Africa Group I Constituency FY12 Annual Report

IBRD, IDA, IFC, and MIGA

Hassan Ahmed Taha
Executive Director

Tokyo, Japan
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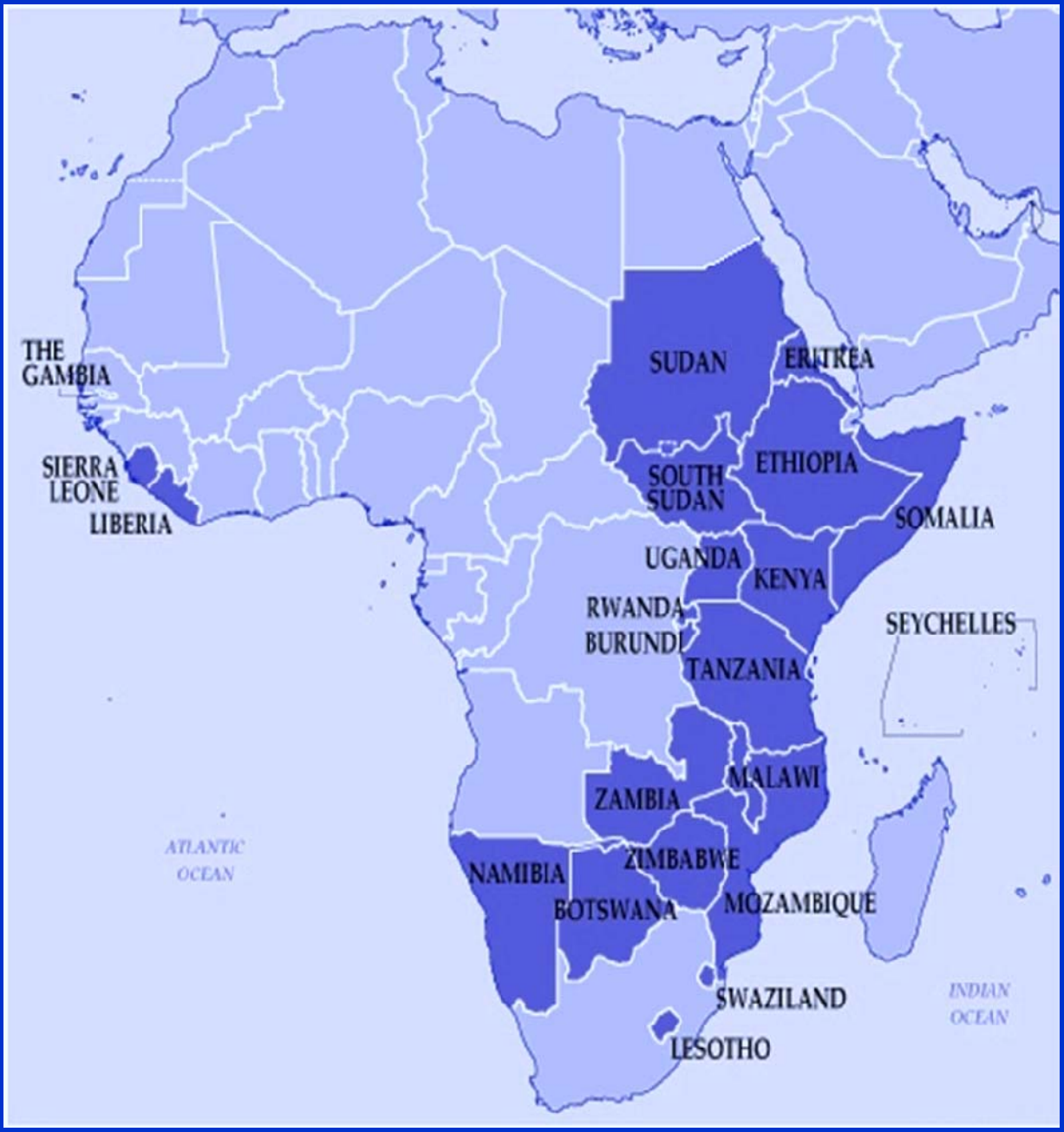

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Acronyms

AAA	Analytic and Advisory Activities
ACBF	African Capacity Building Foundation
ACG	Africa Consultative Group
AfDB	African Development Bank
AFG1	Africa Group 1 Constituency Countries
AMC	Asset Management Company
AS	Advisory Services
AU	African Union
CAADP	Comprehensive Africa Agriculture Development Program
CAS	Country Assistance Strategy
CPS	Country Partnership Strategy
DCs	Developing Countries
DRC	Democratic Republic of Congo
ECA	Europe and Central Asia Region
ECB	European Central Bank
FAO	Food and Agriculture Organization
FCC	Fragile and Conflict-affected Countries
FDI	Foreign Direct Investment
FY	Fiscal Year runs from July to June
GDP	Gross Domestic Product
HICs	High Income Countries
HIPC	Highly Indebted and Poor Countries
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IMF	International Monetary Fund
IPCC	International Panel for Climate Change
IS	Investment Services
ISN	Interim Strategy Note
LAC	Latin American and Caribbean Region
LICs	Low Income Countries
LTROs	Long-Term Refinancing Operations
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MENA	Middle East and North Africa
MICs	Middle Income Countries
MIGA	Multilateral Investment Guarantee Agency
OECD	Organization for Economic Co-operation and Development
PCD	Post Crisis Directions
PER	Public Expenditure Review
P-for-R	Program- for- Results
PPPs	Public Private Partnerships

RECs	Regional Economic Communities
SA	South Asia Region
SDR	Special Drawing Rights
SIP	Small Investment Program
SSA	Sub Saharan Africa
SSN	Social Safety Network
WB	World Bank
WBG	World Bank Group
WDR	World Development Report

Foreword by the Executive Director

The Financial Year 2012 has been eventful in so many different ways. At the Board, Executive Directors dealt with a wide range of global economic issues and challenges, and took crucial decisions on World Bank Group (WBG) policies and planned interventions, emphasizing reforms to advance poverty reduction and inclusive growth, as well as providing support for crisis resilience in developing countries.

