Program Assistant (Retired June 2014) Uganda

Executive Summary

The global economy continued to expand at a subdued pace in 2014. Most countries are likely to see moderation in economic activities due to mixed developments, largely led by a recovery in high income countries, on the back of accommodative policies, a buildup in business and consumer confidence, muted effects of fiscal consolidation and banking system difficulties. Developing countries, which had led much of the growth in the post-crisis era, have registered flat growth in 2013 and 2014.

The World Bank has revised its global growth projections in 2014 downwards from 3.2 percent to 2.8 percent, which is marginally higher than the actual growth of 2.4 percent in 2013. In high income countries, GDP growth is estimated at 1.9 percent in 2014, and is expected to edge upwards to 2.4 percent and 2.5 percent in 2015 and 2016, respectively. Amongst the high income countries, the recovery is most pronounced in the United States, where the economy is projected to grow by 2.1 percent in 2014, firming up to 3.0 percent in both 2015 and 2016. In the Euro Area, growth is projected to be 1.1 percent in 2014 and 1.8 percent and 1.9 percent in 2015 and 2016, respectively.

Growth in Developing Countries was strong despite a deceleration in Asia and significant domestic supply constraints in some emerging economies. Geopolitical tensions in Ukraine and the Middle East, the softening of commodity prices and the outbreak of the Ebola crisis in West Africa are expected to dampen growth prospects for developing countries in 2014. Further, normalization of monetary policy in high income countries could lead to a tightening of financial conditions and raise financing costs for developing countries.

In Sub-Saharan Africa (SSA), GDP growth is estimated at 4.7 percent in 2014; 5.1 percent in both 2015 and 2016. Strong domestic demand and relatively resilient flows of foreign direct investment remained the major factors driving growth in the region. The average growth rate for countries in Africa Group 1 Constituency (AFG1) is estimated to be about 5.4 percent in 2014 and the growth outlook remains favorable, with half of the Constituency members performing above the SSA medium term average of 5.4 percent. However, disruptions caused by the Ebola crisis have posed significant downside risks on this outlook.

During FY14, the combined commitments of IBRD and IDA increased to US$40.8 billion from US$31.6 billion in FY13. This increase was attributed to increases of 22 percent and 36 percent in both IBRD and IDA commitments, respectively. Although SSA is still the largest recipient of IDA resources, with a record commitment of US$10.2 billion, this level fell short of the 50 percent target for IDA16. The largest increase in IDA resources in FY14 went to South Asia region, which saw its commitment increasing by over 100 percent from US$4.1 billion in FY13 to US$8.4 billion.

IFC approvals and commitments decreased in FY14. Commitments decreased from US$18.30 billion in FY13 to US$13.80 billion in FY14. Similarly, approvals decreased from US$15.8 billion in FY13 to US$10.4 billion in FY14. IFC commitments to SSA in FY14 remained at around US$3.0 billion. However, while approvals either decreased or remained the same for other regions, they increased for SSA. Approvals for SSA increased from US$1.9 billion in FY13 to US$2.3 billion in FY14. Disbursements to SSA also increased from US$1.2 billion in FY13 to US$1.5 billion in FY14.

MIGA, which insures projects against political risks, issued guarantees amounting to US$3.2 billion in FY14, up from US$2.8 billion in FY13. However, despite its effort to strengthen its presence in Africa and in IDA countries in recent years, the number of projects supported by MIGA guarantees in SSA decreased from fourteen in FY13 to seven in FY14. Importantly, though, the supported

investments were aligned with MIGA's priorities of supporting infrastructure projects in IDA countries.

The IDA 17 framework, which will be supported by pledged contributions amounting to US$ 52 billion to the 77 IDA member countries, took effect on July 1, 2014 with an implementation period of three years ending on June 30, 2017. Under IDA17, key changes were made to the allocation framework to not only shore up the long term financial sustainability of IDA, but to enhance support for fragile and conflict affected states (FCS), strengthen the poverty orientation of the allocation system and foster regional solutions. These include the hardening of terms on credits to IDA-only countries, increasing the base allocation to Small Island Developing Countries (SIDS), providing exceptional assistance to "turn-around countries" – an FCS deemed to be at a critical transition point out of fragility – and continuation of the Crisis Response Window.

The Environmental and Social Safeguards Framework of the World Bank are under review. The main intention of the proposed framework is to modernize the policies that safeguard people and the environment in the World Bank-financed projects in line with the WBG twin goals of eradicating extreme poverty and boosting shared prosperity. The proposal covers ten standards, including involuntary resettlement, Indigenous Peoples, and cultural heritage. In consultations with African Governors at the 2014 African Caucus held in Khartoum, Sudan in September 2014, the World Bank was urged to listen attentively and carefully to a wide range of stakeholders and take appropriate cognizance of the values and cultures of its client countries and respect for national constitutions and to ensure that critical development projects are unduly delayed or unsupported by the Bank.

Following the approval of the Voice Reforms obligations in 2010, the deadline for payment of capital subscriptions is soon approaching. The status report points to outstanding contributions for Constituency member countries for both the IBRD and IFC. Contributions for the IBRD Special Capital Increase and General Capital Increase are due on March 16, 2015, and March 16, 2016, respectively, while the deadline for IFC is June 30, 2015.

Chapter 1

Economic Developments and Prospects

- Global Economic Performance
- High Income Countries
- Developing Countries
- Africa Group I Constituency

Chapter 1

Economic Developments and Prospects

1.1 Global Economic Performance

1.1.1 Economic Growth

The global economy picked up momentum in 2014, after slowing marginally in 2013, and is projected to progressively accelerate over the medium term. The recent uptick in economic activity was largely led by a recovery in high income countries, on the back of accommodative policies, a buildup in business and consumer confidence and muted effects of fiscal consolidation and banking system difficulties. In contrast, developing countries, which had led much of the growth in the post-crisis era, have registered flat growth in 2013 and 2014.

1.1.2 Inflation

Global inflationary pressures remained low in 2013, but began to build up in 2014. Inflation in high income countries declined to 1.4 percent in 2013, from 2.0 percent 2012, but rebounded to 2.0 percent by mid-2014. In developing countries, inflation trended upwards, rising from 6.4 percent in 2012 to 7.4 percent in 2013 and further to 7.6 percent by mid-2014.

Inflation in 2013 was more prevalent in the *Middle East and North Africa* (MENA) region on account of political-based disruptions. Inflation in that region increased to 19.1 percent from 11.7 percent in 2012. In the first half of 2014, inflationary pressures picked up in the *Latin America and the Caribbean* (LAC) region, which registered significant currency depreciation and rising food prices. Inflation in LAC rose to 13.9 percent by mid-2014, from 9.9 percent in 2013 and 7.0 percent in 2012. Though inflation eased in most developing regions, an outlook of mounting inflationary pressures has prompted several central banks in developing countries to tighten monetary policy.

The World Bank projections of inflation over the short to medium term suggest that global inflation will remain modest around 3.0 percent. While inflationary pressures in high income countries are projected to remain muted, inflation in developing countries is projected to accelerate to 7.0 percent, reflecting pass-through effects of currency depreciation, political conflict and excess demand.

1.1.3 Medium-term Outlook

The medium term outlook for the global economy is favorable, with economic performance expected to firm in high income countries and remain robust in developing countries. In the US, improvements in labor market conditions and strengthening investment spending are expected to continue to outweigh the effects of fiscal consolidation that began in 2013. The positive effects of accommodative monetary policy and a one-time hike in sales tax, which influenced an uptick in economic activity in Japan in 2013, are expected to gradually weaken in 2014 and beyond as structural reforms are undertaken. The Euro Area, boosted by strengthening business and consumer confidence, is expected to post its first year of positive economic growth since falling into recession three years ago.

While earlier risks relating to debt distress and banking sector fragility have dissipated, other less potent risks have remained. High income countries remain exposed to carry over effects in the event financial distress in China's highly leveraged economy. Further, deflation in the Euro Area, a disruption in gas supplies from Russia and a buildup of asset bubbles in the US pose as credible threats. Overall, economic recovery in high income countries will be a crucial element in supporting the growth momentum in developing countries over the medium term as global trade strengthens.

Global Gross Domestic Product (GDP) is expected to grow by 2.8 percent in 2014, and then further strength to 3.4 percent and 3.5 percent in 2015 and 2016, respectively (Table 1.1).

Growth in developing countries is expected to remain flat at 4.8 percent in 2014, and then pick up momentum in 2015 to 5.4 percent on account of an uptick in demand from high income countries, particularly those in the Euro Area. However, developing countries face risks, including carryover effects of sanctions associated with the conflict in eastern Ukraine, ballooning credit in Asia and the eventual normalization of monetary policy in high income countries.

Table 1.1: The Global Economic Outlook in Summary
(Percentage change, unless otherwise indicated)

	2012	2013[e]	2014[f]	2015[f]	2016[f]
Real GDP Growth [1]					
World	2.5	2.4	2.8	3.4	3.5
High income	1.5	1.3	1.9	2.4	2.5
Developing countries	4.8	4.8	4.8	5.4	5.5
World Trade Volume (GNFS) [2]	2.7	2.6	4.1	5.2	5.4
Manufactures unit export value [3]	-1.2	-1.4	0.5	2.2	1.4
Inflation (year-on-year % change)					
High income	2.0	1.6	1.4	-	-
Developing countries	6.4	7.4	7.6	-	-
Commodity Prices (US$ terms)					
Non-oil commodities	-8.6	-7.2	-2.5	-0.6	0.1
Oil Price (per barrel) [4]	105.0	104.1	102.8	99.3	98.1
Oil price	1.0	-0.9	-1.2	-3.4	-1.2
Interest Rates (percent)					
US$, 6-months	0.7	0.4	0.4	0.7	1.3
Euro, 6-months	0.8	0.3	0.2	0.2	0.5

Source: World Bank

Notes:

1. Real Aggregate GDP growth rates calculated using constant 2005 dollars GDP weights.
2. GNFS = Goods and Non-Factor Services.
3. The unit value index of manufactured exports from major economies expressed in USD.
4. The oil price is the simple average of Dubai, Brent and West Texas Intermediate.
   e = estimate; f = forecast.

1.2 High Income Countries

Growth in high income countries accelerated in 2014 and is expected to register end year growth of 1.9 percent, up from 1.3 percent in 2013 (Table 1.2). This growth reflects a firming up of economic recovery in US and Japan, and emergence of the Euro Area from recession.

In the US, economic performance improved as confidence by business houses and households continued to strengthen within a context of a low interest rate environment. Though the US Federal Reserve began to pull back its monetary stimulus in early 2014, labor market conditions and investment spending are expected to improve and place the economy on sound footing to grow at 2.1 percent in 2014. The World Bank is projecting that the US economic output will thereafter accelerate and stabilize at an annual growth rate of 3.0 percent in 2015 and 2016.

The Japanese economy extended a policy-induced rally into early 2014. This was on the heels of an aggressive expansionary strategy embarked on in 2013 by the Bank of Japan aimed at ending a prolonged period of deflation. This monetary stance placed downward pressure on the yen and raised exports and business confidence. As a consequence, total output grew by 1.5 percent in 2013, marginally higher than the 2012 performance of 1.4 percent. As part of the government's reform package, the sales tax rate was raised in April 2014, which induced a surge in private spending ahead of the hike. However, growth is expected to marginally decline to 1.3 percent in 2014, as the effects of an economic stimulus wanes and some of the effects of the Administration's reform program set in during the second half of the year. The tax reform is expected to dampen consumption and place GDP growth at 1.3 percent in 2015, before it rebounds to 1.5 percent in 2016.

The Euro Area continued on a path of economic recovery that began in 2013 as business sentiments improved and risks from the banking systems and fiscal consolidation remained muted. Concerns about deflation provided scope to the European Central Bank (ECB) to undertake aggressive measures to expand money supply and support economic growth in the region. Though

growth has emerged, it remained tepid in much of the region, with the exception of Germany which registered strong domestic demand. The Euro Area is however expected to improve its economic performance over the medium term on account of strengthening private demand, improving asset values and employment, which are expected to counter the drag effects of fiscal consolidation. Further, progress in banking sector reforms will be an important boon for the levels of business confidence over the medium term, while persistently low inflation will give the European Central Bank (ECB) an opportunity to prolong its accommodative stance. The World Bank projects output to expand by 1.1 percent in 2014; then accelerate to 1.8 percent and 1.9 percent in 2015 and 2016, respectively.

Risks to the growth outlook for high income countries have receded, particularly with the advent of banking reform in the Euro Area. However, some risks remain potent including deflation in the Euro Area, effects of prolonged tensions between Russia and the West, as well as unintended pockets of asset bubbles in the US due to low interests. Further, performance of high income countries remain vulnerable to external shocks from the global economy that could emanate from financial distress in China's credit markets.

Against this background, World Bank projections show that growth in the high income countries will continue to firm up over the medium term. High income economies are expected to grow by 2.4 percent by end 2014, up from 1.9 in 2013, and then strengthen to 2.4 percent and 2.5 percent in 2015 and 2016, respectively.

Table 1.2: Real GDP Growth in High Income Countries
(Percent change)

	2012	2013[e]	2014[f]	2015[f]	2016[f]
All High Income	1.5	1.3	1.9	2.4	2.5
Euro Area	-0.6	-0.4	1.1	1.8	1.9
OECD	1.3	1.2	1.8	2.4	2.5
Japan	1.4	1.5	1.3	1.3	1.5
United States	2.8	1.9	2.1	3.0	3.0
Non-OECD	3.4	2.5	2.4	2.9	3.4

Source: World Bank

Notes: e = estimate; f = forecast

1.3 Developing Countries

Growth in developing countries was robust in 2013, but forecast to stay unchanged at 4.8 percent in 2014 (Table 1.3). The flat growth is largely due to a deceleration in Asia, where economies that were growing above their potential began to close their output gaps. The slowdown is also attributable to domestic supply constraints, geopolitical tensions and softening commodity prices.

In 2014, geopolitical conflict in Ukraine and the Middle East are expected to hold back economic performance in *Europe and Central Asia* (ECA) and *Middle East and North Africa* (MENA), while an Ebola epidemic will negatively impact the rapid growth in West Africa. Over the medium term, capacity constraints are expected to remain a challenge for developing countries, particularly in the *East Asia and Pacific* (EAP), *Sub-Saharan Africa* (SSA) and *Latin America and the Caribbea*n (LAC) regions, where they have been more binding.

Further, normalization of monetary policy in high income countries could lead to a tightening of financial conditions and raise costs for developing countries. Countries such as India, South Africa, Brazil and Turkey that experienced large capital outflows in 2013 and early 2014 have built up some buffers but remain vulnerable to capital outflows due the large share of non-resident holdings in their bond and equity markets. Further, in China, India, Malaysia and Indonesia, where domestic credit growth had slowed after outpacing the rate of economic expansion, the risk on financial distress remains potent[1]. The World Bank therefore projects that growth in developing countries is likely to remain flat in 2014, but then rise to 5.4 percent and 5.5 percent in 2015 and 2016, respectively, partly due to rekindled demand from high income countries.

[1] For instance, in China, even though loan book growth has slowed, partly owing to an introduction of regulations on shadow banking, domestic leverage stood at a high of 240 percent of GDP in mid-2014.

Table 1.3: Real GDP growth in Developing Countries
(Percent change)

Region	2012	2013[e]	2014[f]	2015[f]	2016[f]
All Developing Countries	4.8	4.8	4.8	5.4	5.5
East Asia and Pacific	7.4	7.2	7.1	7.1	7.0
China	7.7	7.7	7.6	7.5	7.4
Europe and Central Asia	1.9	3.6	2.4	3.7	4.0
Turkey	2.1	4.0	2.4	3.5	3.9
Latin America and Caribbean	2.6	2.4	1.9	2.9	3.5
Brazil	0.9	2.3	1.5	2.7	3.1
Middle East and North Africa	0.6	-0.1	1.9	3.6	3.5
Egypt	2.2	2.1	2.4	2.9	3.2
South Asia	5.0	4.7	5.3	5.9	6.3
India	4.5	4.7	5.5	6.3	6.6
Sub-Saharan Africa	3.7	4.7	4.7	5.1	5.1
Nigeria	6.6	6.7	6.7	6.8	6.8
Developing Countries excl. China and India	2.8	3.2	2.9	3.8	4.1

Source: World Bank

Notes: e = estimate; f = forecast

In the EAP region, economic expansion slowed moderately to 7.2 percent in 2013 from 7.4 percent, as demand in emerging economies continued to realign with potential output. Growth in China remained unchanged at 7.7 percent in 2013, and is projected to moderate to 7.6 percent in 2014 on account of a structural shift of the economy towards consumption from growth that has mostly been driven by investment. Credit growth slowed during the year following new regulations aimed at curbing shadow banking activities – the primary source of overleveraging in the economy. The effects of the slowdown in credit expansion were, however, countered by a mini fiscal stimulus and the growing external demand for the Euro Area.

Elsewhere in the EAP region, growth was robust in 2013, with export receipts driving economic activity. Recovery in the Euro Area combined with currency depreciation translated into robust performance in net exports. In Thailand, however, economic activities were hampered by prolonged political tension, which extended into mid-2014.

The outlook for the EAP region is suggestive of a continued moderation in growth to 7.0 percent by 2016. Tightening domestic financial conditions, supply-side constraints and political tension (Thailand) are expected to counter solidifying external demand from high-income countries.

In the ECA region, output grew by 3.6 percent in 2013, up from 1.9 percent in 2012. Growth was strongest for countries in the western sub-region, which have the closest economic ties with the Euro Area. In contrast, countries in the east of the region, which have strong trade linkages with Russia and China, registered lackluster performance on account of a slowdown in these larger economies. These divergent trends of performance extended into 2014 with the strengthening recovery in the Euro Area, which promoted export receipts in Hungary, Romania, and Turkey, while tensions between Russia and Ukraine held down performance in the eastern sub-region.

The ECA region is expected to register a slowdown in economic growth in 2014 under the weight of the escalating conflict in eastern Ukraine. Sanctions and counter-sanctions between the West and Russia will partly offset the positive spillover effects of growing external demand. However, the World Bank projects export growth to remain the lead driver of economic activity in the region. Further, an environment of low inflation is expected to give policymakers some space to advance accommodative monetary policies. However, for large economies such as Turkey, the policy landscape will remain challenging in view of its vulnerability to capital outflows. The ECA region faces additional downside risks on account of softening commodity prices, particularly for countries that are dependent on a few commodities (Azerbaijan, Armenia, Kazakhstan, Tajikistan, and Uzbekistan). Weighing upside and downside risks, GDP growth is projected to rise to 3.7 percent in 2015 and to 4.0 percent in 2016.