The Board discussed several key Reports and Strategies, including the World Development Reports (WDR). These provided a wealth of knowledge which has helped to shape the Bank's policies and influenced its operations. These Reports include the *2012 World Development Report: Gender Equality and Development*, and the *2013 World Development Report on Jobs.*

The 2012 Annual Meetings of Governors of the WBG will discuss *inter alia* the issue of jobs which is a global challenge and requires innovative policies to deal with. In some cases the problem has been structural, particularly where inappropriate technologies have been used in preference to labor-intensive techniques. To provide jobs there is need to invest heavily in skills training and infrastructure. The 2013 WDR on Jobs estimates that up to 600 million new jobs will be needed to absorb job seekers in Asia and Sub-Saharan Africa in the next 15 years. Governments that fail to address this challenge may experience some deterioration in living standards, and growing social and political tensions in their countries.

In addition, and of particular interest to our Constituency, was the Strategy on *Social Safety Nets: During Crisis and Prosperity,* which explored possibilities of tailoring WBG interventions to respond effectively to the needs of the region. The Board also discussed the updated Infrastructure Strategy, Information and Communications Technology Strategy and the Strategy on the Environment and Green Growth.

Furthermore, Executive Directors discussed *the Global Monitoring Report: Food Prices, Nutrition, and the MDGs*. They observed that whereas many of our countries had made commendable progress towards achieving some of the *MDGs*, the few that were struggling and lagging behind had the capacity to move forward, provided they received urgent and adequate support from international development partners, including the WBG. The adverse developments in food prices during the year were particularly worrisome as they disproportionately affected the poor and vulnerable. Our office played a leading role in urging the Bank to provide relief to the drought and famine victims in the Horn of Africa through the IDA Crisis Response Window. In partnership with the international community and African nations, the Bank responded swiftly and effectively to save lives.

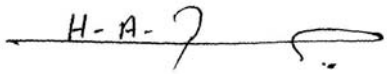
The Board approved the plan to operationalize the WDR 2011 on *Conflict, Security and Development* focusing on post-conflict countries. The countries affected will benefit from tailor made interventions of the Bank to deal with institutional reforms and capacity building, and the rehabilitation of victims of the conflicts. Our region hosts a pilot Global Centre for Conflict, Security and Development, in Nairobi, Kenya, launched in July 2011.

During 2012, IFC investments in Africa rose by US$3.27 billion in line with the WBG policy to increase support to the private sector. Despite this increase, our countries still need more resources to build productive capacity in the private sector. Specifically, huge resources are required for investment in infrastructure as a priority. Public Private Partnerships (PPPs) provide a good scope for the private sector to invest in large developmental projects. Priority is initially being given to the energy sector. MIGA has also made some important inroads into our region and guarantees to the SSA region rose from US$337.0 million (or 23 percent of total portfolio) in FY10 to US$636.4 million in FY12 (or 24 percent of total portfolio). This will provide confidence to private sector investors from abroad.

Most of our countries are only IDA eligible, and cannot therefore access resources in the much larger IBRD resource envelope. I reported in my *2012 Interim Report* that there was strong donor response to IDA 16 Replenishment. Despite that, IDA resources remain inadequate to meet the huge development requirements of our countries. Unless there was a substantial increase in IDA, its resource envelope will continue to constrain development in our countries. We therefore urge strong support by Governors for IDA 17 Replenishment through lobbying development partners.

The term of the World Bank Group President and Chairman of the Board of Executive Directors, Robert Zoellick, ended on June 30, 2012. He was succeeded by Dr. Jim Yong Kim for an initial five-year term. The Board approved Dr. Kim's appointment in April 2012, following the procedure approved by the Governors under the Modernization Agenda.

Since this is my last Report to Governors, I would like to express my sincere appreciation and profound gratitude for the strong support I enjoyed from the Constituency during my tenure of office. I am confident that the policies and strategies that the Board adopted during my time will help to sustain progress made in development and poverty reduction in most of our countries. My successor will rely on our Constituency Governors for the same support I enjoyed as he promotes our regional agenda and lobbies the WBG to channel substantially more resources to our countries.



Hassan A. Taha
Executive Director

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Advisor
RWANDA

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Sr. Executive Assistant
ETHIOPIA

Catherine Samali Kavuma
Program Assistant
UGANDA

Mohammed Ahmed
Program Assistant
SUDAN

Seraphine Nsabimana
Program Assistant
BURUNDI

Executive Summary

Recent World Bank data show that the global economy grew at an estimated 2.5 percent in FY12. While this was a continuation of the recovery since the financial crisis, it was however a slow down compared to the 4.1 percent and 2.7 percent achieved in FY10 and FY11 respectively. This development was due to economic and financial instability, which dogged the global economy in FY12.

The World Bank estimates that GDP of high-income countries grew by 1.4 percent in 2012, down from the 1.6 percent achieved in 2011. At -0.3 percent, the Euro Zone growth had a negative impact on aggregate GDP of high-income countries. However, developing countries' GDP growth, though decelerating from 7.4 percent in 2010 remained strong at 6.1 percent in 2011. Notable in this regard, despite the global economic slow-down in the latter half of 2011, was growth in Sub-Saharan Africa (SSA) which remained robust. For 2012, the average GDP growth for SSA was estimated at 5 percent, mainly on account of higher commodity prices, resilient domestic demand, rising private consumption and a supportive external environment in the first half of the year. In addition, improved macroeconomic and political stability in recent years attracted increased FDI, especially in the telecommunications and financial services sectors as well as the extractive industries.