Growth in the LAC region slowed in 2013 to 2.4 percent, down from 2.6 percent in 2012, on account of weakening external demand from China, falling commodity prices and a decline in tourist visitations. The region began 2014 on shaky ground as a weather related decline in economic activity in the US had knock on effects on export

performance. Further, widening fiscal and current account deficits put pressure on currencies, prompting a rise in inflationary pressures. Though commodity prices are expected to ease, external demand from the US and the Euro Area will support overall export receipts, resulting in an upward trend in growth to 3.5 percent by 2016, from 1.9 percent in 2014.

Performance in the MENA region was impacted in 2013 by civil and political conflict. After growing by 0.6 percent in 2012, output contracted by 0.1 percent in 2013, mostly due to conflict-related disruptions in the oil exporting countries of Libya, Iraq and Syria. The prolonged conflict in Syria, its spillover effects to neighboring Lebanon and Jordan and political unrest in Egypt held back investment and tourist arrivals.

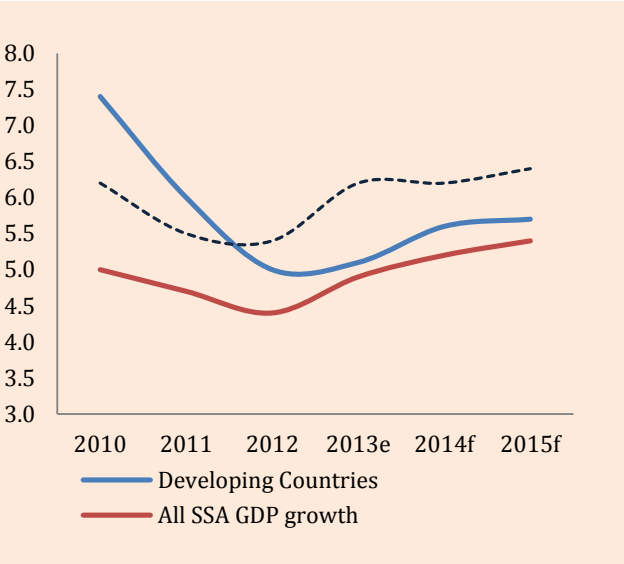
The outlook for the MENA region is suggestive of a positive, yet fragile, trajectory in economic performance. With the exception of Israel, Gaza, and Lebanon oil importing countries (Morocco, Tunisia and Jordan) began to register an increase in non-agriculture output due to strengthening exports. Further, production in oil exporting countries is expected to recover in 2014 and beyond, though the emergence of the rebel grouping commonly referred to as the 'Islamic State of Iraq and Syria' (ISIS) places a significant damper on prospects of an economic rebound. Against this background, the World Bank projections indicate that the MENA region would grow by 1.9 percent 2014 and by 3.6 percent and 3.5 percent in 2015 and 2016, respectively.

GDP in the *South Asia* (SA) region grew by 4.7 percent in 2013, down from 5.0 percent in 2012, mainly on account of developments in India – the region's largest economy. Against a backdrop of weak business sentiment and significant volatility in its financial markets, investments in India have slowed since the end of a post-crisis stimulus cycle. Disruptions in capital flows in mid-2013 weighed down performance in the second half of 2013, resulting in sharp declines in industrial production and exports. However, the currency depreciation that resulted and rising external demand from high-income countries has aided a gradual recovery in India. Growth in Pakistan was constrained by sub-par levels of investment, due in part to disruptions in energy supply and political uncertainty. In Bangladeshi and Sri Lanka, growth was supported by an uptick in exports to high-income countries.

Economic activity in the SA region began to pick up in early 2014, as external demand improved, stimulating positive business sentiment in India. Capital markets posted strong showings by regaining much of the ground that was lost in the disruption of mid-2013. Pakistan and Sri Lanka entered the bond market to raise US$2.0 billion and US$1.5 billion, respectively, while equity markets surged in the first half of 2014. With a strengthening in external vulnerability, capital flows to the SA region have rebounded and are expected to stand at US$115.3 billion at end-2014, up from US$90.6 billion in 2013. However, the region faces a number of headwinds that could counter resurgent growth, including weak monsoon rains, supply-side constraints (particularly in energy), political uncertainty and instability in international financial markets. Against this backdrop, the World Bank projects output in the region to grow by 5.3 percent in 2014 then accelerate to 5.9 percent and 6.3 percent in 2015 and 2016, respectively.

In SSA, growth was broad based and robust in 2013, with output growing at around the developing country average of 4.7 percent and higher than the 3.7 percent recorded in the previous year (Tables 1.3 and 1.4, and Figure 1.1). Excluding South Africa, the region's growth rate was 6.0 percent in 2013, up from 4.2 percent in 2012. SSA economies were among the world's top performers, with 10 of them in the class of the 25 fastest growing economies in 2013, and 22 of them being among the 55 countries that outperformed the developing country average of 4.8 percent.

Figure 1.1: Real GDP Growth in Sub-Saharan Africa (Percentage change from previous year)



Source: World Bank

Notes: e = estimate; f = forecast

Output growth continued to be driven by strong investment in the region's resource sectors and public infrastructure, and by growing consumer spending. Gross fixed capital formation has steadily risen from 16.4 percent of GDP in 2000 to settle around 20.0 percent in between 2009 and 2013. This trend reflects large scale public investments and strengthening capital inflows. Though capital inflows to SSA declined in 2013 from the 2012 peak of US$82.5 billion, they remained robust at US$75.9 billion, due to growth in foreign direct investment (FDI) to US$31.9 billion from US$28.8 billion. The draw of investors to opportunities in telecommunication, financial and banking, real estate and retail sectors is helping FDI to increasingly become the dominant form of capital flows to the region. Further, the SSA region continues to draw in new partners as reflected in the changing diversity of the sources of FDI, in which OECD countries are gradually losing their position as the primary domain for foreign investors. The region continued to attract investment from a geographically diverse investment pool of emerging economies, especially China. In contrast, official inflows remained relatively flat at US$10.1 billion, with the inflows from the World Bank and IMF accounting for about 40 percent.

The economic outlook for SSA remains favorable, with output projected to grow by an average of 4.7 percent in 2014, and accelerate to 5.1 percent in 2016 and 2015, as new extractive projects come on board and high income economies continue to gain in strength. Ongoing public infrastructure investments, new discoveries of resources and growing consumer demand will continue to attract FDI and spur growth over the medium term.

Countering factors pose a challenge for the performance of the SSA region. Economic performance in the region will continue to face the drag imposed by conflict, disease, climate change, supply-side constraints and weakening commodity prices. Further, currency instability and widening fiscal deficits are likely to remain key macroeconomic challenges for several economies. Export receipts are expected to slow down, due to softening commodity prices, particularly for copper, iron ore and gold. Imports are expected to widen as consumer demand strengthens, causing a widening in current accounts.

In West Africa, the outbreak of Ebola has had a disruptive effect on economic activity, particularly in the epicenter of Guinea, Liberia and Sierra Leone, where quarantines have restricted production and trade. The scope and severity of the epidemic has impacted agriculture, trade and tourism sectors, in these and neighboring countries. With the outbreak still untamed, in the face of slow relief from the international community, a full recovery of the economies could occur over a relatively prolonged period.

Table 1.4: Selected Indicators for Sub-Saharan Africa
(Percentage changes unless otherwise indicated)

	2012	2013	2014[f]	2015[f]	2016[f]
GDP					
All SSA GDP growth	3.7	4.7	4.7	5.1	5.1
All SSA GDP growth, excl. South Africa	4.2	6.0	5.8	5.9	5.7
GDP per capita (constant 2005 US$)	1.1	2.1	2.1	2.5	2.6
Private consumption	0.6	4.8	4.6	4.3	4.4
Government consumption	2.7	5.8	5.2	4.9	4.8
Fixed investment	7.2	5.1	4.4	5.3	4.8
Exports, GNFS	0.4	4.7	4.9	5.8	5.7
Imports, GNFS	-2.4	4.7	4.3	4.4	3.9
Net exports, contribution to growth	1.1	0.1	0.3	0.7	0.8
Current Account Balance (% of GDP)	-2.7	-3.4	-3.6	-4.3	-4.4
Fiscal Balance (% of GDP)	-2.8	-3.0	-2.7	-2.5	-2.5
FINANCIAL FLOWS (US $ billions)					
Capital flows (US$ billions) (A+B)	93.5	86.0	72.2	77.4	83.8
A. Private capital flows, net	82.5	75.9	72.2	77.4	83.8
FDI	28.8	31.9	32.5	35.6	38.4
Portfolio equity	30.3	23.8	20.8	22.3	22.3
Other	23.4	20.2	18.9	19.5	23.1
B. Official inflows, net	11.0	10.1	0.0	0.0	0.0

Source: World Bank

Note:

GNFS = Goods and Non-Factor Services:
e = estimate, f = forecast

1.4 Africa Group 1 Constituency Countries

Countries in Africa Group 1 (AFG1) Constituency performed well in 2013, with all countries posting positive growth rates, 10 of which outperformed the SSA average of 4.7 percent. Growth rates ranged from 1.5 percent in Swaziland to 27.0 percent recorded in South Sudan (Table 1.5 and Figure 1.2). This outturn is an improvement over the performance in 2012, when growth ranged between -47.1 percent (South Sudan) and 15.2 percent (Sierra Leone). Growth is projected to remain strong in 2014, with 11 countries expected to outperform the projected SSA region performance of 4.7 percent.

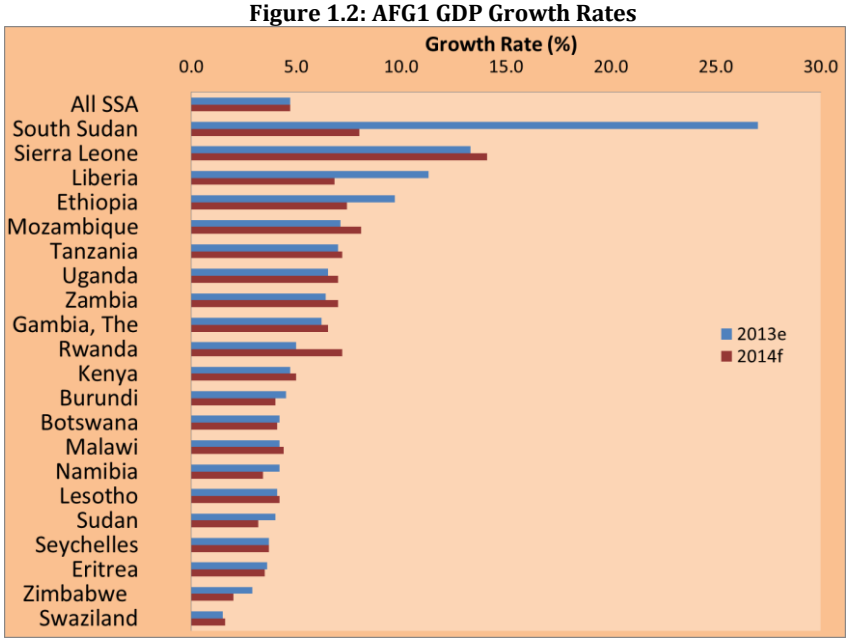
Table 1.5: Annual Real GDP Growth Rates in AFG1
(Percent change)

	2012	2013e	2014f	2015f	2016f
All SSA	**4.7**	**4.4**	**4.9**	**5.2**	**5.4**
Botswana	4.2	4.2	4.1	4.0	4.2
Burundi	4.0	4.5	4.0	3.7	3.0
Eritrea	7.0	3.6	3.5	3.0	2.0
Ethiopia	8.7	9.7	7.4	7.0	6.6
Gambia, The	5.3	6.2	6.5	6.0	5.0
Kenya	4.6	4.7	5.0	4.7	4.0
Lesotho	4.0	4.1	4.2	4.4	4.1
Liberia	10.2	11.3	5.9	6.8	7.2
Malawi	1.9	4.2	4.4	4.6	4.7
Mozambique	7.4	7.1	8.1	8.6	8.4
Namibia	5.0	4.2	3.4	3.5	3.3
Rwanda	8.0	5.0	7.2	7.4	7.4
Seychelles	2.8	3.7	3.7	2.9	2.8
Sierra Leone	15.2	13.3	14.1	10.5	9.2
South Sudan	-42.1	27.0	8.0	8.5	9.0
Sudan	-10.1	4.0	3.2	3.0	3.0
Swaziland	-1.5	1.5	1.6	1.8	2.0
Tanzania	6.9	7.0	7.2	7.2	7.1
Uganda	4.7	6.5	7.0	6.8	6.8
Zambia	7.2	6.4	7.0	6.8	6.5
Zimbabwe	4.4	2.9	2.0	1.0	0.6

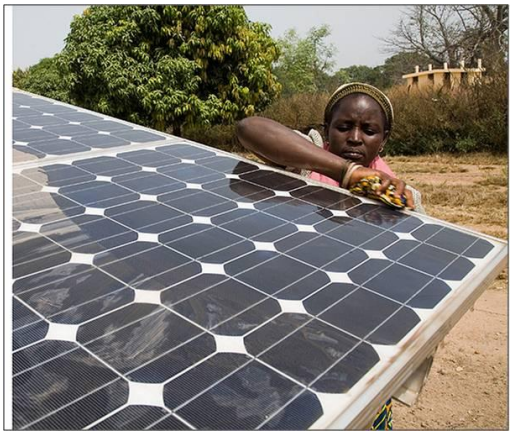
Source: World Bank and IMF

Notes:
1. e = estimate, f = forecast
2. IMF Staff estimates from 2014 onwards for Liberia

Figure 1.2: AFG1 GDP Growth Rates



Source: World Bank



Chapter 2

World Bank Group Operations

- Overview
- IBRD Operations
- IDA Operations
- IFC Operations
- MIGA Operations
- Update on FY 15: WB Response to Ebola Crisis

Chapter 2

World Bank Group Operations

2.1 Overview

The World Bank Group (WBG) is an important provider of financial and technical assistance to developing and emerging countries around the world. The International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA), collectively referred to as the World Bank, provide financial support to middle income members through IBRD loans and to low income members through IDA credits and grants.

The activities of IBRD and IDA are complemented by those of IFC and MIGA. IFC provides investment and advisory services to foster sustainable economic growth in developing countries through equity and loan investment to the private sector. MIGA promotes foreign direct investment (FDI) in developing countries by providing to the private sector political risk insurance and cover for non-honoring of financial obligations by state owned enterprises (see Box 2.1).

Commitments and disbursements vary from year to year on account of several factors, internal and external to the operations of the WBG. For IBRD, the main determining factor is client demand, which reflects external economic conditions and the terms and type of instrument. In the case of IDA, volumes vary based on the size of the envelope, absorption capacity and the pace of internal project preparation. For IFC and MIGA, changes in volumes are primarily due to client demand and balance sheet considerations.

Table 2.1: IBRD and IDA Commitments by Region (US$'bn)

	FY11	FY12	FY13	FY14
East Asia and Pacific	7.99	6.63	6.25	6.31
Europe and Central Asia	6.12	6.60	5.32	5.62
Latin America and Caribbean	9.63	6.63	5.20	5.07
Middle East and North Africa	2.06	1.51	2.06	2.79
South Asia	8.96	6.35	4.48	10.44
Sub-Saharan Africa	7.02	7.66	8.25	10.61
Total	**41.79**	**35.37**	**31.55**	**40.84**

Table 2.2: IBRD and IDA Disbursements by Region (US$'bn)

	FY11	FY12	FY13	FY14
East Asia and Pacific	5.20	5.45	5.38	4.86
Europe and Central Asia	7.46	6.14	4.05	7.06
Latin America and Caribbean	8.71	7.08	5.59	5.98
Middle East and North Africa	1.85	1.89	2.10	1.04
South Asia	4.26	3.94	3.83	5.44
Sub-Saharan Africa	5.58	6.24	6.23	6.93
Total	**33.06**	**30.73**	**27.18**	**31.30**

Source: World Bank

During the financial year 2014, ended June 30, the combined IBRD and IDA commitments amounted to US$40.8 billion, representing an increase of 29.5 percent over the previous financial year (Table 2.1). The increase in total commitments in FY14 was largely attributed to the substantial increase in IBRD and IDA commitments to South Asia (SA). In line with total commitments, total gross disbursements also increased from US$27.2 billion in FY13 to US$31.3 billion in FY14 (Table 2.2). IFC committed US$13.8 billion in new investments

in developing countries in FY14, while MIGA issued guarantees amounting to US$3.2 billion during the same period.

2.2 IBRD Operations

IBRD total commitments increased from US$15.3 billion in FY13 to US$18.6 billion in FY14, reversing a declining trend that started in FY11. In terms of regional distribution, IBRD loan commitment to all regions increased marginally except for the Latin American and Caribbean (LAC) region, where commitments decreased marginally from US$4.8 billion in FY13 to US$$4.6 billion in FY14. IBRD commitments to Sub-Saharan Africa (SSA) region remained relatively low compared to other regions, reflecting the low level of IBRD engagement in its middle income countries.

IBRD disbursed a total of US$18.8 billion in FY14, up from US$15.8 billion in FY13, with the largest share going to ECA (US$6.5 billion) and LAC (US$5.7 billion). The SSA region received US$0.3 billion in IBRD disbursements in FY14, the lowest among all the regions.

2.3 IDA Operations

IDA commitments increased from US$16.3 billion in FY13 to US$22.2 billion in FY14. In the last few years, IDA commitments to SSA have steadily increased from US$7.0 billion in 2011 to US$10.2 billion in FY14, reflecting the Bank's continued focus on low income and conflict affected countries in SSA. SSA's share in IDA commitments rose from 46.3 percent in 2011 to 50.3 percent in 2013 before coming down to 45.8 percent in 2014. In effect, at the close of IDA 16 the SSA's share of total IDA commitments fell short of the agreed 50 percent target.