While economic growth of different countries in Africa Group 1 Constituency was good in 2011 with GDP growth ranging from 0.3 percent to 14 percent growth prospects were even more encouraging for 2012. GDP growth for 2012 in most countries in AFG1 has been estimated to range from 4.0 percent to 8.8 percent, with Sierra Leone and Swaziland being outliers and growing at 39.9 percent and -2.0 percent, respectively. It is important to note that despite the strong growth prospects in the medium-term, they are not without risks and challenges. These risks include developments in the global economy, specifically in the banking system of the Euro Zone, the resolution of fiscal deficits in high-income countries, and **recovery** in the MICs. In addition, there are region specific challenges including unemployment, especially amongst the youth; high levels of poverty and inequality; slow progress in achieving MDGs; infrastructure deficit; low labor productivity; underdeveloped financial and capital markets; and undiversified (specialized) economies. Prospects for individual countries vary and but will depend on key export products and income levels, amongst other factors.

During FY12 WBG operations were characterized by a decrease in total IBRD and IDA commitments of US$7.7 billion from US$43.0 billion in FY11. The commitment to SSA remained the lowest in comparison to other regions. This was largely because IBRD eligible countries in the region, namely Botswana, Equatorial Guinea, Gabon, Mauritius, Namibia, Seychelles, South Africa and Swaziland, were all small borrowers.

Total IDA commitments for FY12 were US$14.8 billion. However, commitments to SSA increased by US$0.4 billion, compared to those in FY11. This increase went to the AFG1 Constituency countries, where commitments rose from US$3.2 billion to US$3.6 billion.

In FY12, IFC committed US$15.46 billion in support of 576 projects, up from US$12.19 billion in support of 518 projects in FY11. SSA commitments amounted to US$2.7 billion, up marginally from US$2.1 billion in FY11. For AFG1 Constituency countries, IFC total approvals amounted to US$550 million in support of 23 projects, down significantly from US$1.5 billion to 61 projects in FY11.

In FY12, MIGA issued US$2.7 billion in guarantees supporting 50 projects in 33 of its developing member countries – representing a record 27 percent increase over the volume registered in FY11. Of the sixty-six guarantees issued, about 24 (representing US$1,091 million or 41 percent) were in IDA-eligible countries, out of which 17 (representing US$636 million or 24 percent) were in Sub-Saharan Africa.

This Annual Report has also covered some selected policy issues and strategies, which are pertinent to our Constituency. These are infrastructure; Information and Communication Technology (ICT); Agriculture Sector Development; Jobs; and Program- for- Results (P-for-R), a new World Bank Lending Instrument.

Finally, the Report highlights resolutions of the African Caucus meeting held in Kinshasa (DRC) in August 2012 and issues raised during the Caucus. It also provides a summary of the proceedings of the fourth Constituency Meeting, which was held on April 22, 2012 in Washington DC.

Chapter 1

Global Economic Developments and Prospects

1.1 Overview

This chapter provides a synopsis of economic developments during FY12 and the factors behind these. The final section concentrated on countries in the AFG1 Constituency with focus on developments in FY11 and FY12 and the challenges and opportunities in the short to medium-term.

1.2 Global Economic Growth

The global economy grew at an estimated 2.5 percent in FY12. While this was a continuation of the recovery of the recent past, it however reflected a slow down compared to the 4.1 percent and 2.7 percent growth rates achieved in FY10 and FY11, respectively (Table 1.1). The slow growth was due to economic and financial instability, which dogged the global economy in FY12. Geopolitical tensions and trade sanctions, which initially pushed oil prices up; the effects of the Tsunami and flooding in Japan and Thailand respectively; and large swings in investor sentiment, reflecting concerns about the high national debt and wide fiscal deficits in high-income countries and uncertainty regarding outcome of the efforts to resolve them, caused instability in the global economy.

Table 1.1: The Global Economic Outlook in Summary

Indicator	2010	2011	2012[e]	2013[f]	2014[f]
World Trade Volume (GNFS) (percentage change)	13.0	6.1	5.3	7.0	7.7
Manufactures unit export value [1] (percentage change)	3.3	8.9	0.9	1.2	1.5
Commodity Prices (US$ terms)					
Non-oil commodities (percentage change)	22.5	20.7	-8.5	-2.2	-3.1
Oil Price (US$ per barrel) [2]	79.0	104.0	106.6	103.0	102.4
Oil price (percentage change)	28.0	31.6	2.5	-3.4	-0.6
Interest Rates					
US$, 6-month (percent)	0.5	0.5	0.7	0.8	1.1
Euro, 6-month (percent)	1.0	1.6	1.2	1.4	1.5
Real GDP growth [3]					
World (percentage change)	4.1	2.7	2.5	3.0	3.3
High income (percentage change)	3.0	1.6	1.4	1.9	2.3
Developing countries (percentage change)	7.4	6.1	5.3	5.9	6.0

Source: World Bank

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

During the first four months of 2012, global economic activity picked up, reversing the weak output performance of 2011. There was strong growth in industrial production, import demand and capital goods sales, especially in developing countries. Major policy initiatives in the Euro Zone including fiscal consolidation plans; the successful restructuring of the Greek debt; and significant easing of borrowing conditions by the European Central Bank (ECB) in the context of its Long-term Refinancing Operations (LTROs) appeased market concerns about fiscal sustainability in Europe. However, just before the end of FY12, fiscal slippages, bank downgrades and political uncertainty in the Euro Zone caused jitters in the markets. Consequently, interest rates rose and other financial market indicators deteriorated as stock markets lost the gains generated in the preceding four months.