Gross disbursements by IDA increased to US$13.4 billion in FY14 from US$11.2 billion in FY13 and US$10.3 billion in FY11. The largest share of these resources went to SSA region with 49.2 percent of total gross disbursements compared to 31.8 percent and 10.9 percent that went to SA and East Asia and Pacific (EAP) region, respectively. The Middle East and North Africa (MENA) region received the lowest share

Table 2.3: IBRD Commitments by Region
(US$ billions)

	FY11	FY12	FY13	FY14
EAP	6.37	5.43	3.66	4.18
ECA	5.47	6.23	4.59	4.73
LAC	9.17	6.18	4.77	4.61
MENA	1.94	1.43	1.81	2.59
SA	3.73	1.16	0.38	2.08
SSA	0.06	0.15	0.04	0.42
Total	**26.74**	**20.58**	**15.25**	**18.60**

Table 2.4: IBRD Disbursements by Region
(US$ billions)

	FY11	FY12	FY13	FY14
EAP	3.96	3.97	3.62	3.40
ECA	6.87	5.65	3.58	6.54
LAC	8.39	6.74	5.32	5.67
MENA	1.67	1.79	1.90	0.77
SA	1.23	1.04	1.10	1.16
SSA	0.67	0.49	0.43	0.33
Total	**21.89**	**19.79**	**15.84**	**18.77**

Table 2.5: IDA Commitments by Region
(US$ billions)

	FY11	FY12	FY13	FY14
EAP	1.62	1.20	2.59	2.13
ECA	0.65	0.36	0.73	0.89
LAC	0.46	0.45	0.44	0.46
MENA	0.12	0.08	0.02	0.20
SA	5.23	5.19	4.10	8.37
SSA	6.96	7.51	8.20	10.19
Total	**15.05**	**14.78**	**16.30**	**22.24**

Table 2.6: IDA Disbursements by Region
(US$ billions)

	FY11	FY12	FY13	FY14
EAP	1.24	1.48	1.76	1.46
ECA	0.59	0.48	0.47	0.52
LAC	0.32	0.34	0.27	0.31
MENA	0.18	0.10	0.20	0.27
SA	3.03	2.90	2.72	4.27
SSA	4.91	5.75	5.80	6.60
Total	**10.27**	**11.06**	**11.23**	**13.43**

Source: World Bank

with about 2 percent of total gross disbursements.

2.4 IFC Operations

The activities of the International Finance Corporation (IFC) slowed down in FY14 as reflected in the decline in total approvals, commitments and disbursements. The decline in IFC operations reverses the upward trajectory that began in FY12.

As shown in Table 2.7, total approvals declined significantly from US$15.9 billion in FY13 to US$10.3 billion in FY14. However, in contrast to other regions, approvals for SSA increased from US$1.9 billion in FY13 to US$2.3 billion in FY14, signaling IFC's commitment to scale up its activities in the region including in fragile and conflict affected states (FCSs). Total commitments declined for all regions, including for SSA during the same period (Table 2.8). Similarly, disbursements declined from US$9.9 billion in FY13 to US$7.7 billion in FY14 (Table 2.9).

Total approvals for SSA region in FY14 were US$2.3 billion, up from US$1.9 billion in FY13. About 33 percent or US$746 million of IFC approvals for SSA region were for financial markets; 13 percent for manufacturing down from 18 percent in FY13; and 11 percent for oil, gas and mining up from 1 percent in FY13. Infrastructure accounted for 23 percent or US$525 million of approvals, up from 10 percent or US$190 million of approval in FY13, but well below the FY12 level of US$763 million or 37 percent of approvals.

2.4.1 Approvals for Africa Group 1 Constituency

IFC total approvals for African Group 1 (AFG1) Constituency in FY14 amounted to US$405 million in support of 18 projects, down from US$500 million in support of 23 projects in FY13. This outcome was due to a decrease in all components of investments. The sharpest decrease was observed in quasi loans, which declined from US$59 million in FY13 to US$5 million in FY14. Positive developments were observed in loans with an increase from

Table 2.7: IFC Approvals by Region (US$ billion)

	FY11	FY12	FY13	FY14
East Central Asia	2.2	2.2	2.8	2.2
Latin America and Caribbean	1.7	2.1	2.9	2.8
Middle East and North Africa	0.7	1.3	0.9	0.8
South Asia	2.3	2.9	3.9	1.6
Sub-Saharan Africa	1.2	2.1	1.9	2.3
World	1.0	2.2	3.5	0.6
Total	**9.1**	**12.8**	**15.9**	**10.3**

Source: IFC Database

Table 2.8: IFC Commitments by Region (US$ billion)

	FY11	FY12	FY13	FY14
East Central Asia	1.7	2.9	3.3	3.4
Latin America and Caribbean	3.0	3.7	4.8	2.2
Middle East and North Africa	2.6	2.2	2.0	1.8
South Asia	2.7	3.9	4.6	4.4
Sub-Saharan Africa	2.2	2.7	3.5	3.4
World	0.1	0.1	0.2	0.2
Total	**12.3**	**15.5**	**18.4**	**15.4**

Source: IFC Database

Table 2.9: IFC Disbursements by Region (US$ billions)

	FY11	FY12	FY13	FY14
East Central Asia	0.8	1.9	1.8	1.8
Latin America and Caribbean	0.9	1.7	2.5	2.3
Middle East and North Africa	1.9	1.0	0.9	0.3
South Asia	1.9	1.5	2.3	1.0
Sub-Saharan Africa	0.7	1.2	1.2	1.5
World	0.5	0.7	1.2	0.8
Total	**6.7**	**8.0**	**9.9**	**7.7**

Source: IFC Database

US$374 million in FY12 to US$383 million in FY13. Quasi-loans investments went up from US$6 million in FY12 to US$59 million in FY13. Guarantee and Risk Management loans amounted to US$10 million in FY13 from zero in FY12.

2.5 MIGA Operations

During FY14, MIGA issued $3.2 billion in new political risk guarantees, up from US$2.8 billion in FY13 underpinning investments across diversified sectors and regions. At the end of the fiscal year, MIGA's gross exposure was $12.4 billion, while its net exposure stood at $7.1 billion (Table 2.10 – Table 2.12).

MIGA continued to make strong gains in discharging its development mandate in FY14. About 35 percent of the guarantees went to IDA-eligible countries; 50 percent accounted for supporting complex projects; seven percent supported projects in conflict-affected countries; and five percent supported South-South investment projects.

With respect to the Agency's sectoral diversification, the financial sector was the main area of focus in FY14 with US$1.6 billion (50 percent) of the total guarantees, followed by infrastructure with US$1.4 billion (45 percent) of total guarantees. In contrast to FY13, oil, gas and mining, agribusiness, manufacturing and services accounted for relatively small share of only three percent each.

MIGA continued to realign its operational focus towards supporting investments in priority sectors, including complex projects in infrastructure and extractive industries. Underlying the indicated business results is the transformational nature of many of these projects, which help bring power, transportation, and efficient technologies into developing countries, and are particularly important for fragile and conflict-affected economies that have the greatest need for investment.

Table 2.10: Guarantees Issued by MIGA

	FY11	FY12	FY13	FY14
Number of Guarantees Issued[1]	50	66	47	33
Number of Projects Supported	38	50	30	24
New Projects	35	38	26	20
Projects Previously Supported	3	12	4	4
New Issuance, Gross (US$'bn)	2.1	2.7	2.8	3.2
Gross Exposure (US$'bn)	9.1	10.3	10.8	12.4
Net Exposure (US$'bn)	5.2	6.3	6.4	7.1

Notes

1. Two additional projects were supported under the MIGA-administered West Bank and Gaza Investment Guarantee Trust Fund.
2. Includes amounts leveraged through the Cooperative Underwriting Program (CUP).
3. Gross exposure is the maximum aggregate liability. Net exposure is the gross exposure less reinsurance.

Table 2.11: New MIGA Guarantees by Sector
(No. of Projects)

	FY11	FY12	FY13	FY14
Agribusiness, manufacturing, and services	15	25	14	6
Financial	17	11	5	7
Infrastructure	5	13	9	10
Oil, gas, and mining	1	1	2	1
Total	**38**	**50**	**30**	**24**

Table 2.12: Allocation of New MIGA Guarantees by Sector
(US$ million)

	FY11	FY12	FY13	FY14
Agribusiness, manufacturing, and services	471.0	506.0	385.0	81.3
Financial	513.0	482.3	471.6	1,563.3
Infrastructure	908.0	1,549.0	1,272.3	1,416.1
Oil, gas, and mining	207.0	119.5	652.1	94.5
Total	**2,099.0**	**2,656.8**	**2,781.0**	**3,155.2**

Source: MIGA

2.5.1. MIGA Activities in Sub-Saharan Africa (SSA)

MIGA's activities in SSA region declined substantially in FY14. The Agency provided guarantees in the amount of US$515 million in FY14 compared to US$1.5 billion for the corresponding period of FY13.

Out of the total MIGA guarantees for the region, only 7 percent (US$36 million) was in support of two projects in two countries in the Africa Group 1 Constituency (Kenya and Burundi) in FY14, compared to 12 percent (US$178.4 million) in support of six projects in four countries in FY13.

MIGA's guarantee to Kenya supported the installation of a thermal power that will help the country achieve a more diversified energy mix to its power generation. In Burundi, the Agency supported a trade facilitation project through more efficient verification of imported goods.

2.6 Update on FY 15: WB Response to Ebola Crisis

In August and September 2014 (FY15), the World Bank undertook special emergence operations as a response to the Ebola crisis that has affected West Africa, mainly Guinea, Liberia and Sierra Leone, under the IDA Crisis Response Window (CRW). The CRW, established under IDA16, sets aside funds as part of the IDA 17 framework totaling SDR0.6 billion (US$0.9 billion) for exceptional allocations in the aftermath of severe natural disasters or economic crises caused by exogenous shocks.

The Executive Board recognized the Ebola outbreak as an exceptional circumstance that threatens to have disruptive humanitarian and economic effects in West Africa, with possibilities for spillovers globally. The Board therefore approved the Ebola Emergency Response Project (EERP) in the total amount of US$230 million for the three countries. Executive Directors expressed strong support for the operation, and where unanimous on approval of the projects and the disbursement on of the funds on grant terms. An additional US$170 million has been earmarked as further support for the operation. The Board urged World Bank Management to continue to play a leading role in mobilizing resources and exploring ways to stop the further spread of the disease and assist the affected countries in their socioeconomic recovery.

BOX 2.1: WORLD BANK GROUP FINANCIAL PRODUCTS AND SERVICES

The World Bank Group (WBG) offers a wide range of products designed to support the reduction of poverty and boosting shared prosperity. The various financing instruments offered are grouped under the following:

1. **Investment Project Financing** involves the provision of IBRD loan, IDA credit/grant and guarantee financing to governments for activities that create the physical/social infrastructure;
2. **Development Policy Financing** involves the provision of IBRD loan, IDA credit/grant and guarantee budget support to governments or a political subdivision for a program of policy and institutional actions to help achieve sustainable, shared growth and poverty reduction;
3. **Program-for-Results** (PforR) links disbursement of funds directly to the delivery of defined results, helping countries improve the design and implementation of their own development programs and achieve lasting results by strengthening institutions and building capacity. PforR can be used by any country in support of a program(s) or sub-program(s);
4. **Trust funds and grants** allow scaling up of activities, notably in fragile and crisis-affected situations; enables the Bank Group to provide support when its ability to lend is limited; provide immediate assistance in response to natural disasters and other emergencies; and pilot innovations that are later mainstreamed into World Bank operations;
5. **Private sector options** for financing, direct investment and guarantees are provided by MIGA and IFC.
6. **Customized options and risk management.** IBRD's market presence and strong financial policies provide a solid foundation for offering clients a broad menu of financing options at highly competitive market-based terms.

IBRD and IDA

Countries draw from either IBRD or IDA depending on their eligibility to support a lending project.

(i) **Loans**: The World Bank (IBRD and IDA) offers two basic types of loans to client governments, which can be structured as a flexible loan, local currency loans or a loan to a sub-national entity:
   a. **Investment loans** provide long-term financing for a range of activities aimed at creating the physical and social infrastructure necessary for poverty alleviation and sustainable development.
   b. **Adjustment loans** provide quick-disbursing assistance to support structural reforms in a sector or the economy as a whole. They support the policy and institutional changes needed to create an environment conducive to sustained and equitable growth.

(ii) **Contingent financing,** in form of a Development Policy Loan with Deferred Drawdown Option (DPL DDO), which allows access to immediate financing following an adverse economic event.

(iii) **Credit and Risk Guarantees**, which assist in enhancing the borrowing capability of governments from private financiers.

(iv) **Hedging Products including** swaps (interest rate, currency and commodity), interest rate caps and collars.

(v) **Disaster Risk Management Products including** Catastrophe Deferred Drawdown Option (Cat DDO), Insurance pools, Catastrophe bonds

(vi) **Client Advisory Services** cover management of assets, public debt, and asset-liability as well as capital market access strategy.

IFC Financial Products and Investment Services

IFC operates on a commercial basis and charges markets rates for its products and services, which cover three broad areas: financial products, advisory services, and resource mobilization. Specific products include:

(i) **Loans.** IFC offers fixed and variable rate loans to private sector projects in developing countries for both early-stage companies and expansion projects. The Corporation also makes loans to intermediary banks, leasing companies, and other financial institutions for on-lending. These credit lines are often targeted at small and medium enterprises or at specific sectors.

(ii) **Syndicated loans.** IFC also mobilizes financing from foreign and domestic sources.

(iii) **Equity finance.** IFC invests directly in companies by providing equity and indirectly through private equity funds. IFC's equity investments are based on project needs and anticipated returns.

(iv) **Structured Finance.** IFC utilizes structured finance products to provide cost-effective financing that would not otherwise be readily available to clients. Emphasis is placed on providing long-term local currency solutions and access to local capital markets. It uses its international triple-A credit rating to help clients diversify funding, extend maturities, access new investors, and obtain local currency funding.

(v) **Risk Management Products.** IFC is in a unique position to offer companies in developing countries a broad range of financial risk management products. These include swaps (interest rate and cross-currency), forwards and commodity hedges.

(vi) **Local Currency Financing.** IFC provides local currency debt financing in loans, risk management swaps, and structured finance.

(vii) **Trade Finance**. Through the Global Trade Finance Program (GTFP) launched in 2005, IFC issues credit guarantees where others would not, providing essential liquidity for trade flows through its global network of more than 500 bank partners, helping Small Scale and Medium Sized Enterprises (SMEs) in the world's poorest countries join the global trading system.

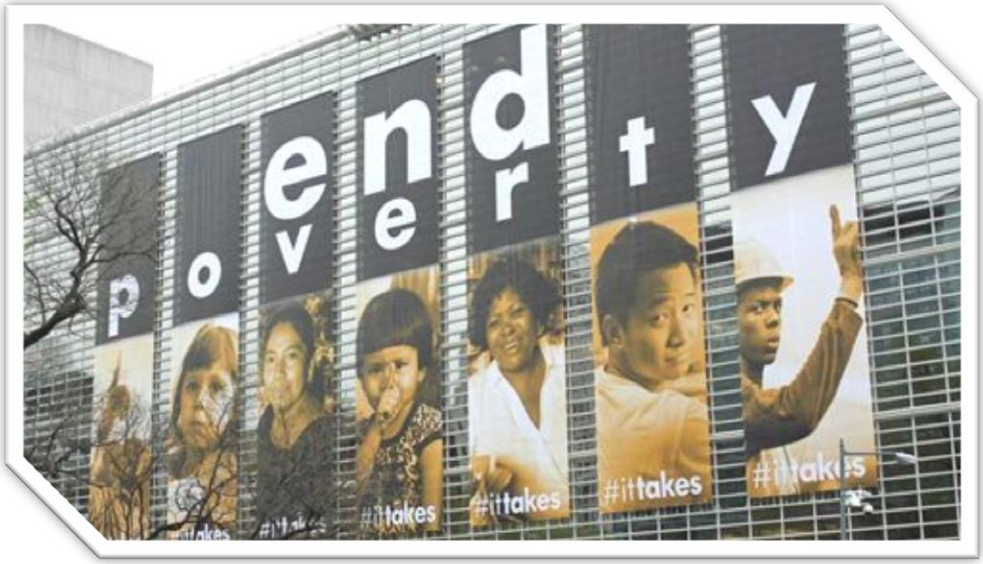
MIGA

The main business of MIGA is to leverage third party funding, by incentivizing investment to flow to developing countries. Its products and services fall into three categories: investment guarantees, investment services and legal counsel. MIGA provides cover for political risk insurance and non-honoring of financial obligations by state owned enterprises, as shown below:

(i) **Political risk**

a. Transfer and Convertibility Cover. Provides for the inability to convert or transfer dividends or loan payments due to foreign exchange restrictions;
b. Breach of Contract Cover. Covers failure by government to honor obligations under key project documents (e.g. concessions);
c. Expropriation Cover. Covers government nationalization or otherwise makes it impossible to operate the project through discriminatory measures;
d. War and Civil Disturbance Cover. Covers destruction or interruption of business due to political violence.

(ii) **Non-honoring of financial obligations** of sovereign, sub-sovereign and state-owned enterprises.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Chapter 3

Selected Policy Issues

- IDA17 Implementation Policies
- Review of WB Environmental and Social Safeguards Framework

Chapter 3

Selected Policy Issues

3.1 IDA 17 Implementation Policies

Executive Directors endorsed the IDA 17 Replenishment Report on March 25, 2014, which gave an account of pledged contributions amounting to US$ 52 billion to the 77 IDA member countries. The IDA 17 framework took effect on July 1, 2014 with an implementation period of three years ending on June 30, 2017. Highlights of the key changes in the IDA 17 framework and associated implementation policies that will guide all IDA 17 operations are provided below[2].

3.1.1 Change in IDA financing terms:

IDA's financing terms have been hardened as part of the IDA17 Replenishment to help support IDA's long term financial sustainability. Starting in IDA17, regular terms for credits for IDA-only countries will change from the current 40-year maturity and 10-year grace period to a maturity of 38 years with a 6-year grace period, and will entail equal principal repayments.

3.1.2 The Allocation System:

The regular Performance Based Allocation (PBA) system remains the key system in determining the allocation of the IDA envelope at the country level.

Under IDA 17 Replenishment four key changes were made to the allocation framework. The motivation for these changes being to enhance support for fragile states and strengthen the poverty orientation of the allocation system.