The resurgence of pressures in high-income countries in the last quarter of FY12 is a stark reminder that the after effects of the 2008/2009 financial crisis have not yet played themselves out fully. Thus, the future is fraught with challenges and risks, and forecasts indicate that the world economy will only grow by 3.0 and 3.3 percent in 2013 and 2014, respectively (Table 1.1). While this is a somewhat stronger recovery compared to 2012, it is still slower than the 4.1 percent achieved in 2010. The anticipated slower global growth would dampen future global demand and trade prospects. Consequently, forecasts for the global trade in goods and non-factor services indicate growth rates of 7.0 and 7.7 percent in 2013 and 2014 respectively, although higher than the 6.1 percent achieved in 2011, it is lower than the 13 percent growth in 2010.

The risks and challenges to the world economy largely stem from banking sector problems, especially in Europe, and fiscal conditions in the high-income countries. Though limited owing to less contagion, the effect on Developing Countries will play out in terms of weaker capital flows and rising capital costs. Lending conditions are likely to remain tight in the near future due to tighter regulatory conditions and higher rates reflecting the risk. Continued sharp swings in investor sentiment and financial conditions would also complicate the conduct of macroeconomic policy. Besides, elevated fiscal deficits and debts in high-income countries as well as very loose monetary policies pursued in these economies suggest that for the medium to long-term, developing countries are likely to face an external environment characterized by volatile capital flows and volatile business sentiments. Therefore, policy makers should be reprioritizing productivity enhancing reforms such as investment in human capital and regulatory reforms with a view to supporting growth in the medium to the long term.

1.3 High Income Countries

The World Bank estimates that the GDP of the high-income countries grew by 1.4 percent in 2012, down from 1.6 percent achieved in 2011 (Table 1.2). At -0.3 percent growth, the Euro Zone GDP heavily depressed the aggregate GDP of high-income countries. The dismal performance in the Euro Zone was mainly because of declining finance from the banks as they deleveraged in order to meet Basel III/ECB capital requirements and the on-going fiscal consolidation. Not only did this contribute to low economic activity, it also led to jittery market conditions. On the other hand, the economies of Japan and USA rebounded, and grew by 2.4 and 2.1 percent in 2012 respectively. However, like several other high-income economies they have had to contend with high fiscal deficits, national debts and unemployment. GDP growth in non-OECD countries slowed down from 4.8 percent in 2011 to 3.6 percent in 2012. Projections indicate that the economies of high-income countries will recover to grow by 1.9 percent and 2.3 percent in 2013 and 2014, respectively. However, these projections are broadly contingent upon further stability in Europe.

Table 1.2: Annual Real GDP Growth in High Income Countries
(Percent change from previous year)

Region/Country	2010	2011	2012[e]	2013[f]	2014[f]
Euro Area	1.8	1.6	-0.3	0.7	1.4
OECD Countries	2.9	1.4	1.3	1.8	2.2
Japan	4.5	-0.7	2.4	1.5	1.5
United States	3.0	1.7	2.1	2.4	2.8
Non-OECD countries	7.4	4.8	3.6	4.3	4.1
Memo					
All High income countries	3.0	1.6	1.4	1.9	2.3

Source: World Bank

Notes: e = estimate; f = forecast

1.4 Low Income Countries

GDP in developing countries (DCs) grew by 6.1 percent in 2011, down from 7.4 percent in 2010. Despite the decline, and in line with the trends observed in the recent past, the DCs led the global rebound, stimulating industrial production, import demand and capital goods sales. All regions, except ECA, recorded slowdowns in growth (Table 1.3 and Figure 1.1). Preliminary data for 2012 indicate that economic activity in all regions slowed down except in SSA.

Table 1.3: Real GDP growth in Low Income Countries
(Percent change from previous year)

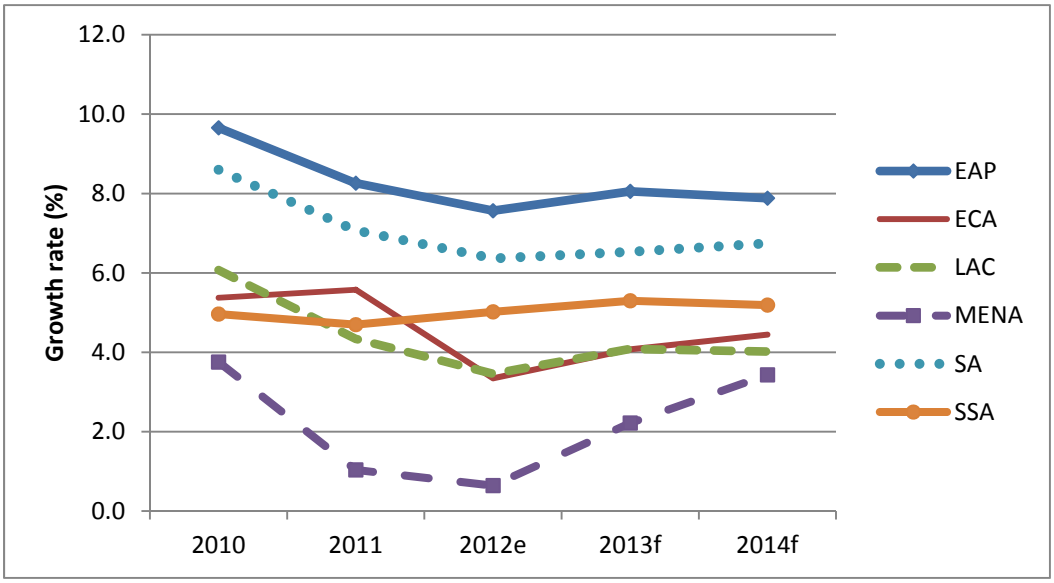
Region	2010	2011	2012[e]	2013[f]	2014[f]
East Asia and Pacific (EAP)	9.7	8.3	7.6	8.1	7.9
Europe and Central Asia (ECA)	5.4	5.6	3.3	4.1	4.4
Latin America and Caribbean (LAC)	6.1	4.3	3.5	4.1	4.0
Middle East and N. Africa (MENA)	3.8	1.0	0.6	2.2	3.4
South Asia (SA)	8.6	7.1	6.4	6.5	6.7
Sub-Saharan Africa (SSA)	5.0	4.7	5.0	5.3	5.2
Memo:					
All DCs	7.4	6.1	5.3	5.9	6.0
All DCs excluding transition countries	7.8	6.4	5.5	6.1	6.2
All DCs excluding China and India	5.6	4.4	3.6	4.3	4.5

Source: World Bank

Notes: e = estimate; f = forecast.

Declining commodity prices such as for copper and oil, and high-income Euro area economic woes affected developing countries, and led to slower growth, compared to pre-crisis years. World Bank forecasts indicate that developing countries' GDP growth will rise slightly, and remain at 6 percent in 2013 and 2014, mainly on account of weak capital flows, rising capital costs, and capacity constraints in several large mid-income countries. Notably, as demand in high-income countries strengthens, it would boost recovery in the developing countries.

Figure 1.1: Annual Real GDP Growth in Developing Countries
(Percent change from previous year)



Source: World Bank
Note: e= estimate, f = forecast

Growth in **EAP** region slowed down to 8.3 percent in 2011, from 9.7 percent in 2010, partly because of easing stimulus in China and a shift towards domestic sources of demand. In addition, the intensification of the crisis in Europe, slower activity in China and natural disasters – Tsunami and flooding in Japan and Thailand, respectively, contributed to slower growth in the region. The region experienced a slowdown in capital flows in the second half of 2011, due to increased risk aversion and deleveraging by Euro Zone banks. The financial conditions in high-income Europe, higher oil prices and a slowdown in China, will influence future economic growth in the region. Estimates for 2012 indicate a further slow down to 7.6 percent, while forecasts for 2013 and 2014 are 8.1percent and 7.9 percent, respectively.

In the **ECA** region, GDP grew by 5.6 percent in 2011, from 5.4 percent in 2010. Weaker external demand, especially from high-income Europe, led to a slowdown in industrial production, and export growth, and a reversal in capital flows, tapering off the strong performance in some oil exporting countries such as Russia, Kazakhstan and Turkey, and rebounds in Bulgaria, Romania and others. The region remains at risk, through contagion from the Euro Zone owing to strong linkages through trade, remittances, commodity prices and international finance. Consequently, GDP is estimated to have grown at 3.3 percent in 2012. The World Bank forecasts a recovery to 4.1 percent and 4.4 percent in 2013 and 2014 respectively.

Growth in the **LAC** region eased to 4.3 percent in 2011, from 6.1 percent in 2010. In the largest economy of the region, Brazil, growth slowed markedly to 2.7 percent in 2011, from 7.5 percent achieved in 2010, mainly due to slower growth in investment and private consumption. In the Caribbean, recovery in tourism, and increased activity in the mining and extractive sectors supported growth. The construction of the Metro system, strong private consumption and the expansion of the Panama Canal partly accounted for the growth in the Central American region excluding Mexico. The fragile and uncertain external environment, weaker capital flows, lower commodity prices, and high oil prices partly shadow the short-term outlook for LAC. Thus, GDP growth is

estimated at 3.5 percent in 2012. Forecasts indicate an improvement to 4.1 percent and 4.0 percent in 2013 and 2014 respectively.

Aggregate GDP in the **MENA** region grew by 1 percent in 2011, down from 3.8 percent in 2010, largely because of continued uncertainty, volatility and significant social and political unrest. During 2011, the region registered declines in stock markets, tourism, FDI and net capital inflows. The latter reflected capital flight to safer havens owing to heightened uncertainty in the region. Because of all these factors, estimates indicate that GDP in the **MENA** region grew by 0.6 percent in 2012. Forecasts for 2013 and 2014 indicated a recovery to 2.2 percent and 3.4 percent respectively. The overall political climate will continue to influence the economies in the region.

GDP growth in **SA** decelerated to 7.1 percent in 2011, from 8.6 percent in 2010. Besides the effects of the Euro area crisis, domestic expansionary fiscal policy stance led to high fiscal deficits and crowded out productive investment. In addition, several countries in the region face energy and infrastructure constraints. The high crude oil prices in 2011, and weaker remittances and export demand, resulted in wider trade deficits and depreciation of currencies. On a positive note, the agricultural sector performed well while FDI inflows into the region remained robust. The outturn for 2012 is estimated at 6.4 percent, representing a further decline from 2011. Thereafter, GDP in SA is forecast to grow at 6.5 percent and 6.7 percent in 2013 and 2014 respectively.