These changes include:

- Increase in the minimum base allocation to SDR4 million per year from the IDA16 level of SDR3 million per year;
- Increase in the poverty orientation of the regular PBA system by reducing the Country Performance Rating exponent in the PBA formula from 5 to 4. This allows for a sizeable increase in the allocation to fragile states without undermining allocation to other well performing IDA countries.
- *Exceptional regime for countries facing "turn-around" situations*[3]: A new exceptional regime for countries facing "turn-around" situations will start in FY15. All new cases warranting the delivery of exceptional IDA support will

[2] Adapted from the IDA17 Deputies' Report and the World Bank IDA Resource Mobilization Department Guidelines on IDA 17 Resource Allocation Implementation

3 A "turn-around" situation is a critical juncture in a country's development trajectory providing a significant opportunity for building stability and resilience to accelerate its transition out of fragility marked by:
• the cessation of an ongoing conflict (e.g., interstate warfare, civil war or other cycles of violence and/or partial state collapse that significantly disrupt a country's development prospects); or
• the commitment to a major change in the policy environment following: (i) a prolonged period of disengagement from IDA lending; or (ii) a major shift in a country's policy priorities addressing critical elements of fragility.

be addressed within this new regime. This approach includes future post-conflict and re-engaging countries as well as countries that have not experienced significant levels of conflict or accumulated arrears but face a "turn-around" situation.

- *Measures ensuring smooth transition from old to new regime*: To ensure a smooth transition for countries out of the existing exceptional post-conflict and re-engaging regimes, two interim measures have been implemented (i) case-by-case extension of countries' phasing out period for the duration of IDA17; and (ii) alignment of the level of support to countries under the exceptional "turn-around" regime. The former entails an extension of the phasing out period for Afghanistan, Burundi, Central African Republic (CAR), Democratic Republic of Congo (DRC), Haiti and Togo for the duration of IDA 17. The original phasing-out periods for Cote d'Ivoire and Liberia will end in FY17. The latter involves an alignment of the level of support to countries under the exceptional "turn-around" regime. This support implies a 60 percent increase in the notional maximum per capita allocation for post-conflict countries.

3.1.3 Country Allocation Management Policy

Allocations will be managed within the three-year IDA 17 replenishment period. While some front- and back-loading is possible within this period, each country is required to stay within its cumulative IDA 17 (FY15-FY17) PBA envelopes. Countries that frontload their allocations in years 1 and 2 of IDA 17 will have less resources in the final year. This system has the following advantages: (i) it helps ensure that usage of IDA resources is in line with the PBA system for the replenishment period as a whole; (ii) it avoids penalizing other countries that do not front-load since any frontloading will be made up for within the replenishment period; and (iii) by allowing some front and back loading, the system maintains operational flexibility without compromising the core principle of allocating IDA resources based on performance.

The following principles will be used to guide country allocations.

(i) Front-loading:

Front-loading of resources up to a maximum of 30 percent of the relevant year's allocation is allowed in years 1 and 2 (FY15 and FY16) of the replenishment period. By the end of the third year of the IDA17 replenishment period (FY17), the country's total use of IDA funds will have to be within the cumulative performance-based envelope for all three years. These principles apply also to post-conflict, re-engaging, and turn-around countries.

In years 1 and 2, IDA-eligible small countries (with populations less that 1.5 million) can front load up to 80 percent of their cumulative three year allocation (to allow for scale economies), but this may mean that very limited funds would remain for the final year (FY17).

Frontloading will finance operations on terms (grants or credits) effective for the year in which the funds are used. For instance, if the country is "green light" country[4] and therefore receives only 100 percent credit in year 1, it can only front-load credits that year. For "yellow

[4] The country "traffic light" which is used to define the grant and credit share of respective country allocations are defined as follows: "Green Light" means 100 percent credits; "Yellow Light" means 50 percent credits, 50 percent grants; and "Red Light" means 100 percent grants.

light" countries, the terms applicable to the frontloaded amounts will be 55 percent credits and 45 percent grants.

It is not possible to frontload from the next replenishment period (IDA18).

(ii) Back-loading

Back-loading of up to the entire allocation in FY15 and FY16 is possible for all countries.

Back-loading will finance operations on terms (grants or credits) effective for the year in which the funds are used. If a country's debt-distress risk rating changes from one year to the next, then the terms of the year apply in which back-loaded resources are used. For instance, if a country shifts from green light in FY16 to yellow light in FY17, then back-loaded resources in FY17 will be committed 55 percent on credit terms and 45 percent in grants.

If deterioration in the risk rating across years occurs in countries that are subject to the Non-Concessional Borrowing Policy (NCBP), IDA could stop providing grants through the application of the NCBP remedies.

It is not possible to back-load to the next replenishment period. Under such circumstances, intra- and inter-regional reallocations of the resources will take place in FY17.

(iii) *Intra and inter-regional reallocation*

The rationale for intra-regional reallocations is optimizing the use of IDA funds in the Region, while respecting the performance-based allocation principles. Inter-regional re-allocations, or rather re-allocations between countries across regions, may take place when unused IDA funds are identified in the final year of FY17 and availed to other regions and countries which submit a list of potential projects.

3.1.4 Retained Allocation Principles

- **Grant allocation framework**: The risk of debt distress as assessed under the Lower Income Countries (LIC) Debt Sustainability Framework continues to solely determine the traffic light system and the associated grant provisioning to IDA-only countries. Grant-eligibility is ring-fenced to IDA-only countries, excluding countries in gap status.

- **Non-Concessional Borrowing Policy (NCBP):** The grant provisioning and NCBP eligibility is also maintained during IDA17, including the minimum concessionality requirement of a 35 percent grant element. NCBP-eligible countries include MDRI recipients and countries receiving grants from IDA in FY15 (yellow and red light countries).

- **Disclosure of Country Allocations**: IDA country allocations and commitments are disclosed annually to the Executive Directors of IDA on an *ex post* basis (i.e., at the end of each fiscal year) to increase transparency. In IDA16 and continuing during IDA17, the country allocations and commitments have also been disclosed on an *ex post* basis on IDA's external website. These steps reinforce the need to keep country allocations close to the norms as defined by the PBA system. The PBA system plays a critical role in maintaining IDA's reputation and credibility vis-à-vis its partners.

3.1.5 Policy Changes to the IDA Regional Program Funding in IDA17

The Regional IDA Program aims to promote development through a regional approach by providing topping-up funds to finance regional investments and activities in eligible regional IDA projects. Given the high demand compared to the available funds, individual projects would

be prioritized based on how closely they adhere to the regional project criteria, including whether they are expected to have an additional impact on growth and poverty reduction in the region that could only be achieved within a regional framework. IDA financing for qualified regional projects is funded with a two thirds coming from the IDA envelope and the rest from the national allocation. This co-financing ratio, however, depends on project design and resource availability.

Under IDA17, the regional program has a total allocation of SDR2.1 billion (US$3.2 billion), of which 75 percent (SDR1.5 billion or US$2.4 billion) is provided to the Africa region. The notional allocation to each non-Africa region is based on the region's share of PBA allocations (excluding allocations to capped blend countries) in total non-Africa PBA allocations, and the allocation amounts are provided to the regions at the beginning of each fiscal year.

Regional funding is for projects or programs that: (i) Involve three or more countries, all of which need to participate for the project's objectives to be achievable (at least one of which is an IDA country). The required minimum number of countries is reduced from three to two if at least one fragile country participates in the regional project;

(ii) Whose benefits spill over country boundaries (e.g., generate positive externalities or mitigate negative ones across countries);

(iii) Where there is clear evidence of country or regional ownership (e.g. EAC, ECOWAS, SADC) which demonstrates commitment of the majority of participating countries; and

(iv) That provides a platform for a high level of policy harmonization between countries and is part of a well-developed and broadly-supported regional strategy.

***Use of Regional Funds*:** All four criteria above have to be met. In addition, two additional criteria are applied in prioritizing projects for regional IDA financing. First, regional IDA should avoid funding primarily national investments. The specific investments proposed for regional IDA financing should demonstrate clear externalities across countries. Second, given the high demand for regional IDA, the funding could be considered only after other options have been ruled out. Funding for regional projects should target areas of IDA's comparative advantage in relation to other potential partners, including bilateral and other multilateral donors. Regional projects should also avoid tying up IDA commitment authority when specific investments have not yet been identified or appraised and are not likely to begin disbursements in the fiscal year of commitment.

Increased flexibility of national IDA contribution: Contributions from national annual IDA allocations at or below at or below SDR13 million are capped at 20 percent before front- or back-loading. This applies to activities that qualify for regional support; other activities will be fully financed from the national IDA envelopes. Furthermore, there is nothing that precludes a lower level of topping-up when regional IDA resources are limited relative to demand. For instance, if interest is strong while the regional IDA envelope is insufficient, regional IDA contribution to a regional project may be reduced to half or lower instead of two thirds. This would increase the total size of regional projects that would benefit from regional IDA funding. A lower level of leverage could also be employed if some project components are primarily national in nature. Regional project components would benefit from the topping-up of regional IDA, while the national components would need to be financed fully from the country's national IDA envelope.

***Financing terms**:* The financing terms for the IDA regional envelope are based on the status of participating countries in the IDA17 grant allocation framework (see Box 3.1).

Participating IDA countries will generally receive their topping-up funds from the regional envelope on credit terms, except that countries that receive their national IDA allocation on 100 percent grant terms (i.e., "red light" countries classified as being in debt distress or at high risk of debt distress) will receive regional IDA funding on grant terms. While the regional IDA envelope is allocated across individual regions, within regions approvals are based on first-come first-serve basis.

IDA 17 exceptional support for regional projects with significant transformational impact at the regional level: The criteria that currently guide the use of IDA regional resources can constrain the ability of IDA to finance regional projects when projects do not qualify for financing from the IDA regional program because their physical implementation is only in one country, even though they are expected to have a regional impact, and when the financing needs of qualifying projects exceed the resources available from the country's IDA allocation and/or the IDA regional program.

To obviate these limitations, IDA 17 introduces on a case-by-case basis, and subject to approval by IDA's Executive Directors: (a) the ability to finance, with resources from the IDA regional program, projects that require financial participation of only one IDA country, where it can be clearly demonstrated that the project would have a transformational impact on the region, and that three or more countries (two, if one is a Fragile and Conflict-affected State, FCS) would receive substantial benefits from the project; and (b) caps the amount that comes from a country's regular IDA allocation to 20 percent of a country's IDA17 allocation for regional projects where project costs are very large relative to a country's available IDA resources.

In cases where exceptional approval is required, Management would consult with the Board early in the development of the project. Financing to support such exceptions would be limited to 20 percent of the overall IDA17 envelope for regional projects given the high demand for regional project financing.

***IDA Regional Grant Pilot**:* This is a pilot program that provides IDA grants to eligible regional institutions which will continue in IDA17. Up to 10% of the regional IDA envelope for each region can be provided as such grants for the purpose of preparing or implementing regional operations and building the entities' capacity. In addition to meeting the criteria for IDA regional projects, the recipient regional institutions have to fulfill the following eligibility criteria:

i. Recipient is a bona fide regional organization that has the legal status and fiduciary capacity to receive grant funding and the legal authority to carry out the activities financed.
ii. Recipient does not meet eligibility requirements to take on an IDA credit.
iii. The costs and benefits of the activity to be financed with an IDA grant are not easily allocated to national programs.
iv. The activities to be financed with an IDA grant are related to regional infrastructure development, institutional cooperation for economic integration, and coordinated interventions to provide regional public goods.
v. Grant co-financing for the activity is not readily available from other development partners

vi. The regional entity is associated with an IDA-funded regional operation or otherwise supports the strategic objectives of IDA on regional integration.

3.1.6 Implementing the Non-Concessional Borrowing Policy (NCBP)

A key building block of the Non-Concessional Borrowing Policy (NCBP) is the establishment of debt limits for countries subject to the Policy. These include: (a) a minimum concessionality requirement, which is measured in terms of the grant element of a loan; and (b) non-concessional borrowing ceilings based on contracting, and informed by the disbursement profile of signed loans. For countries subject to the NCBP with a Fund-supported program, the minimum grant element and possible non-concessional borrowing ceilings are established under the IMF-supported program. For countries subject to the NCBP that do not have a Fund-supported program, a grant element of at least 35 percent is generally required. The setting of debt limits is based on the county's debt vulnerabilities and capacity assessment conducted every fiscal year.

The Policy is not a ban on non-concessional borrowing, but should be seen as an assessment of the scope for non-concessional borrowing based on country- and loan-specific evaluation of the projects and associated financing. The joint Bank-Fund Debt Sustainability Assessment (DSA) is the workhorse of the NCBP.

The NCBP was introduced in 2006 in the context of the MDRI. It applies to post-MDRI grant-eligible countries based on the Debt Sustainability Framework for Lower Income Countries (LICs) (Table 3.1). Thus, the NCBP does not apply to gap and blend countries. IDA's NCBP has the dual objective of helping promote long term debt sustainability in LICs, while at the same time being attentive to fiduciary responsibilities. The NCBP focuses on non-concessional borrowing in LICs as one source of risks to debt sustainability due to its impact on solvency and liquidity debt burden indicators. When the size, type and/or speed of accumulation of non-concessional borrowing could undermine debt sustainability, possible IDA resource remedies include a cut to grant volumes, and/or a hardening of financing terms.

In addition to ex-ante and ex-post waiver requests, the most recent update of the NCBP in 2010 envisages the setting of non-concessional borrowing ceilings conducive to debt sustainability. This introduction of ceilings aims at enhancing the flexibility of the Policy and increasing country ownership in the area of fiscal policy and debt management. The NCBP is currently under discussion for review by the World Bank.

A number of country-specific and loan-specific factors are taken into account in the NCBP to assess whether an exception of a zero-ceiling is warranted. Although many proposed loans may have merit on specific economic or financial terms, the country environment in which they occur will strongly influence actual outcomes. Favorable assessment at both the country-specific level and the loan-specific level are undertaken to warrant an exception.

Country-specific factors:

• *Overall borrowing plans of the country*. A modest level of overall borrowing by the country on the basis of the DSA to accommodate a particular investment may warrant consideration. For such a consideration, clear reporting of overall borrowing plans is needed, and enhanced creditor coordination through the Debt Sustainability Framework (DSF) would facilitate this possibility.

• *Impact of borrowing on the macroeconomic framework*. Whether or not the borrowing would have a deleterious effect on the

macroeconomic framework would influence the consideration of an exception.

• *Impact on the risk of debt distress*. The current risk classification and whether or not the loan is likely to lead to a higher risk of debt distress will be a key consideration. Given their lower-risk of debt distress, and generally better performance, more flexibility is envisaged for "green light" countries. In addition, "yellow light" countries could benefit from somewhat greater (although still exceptional) flexibility than "red light" ones.

• *Strength of policies and institutions, especially public expenditure management and debt management*. Emphasis is placed on the quality of policies and institutions governing the efficiency of public investments.

Loan-specific factors:

• Development content and potential impact of the loan in unlocking a proven bottleneck to development.

• Estimated economic, financial and social returns to investment of the project, weighted by the probability that the project will succeed.

• Lender equity stake in the project.

• No additional costs associated with the loan, i.e., collateralization, hidden costs.

• No other sources of concessional financing are available.

• Concessionality of the overall financing package for a particular investment.

Box 3.1: GRANT ALLOCATION FRAMEWORK

1. *Grant eligibility.* Grant eligibility in FY15 continues to be based on countries' risk of debt distress ratings. All ratings are determined based on the results from the Debt Sustainability Framework (DSF) designed for LICs (the "dynamic approach").24 While the DSF consists of a public debt and an external debt template, the relevant risk rating for IDA's traffic light system is the external risk of debt distress rating.

2. *Risk of debt distress ratings*. A country can be assigned one of four risk ratings, depending on the path of the PPG external debt burden indicators relative to the indicative thresholds under the baseline scenario and standardized stress tests in the DSF, and tailored tests could also be used. The risk rating is not determined mechanistically, but is based on judgment:

- Low risk. All debt indicators are below their relevant thresholds, including under stress tests.
- Moderate risk: Although the baseline scenario does not breach any thresholds, stress tests result in one or more breaches that are either sizeable or protracted.
- High risk: The baseline scenario results in a sizeable or protracted breach of one or more thresholds, but the country does not currently face any payment difficulties.
- In debt distress: Current debt and debt service ratios are in significant or sustained breach of thresholds. Actual or impending debt restructuring negotiations, or the existence of arrears, would generally suggest that a country is in debt distress.

***3. Assigning grant and credit shares*.** Grant and credit shares in the allocation norms (prior to any volume discount) for eligible countries are assigned according to the "traffic light" system as follows:

- "Green light": 100 percent credits;
- "Yellow light": 50 percent credits, 50 percent grants; and
- "Red light": 100 percent grants.

Source: World Bank

Table 3.1 Africa Group I Countries to Which the IDA Non-Concessional Borrowing Policy (NCBP) Applies in FY15

Red Light	Yellow Light	MDRI Recipient and Green Light
Burundi	Ethiopia	
	Gambia, The	Liberia
	Malawi	Rwanda
	Mozambique	Tanzania
	Sierra Leone	Uganda
	South Sudan	Zambia

Source: World Bank

Note: Includes Constituency IDA only countries that are currently eligible for IDA grants on grounds of debt sustainability as well as post MDRI green light countries. It excludes gap and blend countries that receive hardened terms or blend terms and not eligible for IDA grants. It excludes countries with loans and /or credits in non-accrual status as of June 30, 2014 (Eritrea, Sudan, Somalia and Zimbabwe)

3.2 Review of the World Bank's Environmental and Social Safeguards (ESS) Framework

The Environmental and Social Safeguards Policies currently used by the World Bank are under review. Following internal discussions, a draft for public consultation was issued on July 30, 2014. The objective of the review process is to seek feedback of stakeholders so as to inform the proposed draft framework, taking into account implications for implementation and operations. The main intention of the proposed framework is to modernize the policies that safeguard people and the environment in the World Bank-financed projects in line with the WBG twin goals of eradicating extreme poverty and boosting shared prosperity.

The proposal covers ten standards:

1) Assessment and management of environmental and social risks and impacts;
2) Labor and working conditions;
3) Resource efficiency and pollution management (including the consideration of climate change and other related issues);
4) Community health and safety;
5) Economic or physical displacement of people (involuntary resettlement);
6) Biodiversity conservation and sustainable management of living natural resources (forests, habitats, sustainable management of living natural resources, production of living activities such as food safety, responsible harvesting, international standards);
7) Indigenous peoples;
8) Cultural heritage;
9) Financial intermediaries; and
10) Stakeholder engagement.

A summary of these standards is provided in Box 3.2.