Table 1.4: Selected Indicators for SSA (annual percentage changes unless otherwise indicated)

Indicator	2009	2010	2011	2012[e]	2013[f]	2014[f]
All SSA GDP growth	2.0	5.0	4.7	5.0	5.3	5.2
All SSA GDP growth, excluding South Africa	4.0	6.1	5.6	6.2	6.3	6.0
GDP per capita (constant 2005 US$)	-0.5	2.4	2.7	3.0	3.3	3.2
Private consumption	1.5	4.9	4.5	4.6	4.8	4.8
Government consumption	4.3	9.0	6.0	5.6	5.3	4.9
Fixed investment	5.0	10.6	10.4	6.2	7.6	6.1
Exports, GNFS	-5.6	5.0	3.8	6.9	5.9	5.9
Imports, GNFS	-4.2	7.2	11.2	7.6	7.2	6.2
Net exports, contribution to growth	-0.3	-1.0	-2.9	-0.8	-1.0	-0.6
Current Account Balance (% of GDP)	-3.0	-1.6	-0.7	0.6	0.1	-0.1
Fiscal Balance (% of GDP)	-5.7	-4.0	-1.7	-2.8	-2.1	-1.6
Capital flows (US$ billions)	47.2	53.8	56.6	49.5	59.3	82.1
A. Private capital flows, net	37.4	40.7	42.4	36.8	50.9	71.9
FDI	32.8	28.8	32.5	31.2	35.9	46.8
Portfolio equity	10.2	8.0	-1.8	-1.9	3.0	7.0
Other	-5.6	3.9	11.7	7.5	12.0	18.1
B. Official inflows, net	9.8	13.1	14.2	12.7	8.4	10.2
World Bank	3.1	4.0	4.3			
IMF	2.2	1.2	0.8			
Other	4.5	7.9	9.1			

Source: World Bank

Note:
1. **e = estimate, f = forecast**
2. GNFS = Goods and Non-Factor Services

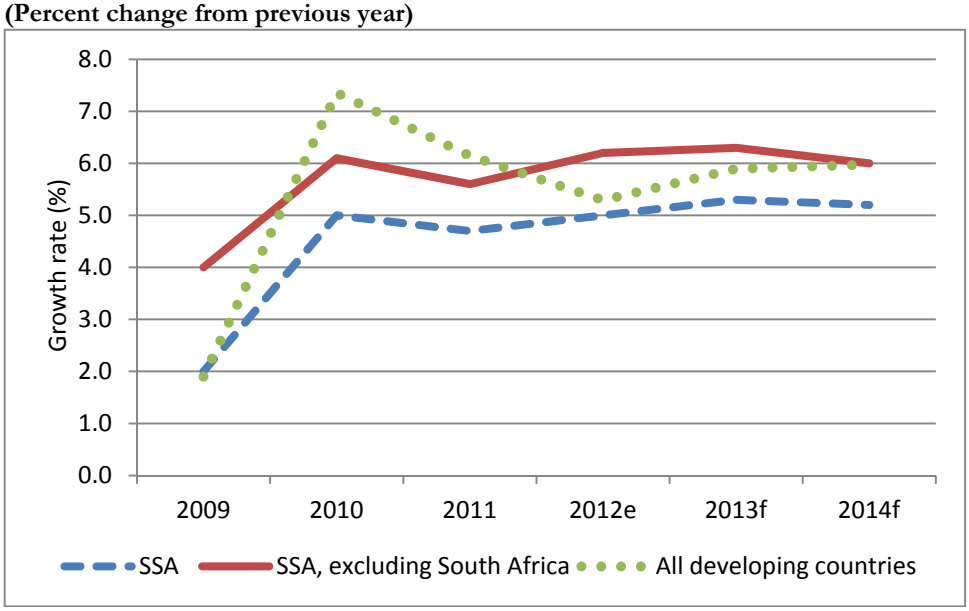
Despite the global economic slow-down in the latter half of 2011, growth in **SSA** remained robust. GDP growth in **SSA** was estimated at 4.7 percent, albeit slower than 5 percent achieved in 2010

(Tables 1.3 and 1.4, and Figure 1.2). Excluding the Republic of South Africa, the largest economy in SSA, the region grew at 5.6 percent, achieving a higher growth rate than the 4.9 percent average growth rate for all developing countries, excluding China. Higher commodity prices, resilient domestic demand, rising private consumption underpinned by higher incomes and productivity enhancing infrastructure, and a supportive external environment in the first half of the year are some of the growth drivers. In addition, improved macroeconomic and political stability in recent years have attracted increased FDI, especially in the telecommunications and financial services sectors, as well as the extractive industries.

Capital flows to SSA increased in 2011 by 5.8 percent, to US$56.6 billion. Private capital flows to SSA rose by 5 percent to US$42.4 billion, compared to a decline of 6.7 percent for all developing countries. FDI accounted for the bulk of the private capital flows, and continued to be stable and consistent unlike equity and bond flows. Notably, services, manufacturing and infrastructure projects accounted for the bulk of the new FDI projects in 2011. In addition, inter-Africa investment continued to grow, from countries such as Kenya, Nigeria and South Africa.

While the outlook for the region remains robust, the outturn is highly contingent on the developments in the Euro area, and the magnitude of the slowdown in China, increasingly a trade and investment partner for many countries in SSA. SSA remains weakly integrated in the global financial markets, but any further deterioration would lead to lower capital flows, remittances and aid inflows, eventually affecting macroeconomic stability. Weaker global growth on the other hand would affect exporters of industrial raw materials through declining commodity prices, and tourism-dependant economies. The other effect would be through the reduced buffer for governments to implement countercyclical fiscal policy.

Figure 1.2: Annual Real GDP Growth in Sub-Saharan Africa
(Percent change from previous year)



Source: World Bank

Notes: e = estimate, f = forecast.

Despite the weak growth in high-income economies, and unlike other developing countries, the medium-term growth prospects for SSA remain promising. Spare capacity exists in many countries

in SSA due to increased investment and productivity growth in the recent years, the slower rebound following the crisis, and lost opportunities due to political unrest in some countries. Buoyed by increased global demand and robust domestic demand, growth in SSA will strengthen to 5.0 and 5.3 percent in 2012 and 2013 respectively, and decline to 5.2 percent as the output gaps close. The growth rates, excluding South Africa, are 6.3 percent in 2013 and 6.0 percent in 2014 respectively.

Increasingly, SSA trades with Asia, and as a result, the weak European demand will have limited effects on SSA. Indeed growth in trade accompanied by domestic demand will support economic growth in SSA. Private consumption will continue to grow due to rising incomes, lower inflation rates, higher remittance flows and lower interest rates in some countries. With new funding sources for infrastructure such as India, China and Brazil, investment will remain resilient. On the other hand, FDI flows to SSA are likely to dip by about 4 percent in 2012, and to recover thereafter, to US$46.8 billion in 2014.

Besides international risks – recession, commodity price hikes, tighter financial conditions, and slow down in China, there are domestic risks to economic growth in SSA. These include political unrest, which would disrupt economic activities, and adverse weather especially for the agricultural sector and production of hydroelectric power. The ongoing expansionary fiscal and monetary policies and persistently high inflation would lead to overheating; thereby compromising the macroeconomic stability achieved over the years, and therefore, the long-term economic growth prospects.

1.5 Africa Group 1 Constituency Countries (AFG1)

1.5.1 Economic Growth

Countries in the AFG1 Constituency performed well in 2011. GDP growth ranged from 0.3 percent to 14 percent, with 14 countries achieving rates above 4.7 percent, the average growth rate for SSA (Table 1.5 and Figure 1.3). In 2010, GDP growth rates ranged from 2 percent to 10.1 percent, and 14 countries achieved rates above 5 percent, the average for SSA. GDP growth for 2012 in most countries in AFG1 has been estimated to range from 4.0 percent to 8.8 percent, with Sierra Leone and Swaziland being outliers and growing at 39.9 percent and -2.0 percent, respectively.

The fastest growing economies in 2011 were Eritrea (14.0 percent), Zimbabwe (9.4 percent), Rwanda (8.6 percent), Ethiopia (7.5 percent) and Mozambique (7.1 percent). Overall, high commodity prices supported growth in resource rich economies.

For Eritrea, the coming on stream of mining projects, especially the Bisha Gold Mine, and high levels of production of silver, zinc and copper gave a boost to export earnings. This sector also attracted substantial FDI. In addition, increased infrastructure development and agriculture output contributed to the strong growth of the economy. Strong external demand for primary commodities such as tobacco, cotton, gold and platinum supported high growth in Zimbabwe. However, the economy was yet to benefit fully from the high international prices as production of tobacco, cotton and gold had not fully recovered to the levels achieved in 2000.

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

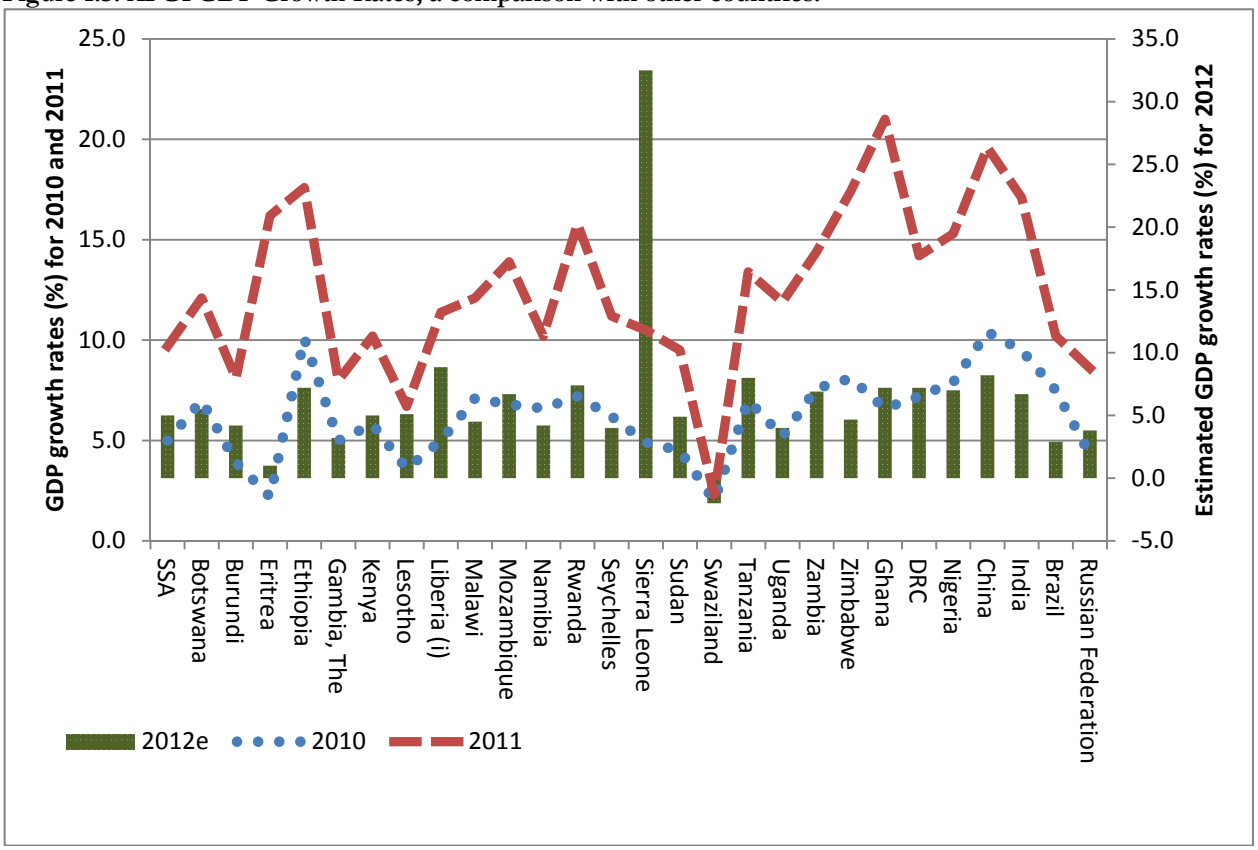
Country	2009	2010	2011	2012[e]	2013[f]	2014[f]
Botswana	-4.9	7.0	5.1	5.5	6.5	5.3
Burundi	3.5	3.9	4.2	4.2	4.1	4.0
Eritrea	3.9	2.2	14.0	1.0	7.0	3.5
Ethiopia	8.8	10.1	7.5	7.2	7.5	7.2
Gambia, The	6.2	5.0	3.0	3.2	5.5	5.8
Kenya	2.6	5.8	4.4	5.0	5.1	4.7
Lesotho	3.1	3.6	3.1	5.1	4.9	4.8
Liberia [2]	2.8	5.0	6.4	8.8	5.1	5.9
Malawi	7.6	7.1	5.0	4.5	5.0	5.6
Mozambique	6.3	6.8	7.1	6.7	7.2	7.8
Namibia	-0.4	6.6	3.6	4.2	4.4	4.4
Rwanda	4.1	7.2	8.6	7.4	7.7	7.2
Seychelles	0.7	6.2	5.0	4.0	4.2	3.9
Sierra Leone	3.2	4.9	5.6	32.2	11.1	7.6
Sudan[3]	4.0	4.5	5.0	4.9	5.0	5.5
Swaziland	1.2	2.0	0.3	-2.0	1.0	1.9
Tanzania	6.0	7.0	6.4	8.0	6.4	7.0
Uganda	7.2	5.2	6.7	4.0	7.0	7.3
Zambia	6.4	7.6	6.8	6.9	6.3	6.0
Zimbabwe	6.3	9.6	9.4	5.1	6.0	5.5
Memo						
All SSA	2.0	5.0	4.7	5.0	5.3	5.2