A presentation of the proposal by Staff was made to the African Governors during the 2014 African Caucus held on September 3 and 4, 2014, in Khartoum, Sudan. African Governors welcomed the opportunity to discuss the proposed framework. They expressed concerns on some of the provisions of the Framework especially the issues pertaining to "Indigenous Peoples". They urged the World Bank to listen to a wide range of stakeholders to ensure a balanced consultation process. They also emphasized that the Bank should take appropriate cognizance of the values and cultures of its client countries and respect for national constitutions. This would help both the Governments and the Bank to partner effectively in identifying and designing appropriate programs to eradicate extreme poverty and boost shared prosperity, all within the spirit of mutual respect.

The draft framework, along with the overall consultation plan and all relevant information are available on the dedicated consultation website, www.worldbank.org/safeguardsconsultations. Stakeholders are requested to provide feedback on the draft through an online consultation platform as well as targeted and issue-specific face-to-face meetings that will be arranged.

Box 3.2 SUMMARY OF THE PROPOSED ENVIRONMENTAL AND SOCIAL SAFEGUARDS FRAMEWORK

ESS1: Assessment and Management of Environmental and Social Risks and Impacts
It is the overarching standard that provides the procedural basis for an integrated environmental and social assessment of projects in a risk-driven and proportionate manner. It establishes the need to characterize how disadvantaged and vulnerable groups may be affected by projects and how impacts may be addressed.

ESS2: Labor and Working Conditions
It requires Borrowers to address key labor related issues, including child labor and forced labor, and the provision of a grievance mechanism. Capturing the relevant parts of the Environmental Health and Safety Guidelines (EHSG), it includes requirements relating to Occupational Health and Safety.

ESS3: Resource Efficiency and Pollution Prevention
It incorporates key provisions of Pest Management and includes the efficient management of energy, water and other resources and material input. It also requires the Borrower to consider options to reduce project-related greenhouse gas (GHG) emissions.

ESS4: Community Health and Safety
It focuses on the risks and impacts of projects on communities. This ESS incorporates key provisions of Safety of Dams, and addresses the design and safety aspects of infrastructure, equipment, products, services, traffic and hazardous materials. It includes requirements on the use of security personnel.

ESS5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement
It maintains key provisions of Involuntary Resettlement and provides greater clarity on the treatment of public land, land titling activities, access to common resources, and voluntary transactions. It addresses the rights of different categories of affected people, including those without legal right or claim to the land they occupy.

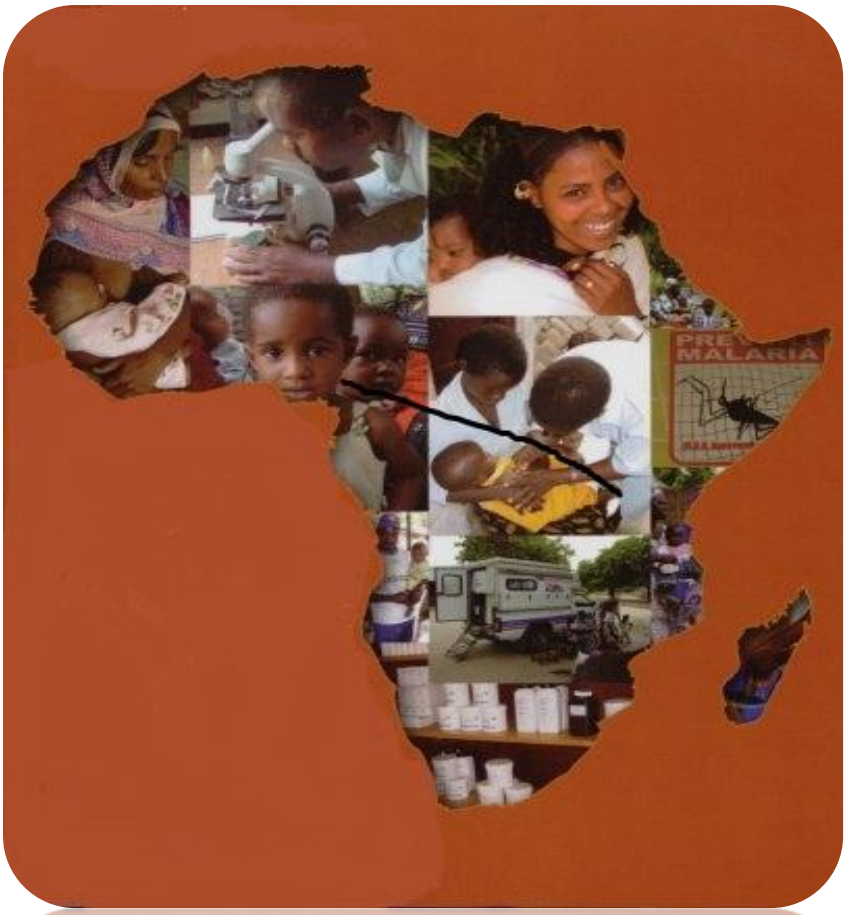
ESS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
It incorporates key provisions of Natural Habitats and Forests and requires the Borrower to assess and take measures to mitigate the impacts of the project on biodiversity, including loss of habitat, degradation and invasive alien species.

ESS7: Indigenous Peoples
It maintains key provisions of Indigenous Peoples, clarifies key definitions and introduces Free, Prior and Informed Consent (FPIC) in specified circumstances. It proposes that where identifying Indigenous Peoples would exacerbate ethnic tension or be inconsistent with the provisions of the national constitution, project impacts on Indigenous Peoples may be addressed through the application of the ESSs other than ESS7.

ESS8: Cultural Heritage
It reaffirms the objectives of the current Physical Cultural Resources, requires projects to adopt chance find procedure together with other internationally recognized procedures for the protection of cultural heritage, and provides for enhanced consultation with affected communities.

ESS9: Financial Intermediaries
It requires Financial Intermediaries (FIs) to put in place environmental and social procedures commensurate with the nature of the Financial Intermediaries, and the level of risks and impacts associated with the project and potential subprojects.

ESS10: Information Disclosure and Stakeholder Engagement
It consolidates and improves provisions on the World Bank's engagement with stakeholders, including meaningful consultation, access to information and grievance redress.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Chapter 4

Constituency and African Caucus Matters

- Voice Reform, Voting Power and Capital Subscriptions
- Highlights of Constituency Statutory Meetings
- Outreach Activities to the Constituency
- Report on the Voice Secondment Program
- Highlights of the 2014 African Caucus Meetings

Chapter 4

Constituency and African Caucus Matters

4.1 Overview

This chapter gives a brief account of constituency activities between April and September 2014. It provides an update on the voice reform and capital subscriptions, highlights of the reports considered, issues discussed and decisions taken at the 8th Statutory Meeting of the Constituency. It also reports on the outreach activities of the Office of the Executive Director in the Constituency Countries, shedding light on the concerns of member countries and actions taken/planned by the WBG to facilitate improved engagements with Constituency member countries. The chapter also provides a Report on the Voice Secondment Program (VSP) and Highlights of the African Caucus activities.

4.2 Voice Reform, Voting Power and Capital Subscriptions

As part of the Voice Reform of 2010, the Board of Governors approved General and Special Capital Increases for the different entities of the World Bank Group. The IBRD Special Capital Increase is due on March 16, 2015 while that for General Capital Increase is due on March 16, 2016. In respect of the IFC, the deadline for completing documentation is December 31, 2014 while that for payment is June 30, 2015.

The uptake and full subscription by member countries have implications on the number of shares, voting power and ranking of member countries and the Constituency in the World Bank Group Boards. The summary of allocated shares and subscriptions for the Constituency as of September 10, 2014 is provided in the Annex.

4.3 Highlights of the 8th Statutory Meeting of the Constituency

The 8th Statutory Meeting of the Constituency was held in Washington DC, USA on April 11, 2014. The Meeting considered the ED's report to the Governors, endorsed the Constituency Development Committee Member Statement, and discussed the upcoming preparations for the 2014 Election of Executive Director and Selection of Alternate Executive Director.

4.3.1 Executive Director's Report to the Governors on the Developments in the World Bank Group during the First Half of FY 2014

The Executive Director's Interim Report for FY14, highlighted developments in the global economy and prospects for Constituency member countries; provided a brief account of the WBG lending operations; gave an update on the change process; and summarized key developments in the Constituency. Governors acknowledged the global economic developments highlighted in the Interim Report. Nevertheless, they underscored the risks and uncertainties in the global economy that would require Constituency countries to continue to pursue sound and responsive economic policies; address underlying macroeconomic vulnerabilities; and rebuild macroeconomic buffers. In this context, they

agreed that in the medium to long term, Constituency countries would intensify reforms to improve the investment climate, enact appropriate regulatory frameworks, bridge the infrastructure gap, improve financial access, and build human capacity and skills.

Governors noted the low commitment level of IBRD in the constituency countries, but acknowledged the prospects for increased IBRD activities as more countries graduate to middle-income and blend status, and as the WBG improves accessibility to IBRD resources by IDA creditworthy recipients. They also acknowledged the Road Map for FY15-17, through which IFC would focus on agribusiness, health, oil and gas, mining and manufacturing in Africa and the range of MIGA'S products, which the Constituency countries could use.

Governors noted with satisfaction the favorable conclusion of the IDA17 Replenishment Process in December 2013 with partner pledges of US$52 billion for the period July 1 2014 to June 30 2017, and commended partners and WBG Management for the record outcome. They commended the Constituency Borrower Representatives, Mr. Sheku Sambadeen Sesay, Governor of the Bank of Sierra Leone, and Alternate Borrower Representative, Dr. Geoffrey Mwau, Economic Secretary, National Treasury, Kenya, for their role in the IDA17 Replenishment Process. They also acknowledged the IDA Deputies' Report, which would operationalize IDA 17, including the provision of SDR0.6 billion to support capacity to respond to severe natural disasters and economic crises through the Crisis Response Window, increased support for transformational regional projects, and the allocation of US$800 million to address arrears clearance for Zimbabwe, Sudan, and Somalia.

Governors welcomed the update on the implementation of the World Bank Group Strategy and observed that progress towards achieving the twin WBG Corporate Goals would be the basis for judging the ultimate success of the change process. Governors expressed their deep disappointment with the outcome of the recruitment of the 16 Senior Directors for Global Practices (GPs) and Cross Cutting Solution Areas (CCSAs), with no African representation. They tasked their representatives at the African Consultative Group Meeting to raise the matter with the WBG President and urge him to ensure diversity in the WBG institutions.

Governors noted that 2014 was a regular election year for the respective countries' representatives at the WBG Board. Seychelles and Zimbabwe would provide representatives for the positions of Executive Director and Alternate Executive Director, respectively, for the period 2014 to 2016 for the Constituency. They also noted that the Constituency Chairperson, Vice Chairperson and Panel Members, the DC Representatives and Associates, and the IDA Borrowers' Representatives would be changing after October 2014, consistent with the rules and rotation schedule of the Constituency.

4.3.2 Consideration of the Constituency Statement to the Development Committee

Governors endorsed the Member Statement to the Development Committee (Annex 1). The Statement addressed concerns with the post-crisis growth and the policy challenges for developing countries, and called for strong commitment for concerted actions to promote global economic cooperation. Governors applauded the WBG's operations in mainstreaming disaster risk-management and called for heightened efforts to mitigate the effects of intermittent droughts and floods in the constituency countries.

On the Change process, Governors emphasized the need to streamline and simplify internal procedures for faster client delivery. However, they expressed their disappointment with the lack of diversity characterized by the recruitment of 16 Senior Directors for Global Practices (GPs) and Cross-Cutting Solution Areas (CCSAs), with no African representation and called upon Senior Management to ensure staff diversity and inclusiveness at all levels of the organization to reflect its global nature. On financing for development, Governors requested the Bank to explore innovative ways to broaden the source of financing for Africa's infrastructure development and for support to resolve the pending issues related to delivering debt relief to the states of Somalia, Sudan, and Zimbabwe.

Finally, the statement highlighted the following topical development issues; natural resources management; support to Middle Income Countries (MICs) and Small Island Developing States (SIDs); and the Post Millennium Development Goals (MDGs) Agenda.

4.4 Outreach Activities to the Constituency

Over the period January – August 2014, the Executive Director (ED), Mr. Denny Kalyalya, undertook official missions to several Constituency member countries. He also held talks with the Somali authorities in Nairobi, Kenya and with the Eritrean authorities in Kigali, Rwanda during the Annual Meetings of the African Development Bank.

The main purpose of these missions was to enable the ED to better familiarize himself with the countries' development achievements and challenges, with a view to facilitate effective representation at the Boards of the WBG. He met with WBG Governors, Ministers and other high level officials, as well as representatives of the private sector, civil society, civic leaders and WBG country office Staff. In his engagements, he updated the authorities on the WBG Strategy and its twin goals, major WBG's policy issues, operations and related activities. The salient issues discussed with the individual countries' authorities are highlighted below.

Seychelles (January 19 – 23, 2014).

In Seychelles, the authorities expressed their appreciation of the WBG engagement with Seychelles. Going forward, they advocated for WBG technical expertise in several sectors and called for improved access to climate change mitigation funds and other instruments beneficial for Seychelles and other middle income SIDS. Furthermore, they observed that while Seychelles' ranking in the "Doing Business Report" was encouraging, there was need for increased efforts to improve the accuracy of the data, and they expressed their commitment to do more to promote the availability of data to facilitate the process.

The ED expressed his appreciation and welcomed the views of the authorities and undertook to follow up on the issues requiring attention of the WBG. He commended them for the good performance of the economy, advocacy for the promotion of SIDS and their pragmatic stance on climate change issues.

Kingdom of Swaziland (January 29-30, 2014)

The discussion with the Swazi authorities centered on the challenges faced by the Kingdom of Swaziland, including slow growth and fiscal management pressures, which were exacerbated by the country's excessive dependence on transfers from the Southern African Customs Union, lagging performance against MDGs, the effects of climate change on agriculture and food security, and lack of

adequate health facilities and infrastructure. It was observed that by being classified as a lower middle-income country (MIC) Swaziland could not however access IDA resources. Government appreciated the various advisory services and the projects in local government and the health sector. They also welcomed the World Bank report, "*Institutions, Governance and Growth: Identifying Constraints to Growth in Swaziland*" and the Country Partnership Strategy that was under preparation. The authorities also indicated that to better address their development aspirations they had launched a '*development unusual*' national strategy, and were therefore calling for WBG support for in that regard, especially in the identification of growth poles and implementation of programs to ensure maximum development impact.

Federal Republic of Somalia (January 27-28, 2014)

The authorities expressed their strong commitment to the restoration of Somalia's full operational re-engagement with the WBG and the IMF as well as attracting other development partners; the concerted pursuit of facilitating Somali's development through peacebuilding; and economic recovery with the participation of all Somalis including in the Diaspora. They conveyed their appreciation to the WBG's technical support for capacity building, particularly in Public Finance Management (PFM) and emphasized their commitment to strengthening transparency and accountability in the public finance system.

The ED expressed his appreciation of the difficulty environment the authorities were working under and pledged his office's continued support. He also briefed the authorities on the recent steps the Bank had taken to formalize relations with the Federal Government of Somalia (FGS) in order to have a fully-fledged partnership. The briefing focused on the Somalia Interim Strategy Note (ISN) for FY14-FY16, the endorsement of the State and Peace-Building Fund to support the Somali transition and the Executive Board's approval of the Bank-administered Multi-Partner Fund (MPF), which provides a financing platform for a coordinated international approach to promoting stability, sustainable reconstruction and development.

Uganda (May 14- 17, 2014)

The authorities enumerated the challenges for economic development in Uganda and project management in the education, energy, health, agriculture, and transport sectors. The authorities called for more involvement of the WBG in infrastructure, agriculture, and Public Private Partnerships (PPPs). They called on MIGA and IFC, in particular, to increase their activities in Uganda. They enumerated the following challenges: (i) inefficient project management, and monitoring and evaluation; (ii) unnecessary delays in obtaining "no-objection" for projects; (iii) ambitious and unattainable project goals; and (iv) lack of local input at the project design stage.

They stressed the need for more support to develop alternate energy sources; skills development for management of natural resources, especially oil; and preparation of the pertinent legal frameworks. In the education sector, they pointed out that lack of sufficient facilities hampered government efforts to increase access to Universal Secondary Education (USE). The authorities welcomed the forthcoming Agriculture Cluster Project, which would focus on the 10 priority commodities as identified by Government and expressed the desire for more support for agricultural mechanization, climate smart agriculture, and the livestock sector. The Kampala City Council Authority advocated for support to implement

plans to improve social services, create more jobs, and provide more housing.

They expressed concern on the recent WBG decision to delay implementation of health projects critical to the needs of the poor in Uganda. They therefore called for an early reactivation of the stalled projects. The ED thanked the authorities for an elaborate enumeration of the issues, particularly those whose resolution called or closer collaboration with the WBG. He undertook to accordingly follow up with senior WBG management.

Eritrea (May 21-22, 2014)

The Eritrean authorities gave an historical account of in the country's relationship with the WBG and expressed their interest in re-establishing a fully-fledged partnership. The ED commended the authorities for initiating discussions for re-engagement and explained the process. He advised them to use all opportunities, including the upcoming IMF/WBG Annual Meetings to hold talks with senior Bank management. The ED also undertook to do his best to facilitate the re-engagement process and to promote Eritrea's interests at WBG Executive Board.

Liberia (June 29 –July2, 2014)

The authorities provided highlights of the country's vision to become a middle-income country by 2030 and the *Agenda for Transformation* that articulates the goal "to put the country on a path of sustainable and equitable growth and to create the right environment as Liberia transforms toward its long-term vision of becoming a more equal, just, secure and prosperous society." They noted that growth was driven largely by the production and export of natural resources, of which rubber played a major role, making it vulnerable to shocks, such as, the recent dramatic fall in the world price of rubber.

The authorities pointed out the critical importance of better infrastructure in energy, roads, agriculture, and telecommunications, as well as provision of better education and health facilities. They, in this context, highlighted the commitment of the government to transform and to enhance the livelihoods of the people. To this end, they were highly appreciative of the close collaboration of the WBG and stressed the need for its continuation and further strengthening.

The ED commended the authorities for the progress Liberia has made in the relatively short period following the country's successful completion of the Heavily Indebted Poor Country (HIPC) Initiative in 2010, specifically in attaining high economic growth and structural reforms to improve governance, the environment for private sector development and macroeconomic stability. He also undertook to continue advocating the interests of Liberia at the Boards of the WBG.

Sierra Leone (July 3-5, 2014)

In Sierra Leone, the authorities emphasized their priority areas of infrastructure. In particular, electricity, roads, water supply, the economic sector generally as well as agriculture, health and social services. They also highlighted the early signs of the socio-economic impact of the Ebola outbreak (which at the time was somewhat still not as pronounced) and the need for its urgent containment.

They provided their observations on portfolio and project implementation challenges. Notable in this regard, were the huge transaction costs to the Government arising from the proliferation of Trust Funds, the need to enhance the capacity and integration of the Project Implementation Units (PIUs) into government, and delays and additional costs and unpredictability of disbursements during

project implementation often associated with Bank's fiduciary, safeguards and reporting requirements. Authorities observed that these created complications for broader national budgetary management, particularly in the case of budget support programs, especially considering that Sierra Leone was one of the FCSs. They therefore called for flexibility in WBG processes. They also called for training on World Bank project cycle, procurement and disbursement processes for officials in ministries, departments, and agencies implementing World Bank-supported projects.

In addition, the authorities highlighted investment needs for new ferry services to facilitate the Lungi-Freetown transit, a new airport, a deep-sea port and rail services to support the extractive corridors. They also called for more support in the extractive sector for institutional capacity building and development of the legal frameworks, including the Mines and Minerals Act, Sector operational regulations, the Environmental and Social Safeguards Regulations, revisions to the core Mineral Policy and the promotion of EITI implementation.

The ED thanked the authorities for enriching discussions and undertook to continue being an advocate of Sierra Leone's interests at the Boards of the WBG. There was also agreement that more efforts will be exerted towards improving coordination with and among development partners within the country anchored on well clarified selectivity.

The Gambia (July 6 – 9, 2014)

The Gambian authorities apprised the ED on the national development vision, noting that it was anchored on the agriculture sector, as a conduit for poverty reduction, as well as on stronger improvements in the tourism sector. They welcomed the Bank's commitment to support a comprehensive energy sector study, underscoring its urgency to enable the Government to deal with the persistent financial difficulties associated with the significant deficits and high indebtedness, which weigh heavily on the Government's fiscal position and the economy at large. They welcomed the proposed support to the agriculture sector to improve basic irrigation infrastructure and the required management systems to enhance the country's resilience to climatic shocks.

Other challenges identified were the need to: consolidate and sustain the gains achieved in the education sector, including gender parity at the basic education level; and lingering deficiencies with the macroeconomic data, social statistics, which were serious challenges that undermine monitoring, analysis and policy responsiveness. Sectoral technical staff responsible for implementing WBG projects provided feedback on portfolio and project implementation challenges as follows: the need to expedite "no objections" for the procurement for certified seeds for the agriculture project for the planting season; delays and unpredictability of disbursements of budget support programs; and lack of adequate capacity in the implementation of World Bank supported projects.

Zimbabwe (August 19-24, 2014)

The Zimbabwean authorities exchanged views with the ED on further strengthening of the relationship with the WBG. The Governor observed that the international sanctions imposed on Zimbabwe precluded trade with other countries and foreign direct investment. He confirmed to the ED that Zimbabwe remained committed to the successful implementation of the Staff Monitored Program previously agreed with the IMF. On his part, the ED thanked the Governor and the Government

for this commitment and encouraged the Governor to work diligently to resolve the issue of the debt overhang with the International Financial Institutions (IFI's), which is impeding the re-engagement process.

The ED and his delegation, that included the Alternate Executive Director, Mr. Peter Larose, visited the Kariba Dam, which is shared by Zambia and Zimbabwe. The Dam, which was built with World Bank support about 50 years ago, is in need of urgent rehabilitation. The Zambezi River Authority, the company managing the Dam and jointly owned by the two governments of Zambia and Zimbabwe, highlighted the quantum of work to be done as well as the consequences of inaction. The visit included a tour of the Dam where the Authority gave a demonstration *'in situ'* of the work to be done and what mitigation measures had been adopted in the interim. The ED noted the severity of the situation and the potential risks should the dam be let to fail. He therefore assured the representatives of the two Governments that his Office would do everything possible to mobilize support for the rehabilitation project under preparation when presented for Board's consideration later in the year.

Zambia (August 24-29, 2014)

In Zambia, the ED thanked the authorities for nominating him to the positions of Alternate Executive Director and subsequently Executive Director, and for the support rendered to him during his tenure. He also took the opportunity to introduce Mr. Peter Larose as the candidate for the position of Executive Director for the next period, 2014-2016. The authorities thanked the ED for his service and commended him for the diligence with which he had performed his duties.

The authorities welcomed the internal reforms at the WBG and hoped that these would result in increased efficiency and effectiveness of the Institution. They further commended the World Bank for supporting the country's development agenda across several sectors of the economy, while noting that there was scope for further collaboration in agriculture as well as in other regional projects.

4.5 Report on the Voice Secondment Program

The World Bank Executive Directors approved the Voice Secondment Program (VSP) in April 2004. The VSP is a capacity-building program for Government officials from Developing and Transition Countries (DTCs). The program seeks to continue to increase the "voice" and participation of DTCs in the decision making process of the WBG. The program increases the knowledge of officials about Bank procedures, products, and operations; supports EDs' interactions with their constituencies; and strengthens the ability of authorities to interact effectively with the Bank's operational teams through the involvement of VSP alumni.

To date, there have been 203 graduates in ten cohorts with 46 of them from AfG1 Constituency. The tenth cohort ran from January to June 2014, with two Secondees from our Constituency. These were: Mr. Sam Morris Aruna, Senior Assistant Secretary/Head of Infrastructure and Instructional Development Sector, Ministry of Finance and Economic Development in Sierra Leone; and Mr. Armstrong Dlamini, Senior Economist at the Central Bank of the Kingdom of Swaziland.

During the program the Secondees attended professional events including intellectual debates and fora such as 'Aspirations, Poverty and Inequality- the 4th World Bank Conference

on Equity', and 'Accelerating Poverty Reduction in Africa'. They also attended Seminars on Africa during the 2014 International Monetary Fund/World Bank Spring Meetings focusing on Policies for Sustained and Inclusive Growth, Ending Conflict and Building Peace, Financial Stability and Inclusion in Small Middle-Income Countries, and Agricultural Productivity. The Secondees also attended workshops on the WBG instruments and operations as well as the organizational structure. They also had sessions with the Office of the Executive Director, Africa Group I, which among other things, provided information on the functions of the Office and the Board of Executive Directors.

Mr. Aruna was posted to the Social Accountability and Open Governance Practices of the World Bank Institute, where he obtained a clear understanding of the open budget process and learnt about the collection and mapping of aid data under the Open Aid Partnership Program before it is opened to the public. He also learnt about the OnTrack Program, which is used to monitor development projects and programs by stakeholders. He attended the Social Accountability Core Course, which upholds Transparency, Accountability, and Participation (TAP) in the process of engagement, dialogue and negotiations between citizens and the state. The objective is to equip stakeholders and empower them to hold the state accountable and responsive to citizens' needs. He participated in similar discussions on citizens' engagement and participation in the budget process with the focal person for the pilot project on citizen participation in the budget process, in Kathmandu, Nepal. While on mission in Nepal, he participated in a 2-day Data Literacy Bootcamp that was focused on core skills development for "Data Literacy," in aid data. He also held working sessions with the Poverty Alleviation Fund secretariat, which is piloting the OnTrack program. This availed him an opportunity to experience and understands its operations, opportunities, and challenges.

Mr. Dlamini was assigned to the Office of the Chief Economist for the Africa Region where he collaborated on a desk based research paper on the socio-economic impact of gold mining on local communities in Ghana. He participated in the research study and data collection during a three-week mission to Ghana. He also attended a debate chaired by the Chief Economist on the Impact of Operations Policy and Country Services and Impact Evaluation on accessing credit in Africa. The main objective of the debate was to identify ways to improve operations and research in the area of Access to Credit and interaction of the teams from the two Units for better project outcomes. The debate benefited from lessons learned from projects on Access to Credit in the Africa region. Mr. Dlamini also had the opportunity to discuss the state of the financial sector in Swaziland with the Private and Financial Sector Development team that is drafting Swaziland's Financial Sector Development Plan under the Financial Sector Reform and Strengthening (FIRST) Initiative. He also participated in preparations for the 'State of the Africa Region' workshop for the Governors during the Spring Meetings.

At the exit Meeting with the Office, the Secondees expressed their appreciation for the program. They underscored its usefulness for understanding Bank operations and interlinks within the organization. They appreciated the combination of training, both professional and on-the-job as well as the opportunity of a field mission. They recommended that the program continues to avail opportunities to more officials from our countries, to improve engagement with the WBG.

4.6 African Caucus Meeting

The African Caucus Meeting was held in Khartoum, Sudan on September 3–4, 2014 under the chairmanship of Honorable Badr-Eddin Mahmoud, Minister of Finance and National Economy of Sudan.

The African Caucus Meeting was formally opened by His Excellency the First Vice President of the Republic of Sudan, Lt. Gen. Bakri Hassan Salih and deliberated on infrastructure financing in energy and agriculture, development of trade and industry, and the role that the IMF and WBG could play. The Governors were briefed on the Ebola crisis in West Africa, and called upon the international community to urgently provide assistance to the countries affected. Governors noted with concern that the debt issue of the remaining heavily indebted countries in Africa remains unresolved. They called for urgent and speedy action by creditor countries and institutions and urged the IMF and WBG to take the leadership role in this.

Four High-Level Dialogue sessions were held on the following themes: (i) Regional Economic Outlook; (ii) Development Financing and Inclusive Growth: The Role of the BWIs' Lending Policies; (iii) World Bank Group Strategy for Africa; and (iv) Trade and Industrialization in Africa.

Governors were also updated on the following subjects: (a) BRICS Bank; (b) World Bank Group Safeguards; and (c) African Development Fund. The Meeting deferred discussion of the draft 2014 African Caucus Memorandum to October when Governors meet for the 2014 Annual Meetings. The 2014 Memorandum will be delivered to the WBG President and the IMF Managing Director on the margins of the 2014 Annual Meetings. African Governors issued the 2014 Khartoum II Declaration at the end of their Meetings in Sudan (see Annex).

Box 4.1: **2014 KHARTOUM II DECLARATION**

Having met in Khartoum, The Republic of Sudan, at our 2014 African Caucus, chaired by His Excellency Bader Eldin Mahmoud Abbas Makhtar, Minister of Finance and National Economy, Sudan and Chairman of the African Caucus of Governors of the International Monetary Fund (IMF) and the World Bank Group (WBG);

Mindful that Africa's sustained growth, and poverty reduction and shared prosperity objectives are seriously challenged by the lack of adequate physical infrastructure and infrastructure financing instruments, slow growth in trade and low levels of industrialization, increasing level of urbanization and inadequate job creation;

Grateful for progress achieved so far, and support in fostering the development of transformative regional infrastructure projects in energy and agriculture;

Considering that without security, regional solutions and bold investments in key sectors such as agriculture, energy, transport, health and water, and ending fragility, eradicating extreme poverty, and boosting shared prosperity could be elusive goals;

Dissatisfied that our longstanding concerns on the IMF Quota and Governance Reforms still need to be addressed, that targets set for Africa's representation, as well as recruitment and promotion of African nationals in the BWIs still need to be achieved;

Disappointed by lack of progress by multilateral institutions and other creditors in providing debt relief for the remaining highly indebted African countries such as Sudan, South Sudan, Somalia and Zimbabwe;

Deeply concerned about the recent outbreak of the Ebola virus in some of our countries and the potential of its spread worldwide, the inadequate response to prevention and treatment and the slow pace of global action to prevent this crisis and it's devastating impact on peoples' lives and economies; and

Noting with deep concern that the proposed Environmental and Social Safeguards Framework of the World Bank Group has not fully addressed the challenges of the existing Safeguards Policies, which have constrained implementation of critical projects and have provisions that go against national laws and the social fabric of our societies;

WE,
THE AFRICAN GOVERNORS OF THE IMF AND THE WBG,
REITERATE, WITH A SENSE OF URGENCY, OUR CALL

***To the World Bank Group to*:**

(i) Move quickly and effectively at establishing the Global Infrastructure Facility, with a dedicated window for Africa's infrastructure financing;

(ii) Increase its IBRD enclave lending to IDA countries, to help in structuring large-scale transformational projects with regional impact;

(iii) Explore, on a demand driven basis, the possibility of using IDA resources for project preparation, to attract a range of alternative financing modalities, including the private sector;

(iv) Offer the guarantees and leverages needed to attract private sector investments and foster active public-private partnerships (PPPs) and increase IFC's resources under its Special Initiative for Infrastructure and its "Infra Venture" program in Africa;

(v) Increase IFC and MIGA technical and financial support to African entrepreneurs, in order to develop their capacity to trade and build industries;

(vi) Increase financial resources and mobilize additional contributions to support the development of water supply and agriculture development through the entire supply chain and support countries to attract investors into affordable renewable energy;

(vii) Support Africa's transformation agenda by promoting optimal use of the continent's abundant resources through investments in manufacturing and value addition of raw materials;

(viii) Support countries in their effort to develop a comprehensive plan of action to promote low cost housing programs, drawing from successful experiences elsewhere;

(ix) Ensure that the revised Environmental and Social Safeguards Framework fully benefits from, among others, consultations with government, respects national laws, takes into account unique country circumstances and addresses concerns around controversial issues, such as, the treatment of indigenous peoples, which as stated in the current and proposed policy is inadequate and divisive; and

(x) Strengthen collaboration with the African Development Bank (ADB) and other Development Finance Institutions in resource mobilization in support of infrastructure and other development needs.

***To the IMF to*:**

(i) Play a leading role in securing debt relief for the remaining African countries, including Sudan, South Sudan, Somalia and Zimbabwe from donors and other creditors;

(ii) Take the necessary steps to raise additional resources, including through bilateral contributions and continued non-reimbursement to the General Resources Account (GRA) of administrative expenses of the Poverty Reduction and Growth Trust (PRGT);

(iii) Support our investment agenda by not setting restrictive debt limits for Low Income Countries under Fund-supported programs. The Debt Limits Policy should be based on country circumstances with a non-intrusive operational framework;

(iv) Assist in building capacity in national debt management; and

(v) Enhance Africa's voice and representation at the IMF Executive Board through a third chair for Sub-Saharan Africa; through quota shares that reflect our economic dynamism and underlying vulnerabilities; and through an upward revision of basic votes, as part of the Fifteenth General Review of Quotas.

To the two Bretton Woods Institutions to:

(i) Build on diversity initiatives, and take concrete measures to achieve the set diversity objectives for Africans, at all levels of staff, in particular, recruit qualified and deserving Africans to senior managerial positions, and develop a pool of middle-level managers who can later transition, to senior managerial positions.

(ii) Expand the pool of institutions from which their staff is recruited to include the top Universities and financial institutions in Africa;

(iii) Given the emergency situation caused by the Ebola outbreak and the devastating impact on the post-conflict reconstruction and socio-economic development efforts in the countries affected, to take, without further delay, the necessary steps to put in place emergency financial support, and technical and policy advice to build more resilient health systems that are better able to cope with such outbreaks, and help in providing the needed fiscal space to adjust to the social and economic shocks associated with the epidemic.

(iv) Finally but not the least, assist our countries to create the necessary fiscal space to address other drivers of fragility, including refugee spillovers arising from security problems.

In closing, we, African Governors, thank His Excellency Omar Hassan Ahmed ElBashir Bakry, President of the Republic of Sudan, the Government, and the People of the Republic of Sudan for the hospitality and facilities they accorded us throughout our stay in Khartoum.

African Caucus
Khartoum, Sudan
September 4, 2014


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ANNEXES

- Development Committee Communiqué – April 2014
- Development Committee Member Statement – April 2014
- Capital Subscriptions and Voting Power for Africa Group I Constituency
- Rotation Schedules

Annexes

Annex 1: Development Committee Communiqué – April 2014

1. The Development Committee met today, April 12, 2014, in Washington DC.

2. Economic recovery in high-income countries shows signs of strengthening and growth continues in many emerging market economies. However risks remain. Fostering strong, inclusive and sustainable growth in today's interconnected global economy will require policy adjustments and appropriate coordination and communication. We encourage the World Bank Group (WBG) and the International Monetary Fund (IMF) to work jointly and with all member countries in pursuing sound and responsive economic policies; addressing underlying macroeconomic vulnerabilities; rebuilding macroeconomic buffers; and strengthening prudential management of the financial system.

3. The ability of the WBG to assist countries in achieving the goals of ending extreme poverty and promoting shared prosperity in a sustainable manner, and to support member countries in addressing their development needs, should be enhanced by the implementation of the WBG Strategy that we endorsed at our last meeting. We welcome the progress made in implementing the change agenda, and call on the WBG to work effectively to complete the reforms. The WBG should build on its country engagement model as a platform for selectivity based on client demand and the new corporate goals, to deliver better, faster and evidence based solutions that result in transformative outcomes for the benefit of low and middle income countries alike. We expect the new WBG structure should lead to better global knowledge sharing to benefit all client countries, and to strengthening its role in support of south-south and regional cooperation. We welcome the WBG scorecard and look forward to regular updates on the implementation of the WBG strategy.

4. Strengthening the foundations for strong, inclusive and sustainable growth calls for macroeconomic stability, good governance, promoting public investment, improving the enabling environment for private investment, boosting quality investment in resilient infrastructure and improving access to finance. Social inclusion and policies that broaden income opportunities and the full participation of all groups, including women and the marginalized and vulnerable, are essential. Raising skills, productivity, and innovation capabilities are also key elements. An open business climate that fosters competition, more inclusive human capital development and well-targeted social protection programs are good both for growth and for shared prosperity. Private investment flows complement development finance and are a vital factor in achieving our goals. In this context, we emphasize the importance of the roles of the International Finance Corporation and the Multilateral Investment Guarantee Agency, working as part of one WBG, in catalyzing private financial flows and promoting the development of a dynamic private sector that can help support sustainable growth, shared prosperity and real opportunities for all citizens in all client countries. Environmental considerations need to be integrated into policymaking: climate-smart policies are necessary for environmental sustainability and resilience, and could also generate side benefits for growth and jobs.

5. The level of ambition of the WBG Strategy demands better utilization of existing resources as well as strengthening the WBG's financial capacity. We are encouraged by and we welcome the conclusion of a successful IDA 17 replenishment, which included strong support from traditional and new donors, and innovative financing mechanisms. The record US$52 billion approved by shareholders puts IDA in a strong position to maximize impact in supporting our poorest and most vulnerable member countries, including many fragile and conflict-affected situations (FCS) as well as small states, which face particular development challenges. We welcome IDA 17's commitment to maximize development impact with its special focus on inclusive growth; gender equality; climate change, including disaster risk management (DRM); and FCS. We are also encouraged that the subsidy resources needed to ensure the sustainability of subsidized IMF lending to low income economies have been largely secured. We value the IMF's work on how countries can use fiscal policy to address inequality in an efficient manner.

6. The measures taken to grow revenues, reduce costs, and make more efficient use of capital within a prudent risk framework will increase the WBG's financial capacity to serve its clients, both by supporting them with their specific development objectives and by providing countercyclical support in times of crisis. We look forward to continued progress in achieving a leaner cost base via improved organizational and operational efficiencies, as well as ongoing efforts to develop innovative approaches and mechanisms to mobilize additional financing. We encourage increasing the level and quality of investment in infrastructure, which is critical for growth, job creation, prosperity and poverty reduction in countries of all income levels. We call on the WBG to remain actively engaged with middle income countries to help them address their development needs. We also encourage the WBG to explore extending IBRD loans to well performing IDA-only countries while ensuring their debt sustainability.

7. We urge the WBG and the IMF to continue to strengthen their engagement with Sub-Saharan Africa and ensure that their financial, analytical, and capacity-building support is geared toward fostering country-driven structural transformation, reducing extreme poverty, boosting job creation, and making economic growth more inclusive and resilient. We especially welcome the WBG's stepped up engagement in addressing the regional drivers of fragility and conflict, most recently through the Sahel Initiative and continued implementation of the Great Lakes Initiative. The WBG should learn from these initiatives and apply lessons to the Horn of Africa, Central Africa and the Gulf of Guinea. We also commend the role of the WBG in helping to close the infrastructure gap of Sub-Saharan Africa, by attracting new investments and financing sustainable energy supply and distribution. We call on the WBG to assist clients to further develop nutrition-sensitive agriculture production, including through support to smallholders and cooperatives, and to broaden support for sustainable agriculture. We are encouraged that the IMF has now completed its program of establishing five technical assistance centers to meet needs across the entire region. We welcome the forthcoming IMF high-level conference in Mozambique that will bring together economic policy makers from Africa and beyond to discuss some of the key challenges facing the continent. We call for enhanced focus and attention to the Middle East and North Africa region, and emphasize the importance of WBG support to Arab countries in transition.

8. We remain deeply concerned about the continuously deteriorating humanitarian situation in the Central African Republic, South Sudan and Syria. We commend the generosity of governments and families in neighboring countries who are hosting those displaced at significant economic and social cost. The WBG's work in FCS is fundamental to delivering on its goal to end extreme poverty, and active IMF engagement in FCS is key to achieving macroeconomic stability under what are often very difficult circumstances. We urge the WBG and the IMF to remain closely engaged in these as well as other FCS and countries in transition,

in coordination with other development partners. We welcome the continuous support of the WBG and IMF to Ukraine given the challenges the country is facing.

9. We encourage the WBG to maintain strong collaboration with the UN system in the definition of the Post-2015 Millennium Development Goals.

10. We welcome the WTO Bali Ministerial Declaration on Trade Facilitation. We believe the agreement will increase competitiveness for developing countries by improving border management and reducing transaction costs and we call on the WBG to support countries in its implementation.

11. We are encouraged by progress made by the WBG in mainstreaming DRM in its operations and recognize the need to further intensify these efforts in country partnership frameworks. We recognize the challenges faced by small states vulnerable to the effects of climate change and natural disasters. We would welcome a further update on progress two years from now.

12. We remain committed to completing the implementation of the 2010 WBG shareholding realignment. We urge all members who are yet to subscribe to their allocated IBRD and IFC shares to do so without delay, and look forward to the next review of Voice by 2015.

13. We thank Jorge Familiar for his excellent services to the Development Committee over the past four years and wish him well in his future role as the World Bank's Vice President for Latin America and the Caribbean. The next meeting of the Development Committee will be held on October 11, 2014, in Washington, DC.

Annex 2: Development Committee Member Statement - April 2014

Development Committee Member Statement by
Mr. Alexander B. Chikwanda, Minister of Finance, Zambia
During the World Bank/IMF 2014 Spring Meetings, Washington, DC

1. Introduction

Sub-Saharan Africa (SSA) has continued to maintain a strong pace of economic growth on account of robust domestic demand and capital inflows. This trend is expected to continue as investments in infrastructure increase. This notwithstanding, poverty and unemployment remain high, and the uncertain global environment has only served to compound the risks to economic development. Achievement of sustainable and inclusive development under these conditions requires concerted efforts by our governments and the development community in general.

Growth in the Post-Crisis Global Economy -Policy Challenges for Developing Countries

Many of our economies find it more difficult to respond effectively to the external headwinds within the context of limited policy buffers. We therefore concur with the view expressed in the WBG's report, 'Growth in the Post-Crisis Economy: Policy Challenges for Developing Countries', that the risks posed by the global macroeconomic uncertainty warrant a careful management of the post-crisis transition.

As we strive to maintain our growth momentum, we call for more effective international coordination of macroeconomic policies. We urge policy makers in advanced economies to accord greater recognition to the strength of the linkages among regions and the consequences of their actions on the prospects for the poor in other regions. Specifically, we call for strong commitment by all development partners to take concerted actions aimed at promoting an era of global economic cooperation among countries for the betterment of people's lives worldwide with mutual respect for national values and cultural affinities.

Mainstreaming Disaster Risk Management in the WBG's Operations

We welcome the update on this topical issue and appreciate that disaster and climate risk management are now core elements of the new One WBG Strategy. We also welcome the integration of risk management in the Performance Standards on Environmental and Social Sustainability for both IFC and MIGA.

We note the growth in the share of the Africa region in the Disaster and Risk Management (DRM) portfolio, from 33 to 37 percent between 2010 and 2013. However, much more needs to be done to mitigate the effects of the intermittent droughts and floods in our countries, the majority of which remain among the most vulnerable and the least able to cope with disasters. We believe there is scope for broader WBG involvement in: (a) regional resilience programs similar to the ongoing program in the Sahel Region; (b) market-based insurance for the agriculture sector; (c) IFC project-level risk mitigation products and services for risk reduction; and (d) community-driven operations for the most impoverished and vulnerable communities. We therefore call on the WBG Management to scale-up activities in these areas. On our part, we commit to the DRM cause by ensuring that, among other things, funding is provided and suitable institutional arrangements as well as early warning and preventive mechanisms are developed and deployed.

Transformational Initiatives and Development Financing

With Official Development Assistance (ODA) on the decline, mobilization of domestic and international resources is increasingly becoming important. In this context, some countries are tapping into both the domestic and international capital markets to raise funds for infrastructure projects. These financing sources, however, only support about half of the annual infrastructure financing needs of the region. The challenge is to explore innovative ways to raise the necessary additional funds and broaden the source of financing for infrastructure development in a sustainable manner. We therefore call on WBG Management to take the lead in this endeavor through both private and public sector schemes.

Towards this end, we would like to commend our development partners and the WBG for a successful outcome of the IDA 17 replenishment, and welcome the new Partner Concessional Financing Scheme that seeks to shore up IDA's financial sustainability. However, the development challenges facing the region require additional financing sources. From this perspective, we urge the WBG to improve accessibility to IBRD resources by IDA creditworthy recipients. In the same vein, we call for a review of the policy on WBG non-concessional borrowing so that IDA countries can seek private non-concessional funding for transformative infrastructure projects. In this regard, we welcome IFC's efforts to mobilize capital from third parties, and we call for stronger participation and collaboration of IBRD, IFC and MIGA in attracting private sector.

The World Bank Group Change Process

We take note of the ongoing Change Process in the WBG, mindful that the efficacy of this process will be judged by the magnitude of its impact on our development objectives. We look forward to the streamlined and simplified internal procedures necessary for faster client delivery. We encourage the WBG Management to continuously improve its engagement with its staff during the Change Process to leverage their support for the successful implementation of the reforms. We note the WBG strategic budget exercise, the establishment of the Global Practices (GPs) and Cross-Cutting Solution Areas (CCSAs) as well as the planned introduction of the Country Partnership Framework (CPF).

However, we must express our deep concern and disappointment in the lack of diversity characterized by the recent recruitment of 16 Senior Directors for GPs and CCSAs, with no African representation at all. We regret that this represents a continuation of the marginalization of Africa. We would therefore like to reiterate our strong call on Senior Management, especially President Kim, to address this anomaly expeditiously to ensure staff diversity and inclusiveness at all levels to reflect the global nature of the institution.

Other Topical Development Issues

Natural Resource Management: Africa has increasingly become known as the world's new resource frontier, with new discoveries of oil, minerals and gas in several of our countries. Appropriate capacities would be cardinal to ensure Africa benefits optimally from these resources. While these discoveries offer the prospects for Africa to accelerate growth and development of our countries, they require major investments to materialize. In this regard, we welcome the ongoing support from partners in capacity building for extractive sector management including value addition, establishing requisite legal and regulatory environment, fiscal framework for managing natural resources wealth, and in contract negotiations. In this context, we also reiterate our call for the WBG to devise and adopt a group-wide approach to work with our countries in promoting economic diversification.

Support to Africa's Middle Income Countries (MICs) and Small Island Developing States (SIDS): MIC's in SSA face development challenges that are no different from those of IDA countries, but their access to concessional resources has been limited due to their mere nominal classification as MICs. In

addition, since the World Bank's MICs Agenda has taken long to be realized, these countries receive no benefits. Further, the Bank also needs to recognize the special needs of the SIDS. Due to their small size, limited resources, geographic dispersion and isolation from markets, SIDS face challenges which cause major set-backs to their socio-economic development. Therefore, within the context of the ongoing reforms, we call on the WBG to develop a tailored strategy to support the development agenda of the MICs and SIDs in SSA.

The Post-Millennium Development Goals (MDGs) Agenda: While we note that remarkable progress has been made in meeting the MDGs globally, many countries in SSA are behind on most targets. In this regard, we welcome the Sustainable Development Framework as a successor program to the MDGs as it underscores the world's commitment to eliminate extreme poverty and uplift the living standards of all people in a sustainable manner. We are also encouraged by and support the preparation of the United Nations' Post-2015 Development Framework, and look forward to continuous updates on developments in this regard.

Debt Relief: We remain concerned that Somalia, Sudan, and Zimbabwe are yet to benefit from the debt relief initiatives. This situation constrains their development efforts. We call for the development partners, especially the concerned creditors and the Bank to progressively support these countries overcome the apparent impasse in the debt relief process and meet the challenges related to debt burden.

Conclusion

In conclusion, Africa needs sustainable, inclusive and equitable development driven by robust economic growth, industrialization, infrastructure development, sectoral productivity, job creation and strengthened international cooperation, inter alia. While we reiterate our commitment to undertake the necessary prudent policy measures and concerted actions, we call on our development partners to be more strategically focused and results-oriented in their support to our mutual goal of poverty reduction and shared prosperity. As we witness the transformation of the WBG, we encourage heightened focus on streamlining systems and processes within the institution to ensure development effectiveness on the ground.

Annex 3: IBRD AND IFC CAPITAL INCREASES - AFRICA GROUP I CONSTITUENCY

Summary of Subscriptions as of September 10, 2014

IBRD and IFC - STATUS OF SUBSCRIPTION (PAYMENT) TO ALLOCATED SHARES

	IBRD						IFC		
	Selective Capital Increase - Res. 612			General Capital Increase - Res. 613			Selective Capital Increase - Res. 256		
DEADLINE FOR SUBMISSION OF DOCUMENTS AND PAYMENT	3/16/2015			3/16/2016			12/31/2014 for documents 06/27/2015 for payment		
	Allocated	Paid	% Paid	Allocated	Paid	% Paid	Allocated *	Paid	% Paid
Botswana	N/A	N/A	N/A	164	0	0.0	N/A	N/A	N/A
Burundi	107	107	100.0	220	0	0.0	N/A	N/A	N/A
Eritrea	77	0	0.0	179	0	0.0	N/A	N/A	N/A
Ethiopia	182	0	0.0	310	0	0.0	N/A	N/A	N/A
Gambia, The	70	0	0.0	164	0	0.0	N/A	N/A	N/A
Kenya	250	0	0.0	724	0	0.0	N/A	N/A	N/A
Lesotho	83	0	0.0	199	0	0.0	N/A	N/A	N/A
Liberia	74	0	0.0	143	0	0.0	N/A	N/A	N/A
Malawi	148	0	0.0	332	0	0.0	N/A	N/A	N/A
Mozambique	121	0	0.0	281	0	0.0	N/A	N/A	N/A
Namibia	N/A	N/A	N/A	407	0	0.0	N/A	N/A	N/A
Rwanda	139	0	0.0	317	0	0.0	N/A	N/A	N/A
Seychelles	N/A	N/A	N/A	70	0	0.0	N/A	N/A	N/A
Sierra Leone	105	0	0.0	220	0	0.0	N/A	N/A	N/A
Somalia	80	0	0.0	169	0	0.0	N/A	N/A	N/A
South Sudan	N/A	N/A	N/A	384	0	0.0	N/A	N/A	N/A
Sudan	720	0	0.0	419	0	0.0	N/A	N/A	N/A
Swaziland	59	0	0.0	133	0	0.0	N/A	N/A	N/A
Tanzania	176	0	0.0	393	0	0.0	N/A	N/A	N/A
Uganda	115	0	0.0	196	0	0.0	N/A	N/A	N/A
Zambia	250	0	0.0	818	0	0.0	N/A	N/A	N/A
Zimbabwe	250	250	100.0	955	0	0.0	1,100	548	49.82

* Includes additional shares from the reallocation exercise on June 27, 2014

Key:

Unsubscribed - May include members who submitted their documents but who have not yet paid their subscriptions.

Fully subscribed

N/A - no shares were allocated - no action needed.

Source: World Bank

ANNEX 4: IBRD AND IFC - REQUIRED PAYMENTS IN US DOLLARS

(callable portion does not require payment at time of subscription)

	IBRD						IFC			Total Paid-in Required		
	Selective Capital Increase - Res. 612			General Capital Increase - Res. 613			Selective Capital Increase - Res. 256			IBRD	IFC	Total
	Paid-in [a/]	Callable	Total	Paid-in [a/]	Callable	Total	Paid-in [a/]	Callable	Total			
Botswana	N/A	N/A	N/A	1,187,048.40	18,597,091.60	19,784,140	N/A	N/A	N/A	1,187,048.40	N/A	**1,187,048.40**
Burundi	N/A	12,907,945.00	12,907,945	1,592,382.00	24,947,318.00	26,539,700	N/A	N/A	N/A	1,592,382.00	N/A	**1,592,382.00**
Eritrea	N/A	9,288,895.00	9,288,895	1,295,619.90	20,298,045.10	21,593,665	N/A	N/A	N/A	1,295,619.90	N/A	**1,295,619.90**
Ethiopia	1,317,334.20	20,638,235.80	21,955,570	2,243,811.00	35,153,039.00	37,396,850	N/A	N/A	N/A	3,561,145.20	N/A	**3,561,145.20**
Gambia, The	N/A	8,444,450.00	8,444,450	1,187,048.40	18,597,091.60	19,784,140	N/A	N/A	N/A	1,187,048.40	N/A	**1,187,048.40**
Kenya	N/A	30,158,750.00	30,158,750	5,240,384.40	82,099,355.60	87,339,740	N/A	N/A	N/A	5,240,384.40	N/A	**5,240,384.40**
Lesotho	N/A	10,012,705.00	10,012,705	1,440,381.90	22,565,983.10	24,006,365	N/A	N/A	N/A	1,440,381.90	N/A	**1,440,381.90**
Liberia	N/A	8,926,990.00	8,926,990	1,035,048.30	16,215,756.70	17,250,805	N/A	N/A	N/A	1,035,048.30	N/A	**1,035,048.30**
Malawi	N/A	17,853,980.00	17,853,980	2,403,049.20	37,647,770.80	40,050,820	N/A	N/A	N/A	2,403,049.20	N/A	**2,403,049.20**
Mozambique	N/A	14,596,835.00	14,596,835	2,033,906.10	31,864,528.90	33,898,435	N/A	N/A	N/A	2,033,906.10	N/A	**2,033,906.10**
Namibia	N/A	N/A	N/A	2,945,906.70	46,152,538.30	49,098,445	N/A	N/A	N/A	2,945,906.70	N/A	**2,945,906.70**
Rwanda	N/A	16,768,265.00	16,768,265	2,294,477.70	35,946,817.30	38,241,295	N/A	N/A	N/A	2,294,477.70	N/A	**2,294,477.70**
Seychelles	N/A	N/A	N/A	506,667.00	7,937,783.00	8,444,450	N/A	N/A	N/A	506,667.00	N/A	**506,667.00**
Sierra Leone	N/A	12,666,675.00	12,666,675	1,592,382.00	24,947,318.00	26,539,700	N/A	N/A	N/A	1,592,382.00	N/A	**1,592,382.00**
Somalia	N/A	9,650,800.00	9,650,800	1,223,238.90	19,164,076.10	20,387,315	N/A	N/A	N/A	1,223,238.90	N/A	**1,223,238.90**
South Sudan	N/A	N/A	N/A	2,779,430.40	43,544,409.60	46,323,840	N/A	N/A	N/A	2,779,430.40	N/A	**2,779,430.40**
Sudan	5,211,432.00	81,645,768.00	86,857,200	3,032,763.90	47,513,301.10	50,546,065	N/A	N/A	N/A	8,244,195.90	N/A	**8,244,195.90**
Swaziland	N/A	7,117,465.00	7,117,465	962,667.30	15,081,787.70	16,044,455	N/A	N/A	N/A	962,667.30	N/A	**962,667.30**
Tanzania	N/A	21,231,760.00	21,231,760	2,844,573.30	44,564,981.70	47,409,555	N/A	N/A	N/A	2,844,573.30	N/A	**2,844,573.30**
Uganda	832,381.50	13,040,643.50	13,873,025	1,418,667.60	22,225,792.40	23,644,460	N/A	N/A	N/A	2,251,049.10	N/A	**2,251,049.10**
Zambia	N/A	30,158,750.00	30,158,750	5,920,765.80	92,758,664.20	98,679,430	N/A	N/A	N/A	5,920,765.80	N/A	**5,920,765.80**
Zimbabwe	N/A	30,158,750.00	30,158,750	6,912,385.50	108,294,039.50	115,206,425	1,100,000	0	1,100,000	6,912,385.50	1,100,000	**8,012,385.50**

N/A - no subscription amounts due - no action needed.

[a/] May include amounts already paid-in for which shares have already been issued.

Source: World Bank

Annex 5: IBRD only - PRE AND POST VOICE REFORMS PHASES 1 AND 2

	IBRD Capital Status - Pre Phase 1 and 2 b/					IBRD Capital Status - ACTUAL					IBRD Capital Status - Post Phase 1 and 2				
	No. of Subscription Shares	% of Subscription Shares	Total Votes	% Voting Power	Ranking	No. of Subscription Shares	% of Subscription Shares	Total Votes	% Voting Power	Ranking	No. of Subscription Shares	% of Subscription Shares	Total Votes	% Voting Power	Ranking
Botswana	615	0.04%	865	0.05%	143	615	0.03%	1,219	0.06%	144	779	0.03%	1,497	0.06%	156
Burundi	716	0.05%	966	0.06%	137	823	0.04%	1,427	0.07%	136	1,043	0.05%	1,761	0.07%	139
Eritrea	593	0.04%	843	0.05%	146	593	0.03%	1,197	0.06%	147	849	0.04%	1,567	0.06%	149
Ethiopia	978	0.06%	1,228	0.08%	119	978	0.05%	1,582	0.08%	121	1,470	0.06%	2,188	0.09%	117
Gambia, The	543	0.03%	793	0.05%	153	543	0.03%	1,147	0.06%	155	777	0.03%	1,495	0.06%	157
Kenya	2,461	0.16%	2,711	0.17%	72	2,461	0.13%	3,065	0.15%	74	3,435	0.15%	4,153	0.17%	74
Lesotho	663	0.04%	913	0.06%	140	663	0.03%	1,267	0.06%	141	945	0.04%	1,663	0.07%	141
Liberia	463	0.03%	713	0.04%	171	463	0.02%	1,067	0.05%	172	680	0.03%	1,398	0.06%	167
Malawi	1,094	0.07%	1,344	0.08%	110	1,094	0.06%	1,698	0.08%	111	1,574	0.07%	2,292	0.09%	111
Mozambique	930	0.06%	1,180	0.07%	124	930	0.05%	1,534	0.07%	126	1,332	0.06%	2,050	0.08%	124
Namibia	1,523	0.10%	1,773	0.11%	89	1,523	0.08%	2,127	0.10%	92	1,930	0.08%	2,648	0.11%	95
Rwanda	1,046	0.07%	1,296	0.08%	116	1,046	0.05%	1,650	0.08%	117	1,502	0.07%	2,220	0.09%	116
Seychelles	263	0.02%	513	0.03%	183	263	0.01%	867	0.04%	183	333	0.01%	1,051	0.04%	186
Sierra Leone	718	0.05%	968	0.06%	136	718	0.04%	1,322	0.06%	138	1,043	0.05%	1,761	0.07%	139
Somalia	552	0.04%	802	0.05%	150	552	0.03%	1,156	0.06%	152	801	0.03%	1,519	0.06%	153
South Sudan	1,437	0.09%	1,687	0.10%	92	1,437	0.07%	2,041	0.10%	95	1,821	0.08%	2,539	0.10%	101
Sudan	850	0.05%	1,100	0.07%	133	850	0.04%	1,454	0.07%	134	1,989	0.09%	2,707	0.11%	92
Swaziland	440	0.03%	690	0.04%	173	440	0.02%	1,044	0.05%	174	632	0.03%	1,350	0.06%	177
Tanzania	1,295	0.08%	1,545	0.10%	97	1,295	0.07%	1,899	0.09%	100	1,864	0.08%	2,582	0.11%	97
Uganda	617	0.04%	867	0.05%	142	617	0.03%	1,221	0.06%	143	928	0.04%	1,646	0.07%	142
Zambia	2,810	0.18%	3,060	0.19%	62	2,810	0.15%	3,414	0.17%	64	3,878	0.17%	4,596	0.19%	64
Zimbabwe	3,325	0.21%	3,575	0.22%	56	3,575	0.18%	4,179	0.20%	58	4,530	0.20%	5,248	0.22%	60

[b/] Data includes shares for Tuvalu and South Sudan who became members of IBRD on June 24, 2010 and April 18, 2012, respectively.

Source: World Bank

Annex 6: IFC only - PRE AND POST VOICE REFORM

	Table 4.4: IFC Capital Status - Pre Voice					IFC Capital Status - ACTUAL					IFC Capital Status - Post Voice Reform				
	No. of Subscription Shares	% of Subscription Shares	Total Votes	% Voting Power	Ranking	No. of Subscription Shares	% of Subscription Shares	Total Votes	% Voting Power	Ranking	No. of Subscription Shares	% of Subscription Shares	Total Votes	% Voting Power	Ranking
Botswana	113	0.00%	363	0.02%	156	113	0.00%	912	0.03%	156	113	0.00%	934	0.03%	156
Burundi	100	0.00%	350	0.01%	160	100	0.00%	899	0.03%	160	100	0.00%	921	0.03%	160
Eritrea	935	0.04%	1,185	0.05%	109	935	0.04%	1,734	0.07%	109	935	0.04%	1,756	0.06%	109
Ethiopia	127	0.01%	377	0.02%	153	127	0.01%	926	0.03%	153	127	0.00%	948	0.03%	153
Gambia, The	94	0.00%	344	0.01%	161	94	0.00%	893	0.03%	161	94	0.00%	915	0.03%	161
Kenya	4,041	0.17%	4,291	0.18%	57	4,041	0.16%	4,840	0.18%	57	4,041	0.16%	4,862	0.18%	58
Lesotho	71	0.00%	321	0.01%	166	71	0.00%	870	0.03%	166	71	0.00%	892	0.03%	166
Liberia	83	0.00%	333	0.01%	162	83	0.00%	882	0.03%	162	83	0.00%	904	0.03%	162
Malawi	1,822	0.08%	2,072	0.09%	78	1,822	0.07%	2,621	0.10%	78	1,822	0.07%	2,643	0.10%	78
Mozambique	322	0.01%	572	0.02%	140	322	0.01%	1,121	0.04%	140	322	0.01%	1,143	0.04%	140
Namibia	404	0.02%	654	0.03%	135	404	0.02%	1,203	0.05%	135	404	0.02%	1,225	0.04%	135
Rwanda	306	0.01%	556	0.02%	141	306	0.01%	1,105	0.04%	141	306	0.01%	1,127	0.04%	141
Seychelles	27	0.00%	277	0.01%	176	27	0.00%	826	0.03%	176	27	0.00%	848	0.03%	176
Sierra Leone	223	0.01%	473	0.02%	144	223	0.01%	1,022	0.04%	144	223	0.01%	1,044	0.04%	144
Somalia	83	0.00%	333	0.01%	162	83	0.00%	882	0.03%	162	83	0.00%	904	0.03%	162
South Sudan	1,880	0.08%	2,130	0.09%	77	1,880	0.08%	2,679	0.10%	77	1,880	0.07%	2,701	0.10%	77
Sudan	111	0.00%	361	0.01%	157	111	0.00%	910	0.03%	157	111	0.00%	932	0.03%	157
Swaziland	684	0.03%	934	0.04%	122	684	0.03%	1,483	0.06%	122	684	0.03%	1,505	0.06%	122
Tanzania	1,003	0.04%	1,253	0.05%	105	1,003	0.04%	1,802	0.07%	105	1,003	0.04%	1,824	0.07%	105
Uganda	735	0.03%	985	0.04%	118	735	0.03%	1,534	0.06%	118	735	0.03%	1,556	0.06%	118
Zambia	1,286	0.05%	1,536	0.06%	95	1,286	0.05%	2,085	0.08%	95	1,286	0.05%	2,107	0.08%	95
Zimbabwe	2,120	0.09%	2,370	0.10%	75	2,668	0.11%	3,467	0.13%	65	3,220	0.13%	4,036	0.15%	65

[c/] Data includes shares for Suriname and South Sudan who became members of IFC on September 1, 2011 and April 18, 2012, respectively.

Source: World Bank

Annex 7: COUNTRY POLICIES AND INSTITUTIONS ASSESSMENT (CPIA) RATINGS FOR AFRICA GROUP 1 CONSTITUENCY MEMBER COUNTRIES

	2012	2013
BOTSWANA*	-	-
BURUNDI	3.5	3.2
ERITREA	1.9	2.0
ETHIOPIA	3.9	3.4
THE GAMBIA	3.4	3.3
KENYA	4.3	3.9
LESOTHO	3.7	3.5
LIBERIA	3.7	3.1
MALAWI	3.1	3.1
MOZAMBIQUE	3.7	3.6
NAMIBIA*	-	-
RWANDA	4.6	3.9
SEYCHELLES*	-	-
SIERRA LEONE	3.4	3.3
SOMALIA+	-	-
SOUTH SUDAN	2.2	2.1
SUDAN	2.7	2.4
SWAZILAND*	-	-
TANZANIA	4.2	3.8
UGANDA	4.2	3.7
ZAMBIA	3.8	3.4
ZIMBABWE	2.2	2.3

* IBRD Country
+ Unrated

ANNEX 8: ROTATION SCHEDULES FOR CONSTITUENCY CHAIRMANSHIP

REVISED SCHEDULE I		
FIRST ROUND 2010 - 2052		
YEAR	**CHAIRPERSON**	**VICE CHAIRPERSON**
2010	BOTSWANA	BURUNDI
2012	BURUNDI	ERITREA
2014	ERITREA	ETHIOPIA
2016	ETHIOPIA	GAMBIA, THE
2018	GAMBIA, THE	KENYA
2020	KENYA	LESOTHO
2022	LESOTHO	LIBERIA
2024	LIBERIA	MALAWI
2026	MALAWI	MOZAMBIQUE
2028	MOZAMBIQUE	NAMIBIA
2030	NAMIBIA	RWANDA
2032	RWANDA	SEYCHELLES
2034	SEYCHELLES	SIERRA LEONE
2036	SIERRA LEONE	SOMALIA
2038	SOMALIA	SOUTH SUDAN
2040	SOUTH SUDAN	SUDAN
2042	SUDAN	SWAZILAND
2044	SWAZILAND	TANZANIA
2046	TANZANIA	UGANDA
2048	UGANDA	ZAMBIA
2050	ZAMBIA	ZIMBABWE
2052	ZIMBABWE	BOTSWANA

NOTES:

1.Every country is given turn for chairmanship in alphabetical order from A to Z

2.Avoids duplication with IMF Rotation - Governors not serving on the IMF constituency Panel are given preference

3.A country could decide to switch turn with another country closely in line on the rotation table

4. Schedule revised to include South Sudan following the country's admission to the Constituency in October 2012

ANNEX 9: ROTATION SCHEDULE FOR CONSTITUENCY PANEL

REVISED SCHEDULE II					
FIRST ROUND 2010 – 2052					
YEAR	**CHAIRPERSON**	**VICE CHAIRPERSON**	**OTHER PANEL MEMBERS**		
2010	BOTSWANA	BURUNDI	SEYCHELLES	KENYA	SIERRA LEONE
2012	BURUNDI	ERITREA	RWANDA	SWAZILAND	LIBERIA
2014	ERITREA	ETHIOPIA	LESOTHO	ZAMBIA	SOUTH SUDAN
2016	ETHIOPIA	GAMBIA, THE	NAMIBIA	ZIMBABWE	SUDAN
2018	GAMBIA, THE	KENYA	MOZAMBIQUE	MALAWI	TANZANIA
2020	KENYA	LESOTHO	SWAZILAND	BOTSWANA	ETHIOPIA
2022	LESOTHO	LIBERIA	RWANDA	BURUNDI	SOUTH SUDAN
2024	LIBERIA	MALAWI	MOZAMBIQUE	ETHIOPIA	ZAMBIA
2026	MALAWI	MOZAMBIQUE	GAMBIA, THE	UGANDA	KENYA
2028	MOZAMBIQUE	NAMIBIA	ETHIOPIA	SOMALIA	ERITREA
2030	NAMIBIA	RWANDA	BOTSWANA	SOUTH SUDAN	LIBERIA
2032	RWANDA	SEYCHELLES	LESOTHO	UGANDA	TANZANIA
2034	SEYCHELLES	SIERRA LEONE	SUDAN	ZIMBABWE	LIBERIA
2036	SIERRA LEONE	SOMALIA	KENYA	BOTSWANA	MALAWI
2038	SOMALIA	SOUTH SUDAN	SWAZILAND	ZAMBIA	BOTSWANA
2040	SOUTH SUDAN	SUDAN	LIBERIA	MALAWI	BURUNDI
2042	SUDAN	SWAZILAND	SOMALIA	SIERRA LEONE	LESOTHO
2044	SWAZILAND	TANZANIA	UGANDA	ERITREA	NAMIBIA
2046	TANZANIA	UGANDA	ZAMBIA	SEYCHELLES	BOTSWANA
2048	UGANDA	ZAMBIA	ZIMBABWE	KENYA	GAMBIA,THE
2050	ZAMBIA	ZIMBABWE	UGANDA	BURUNDI	LIBERIA
2052	ZIMBABWE	BOTSWANA	LIBERIA	SUDAN	RWANDA

NOTES:

1. Every country is given turn for chairmanship in alphabetical order from A to Z

2 .Avoids duplication with IMF Rotation - Governors not serving on the IMF constituency Panel are given preference

3. Other panel members reflects regional balance (East, South and West)

4. Schedule revised to include South Sudan following the Country's membership to the Constituency in October 2012

ANNEX 10: ROTATION SCHEDULE FOR CONSTITUENCY REPRESENTATION ON THE DEVELOPMENT COMMITTEE

FIRST ROUND 2010 -2052						
YEAR	**DC REPRESENTATIVE**	**ALTERNATE**	**ASSOCIATES**			
2010	ZIMBABWE	ZAMBIA	TANZANIA	ERITREA	RWANDA	GAMBIA,THE
2012	ZAMBIA	UGANDA	GAMBIA,THE	MALAWI	LESOTHO	KENYA
2014	UGANDA	TANZANIA	NAMIBIA	MOZAMBIQUE	ZIMBABWE	SIERRA LEONE
2016	TANZANIA	SWAZILAND	LESOTHO	RWANDA	BURUNDI	LIBERIA
2018	SWAZILAND	SOUTH SUDAN	SIERRA LEONE	SOMALIA	LESOTHO	UGANDA
2020	SOUTH SUDAN	SUDAN	NAMIBIA	ZIMBABWE	GAMBIA,THE	BURUNDI
2022	SUDAN	SOMALIA	KENYA	ZAMBIA	SWAZILAND	SIERRA LEONE
2024	SOMALIA	SIERRA LEONE	ZIMBABWE	LESOTHO	NAMIBIA	GAMBIA,THE
2026	SIERRA LEONE	SEYCHELLES	SWAZILAND	ETHIOPIA	BOTSWANA	TANZANIA
2028	SEYCHELLES	RWANDA	SUDAN	TANZANIA	ZIMBABWE	SWAZILAND
2030	RWANDA	NAMIBIA	KENYA	SUDAN	ZAMBIA	SIERRA LEONE
2032	NAMIBIA	MALAWI	BURUNDI	KENYA	SIERRALEONE	SOUTH SUDAN
2034	MALAWI	MOZAMBIQUE	TANZANIA	GAMBIA	ETHIOPIA	BURUNDI
2036	MOZAMBIQUE	LIBERIA	LESOTHO	ZAMBIA	ERITREA	SEYCHELLES
2038	LIBERIA	LESOTHO	GAMBIA,THE	MALAWI	NAMIBIA	RWANDA
2040	LESOTHO	KENYA	MOZAMBIQUE	ZAMBIA	ZIMBABWE	UGANDA
2042	KENYA	GAMBIA, THE	BOTSWANA	NAMIBIA	ETHIOPIA	RWANDA
2044	GAMBIA, THE	ETHIOPIA	ZAMBIA	ZIMBABWE	LIBERIA	MALAWI
2046	ETHIOPIA	BURUNDI	SIERRA LEONE	LIBERIA	LESOTHO	SOUTH SUDAN
2048	BURUNDI	ERITREA	LIBERIA	SOMALIA	SWAZILAND	NAMIBIA
2050	ERITREA	BOTSWANA	KENYA	SIERRALEONE	SEYCHELLES	RWANDA
2052	BOTSWANA	GAMBIA, THE	SIERRA LEONE	KENYA	ETHIOPIA	MOZAMBIQUE

NOTES:

1. Avoids duplication with the other Panel membership

2. DC representative and Alternate Members accord opportunity in descending alphabetical order (Z to A)

3. Associate members are elected to provide regional balance

4. Schedule revised to include South Sudan following the Country's membership to the Constituency in October 2012

ANNEX 11: ROTATION SCHEDULE FOR EXECUTIVE DIRECTOR AND ALTERNATE EXECUTIVE DIRECTOR

REVISED SCHEDULE IV		
FIRST ROUND 2010 - 2052		
Year	**Executive Director**	**Alternate ED**
2010	SUDAN	ZAMBIA
2012	ZAMBIA	SEYCHELLES
2014	SEYCHELLES	ZIMBABWE
2016	ZIMBABWE	BOTSWANA
2018	BOTSWANA	UGANDA
2020	UGANDA	BURUNDI
2022	BURUNDI	TANZANIA
2024	TANZANIA	ERITREA
2026	ERITREA	SWAZILAND
2028	SWAZILAND	ETHIOPIA
2030	ETHIOPIA	SOUTH SUDAN
2032	SOUTH SUDAN	SOMALIA
2034	SOMALIA	GAMBIA, THE
2036	GAMBIA, THE	SIERRA LEONE
2038	SIERRA LEONE	KENYA
2040	KENYA	RWANDA
2042	RWANDA	NAMIBIA
2044	NAMIBIA	LESOTHO
2046	LESOTHO	MOZAMBIQUE
2048	MOZAMBIQUE	LIBERIA
2050	LIBERIA	MALAWI
2052	MALAWI	

NOTES:

1. *Sudan and Zambia special dispensation to serve their turn under rotation system of the erstwhile Africa Group I Constituency*
2. *Seychelles which has never served the constituency as Executive Director is accorded special dispensation on the rotation system*
3. *The rest of the countries follow an Alphabetical rotation alternating between Z and A until the first round is completed, taking into account South Sudan's membership of the Constituency in October 2012*
4. *This schedule avoids duplication with IMF Rotation for EDs and AEDs*