Source: World Bank and IMF

Notes:
1. e = estimate, f = forecast
2. IMF Staff estimates from 2011 onwards for Liberia
3. The estimate for 2012 includes South Sudan

In Rwanda, besides the booming mining sector, construction and other services sector supported economic growth. Strong economic growth in Ethiopia in 2011 was largely due to higher exports boosted by the launch of the Commodity Exchange, public enterprise investment especially in infrastructure, and high agriculture output. The mega projects in mining and energy, and infrastructure spending account for the strong economic growth in Mozambique in 2011. Notably, macroeconomic stability, FDI, structural reforms and reconstruction have also been instrumental in post conflict growth.

Figure 1.3: AFG1 GDP Growth Rates, a comparison with other countries.



Source: World Bank and IMF, World Economic Outlook Database, April 2012

Notes:
(i) IMF Staff estimates from 2011
(ii) e = estimates

In The Gambia, while economic growth remained robust since the global downturn in 2008, it decelerated from 5.0 percent in 2010 to 3.0 percent in 2011. This was mainly due to poor weather conditions in some parts of the country, which affected harvests. There was also weak performance in tourism and other sectors. The economy derived its resilience from improved value added and a reform program focused on the groundnut subsector – the mainstay of the economy. The Gambia like other countries in the region has to contend with weather vagaries and the attendant issues, including food security, food prices and inflation.

GDP in Namibia decelerated to 3.6 percent in 2011, from 6.6 percent achieved in 2010, following a decline by 0.4 percent in 2009. The slowdown in 2011 is partly a result of weak demand for mineral products due to the weaker global economy and severe flooding in the northern region of the country, which affected agriculture output. Specifically, low uranium prices related to reviews by some countries of their nuclear programs following the nuclear power plant disaster in Japan, affected production in Namibia. This is significant because Namibia is the fourth largest producer of uranium in the world, and it is the country's second most valuable export after diamonds. Notably, as demand for uranium rises, it will become the country's major export.

As a result of the weaker macroeconomic environment, shortages of fuel, foreign exchange and electricity as well as low earnings from tobacco – the main export crop – GDP growth in Malawi

slowed down to 5 percent in 2011, from 7.1 percent achieved in 2010. Furthermore, development partners suspended budget support to the country as the Extended Credit Facility (ECF) supported program with the International Monetary Fund (IMF) went off track. However, by close of FY12, there was a change in government, and the country has since negotiated a new program with the IMF and re-established good and beneficial relations with other development partners.

The World Bank estimates for 2012 indicate that the average GDP growth for SSA was 5 percent. In the AFG1 constituency, GDP growth ranged from -2.0 percent to 32.2 percent. Sierra Leone was the fastest growing economy in the region with an estimated GDP growth of 32.2 percent in 2012. The strong growth was due to returns from FDI in mining supported by new explorations, continued public expenditure on infrastructure and several projects in the agriculture sector. World Bank estimates indicate that the Liberian economy grew by 8.8 percent in 2012 mainly due to high FDI in the extractive industry. Improvements in the manufacturing sector, recovery in demand for diamonds and a rebound in agriculture output from the effects of the floods experienced during 2011, explain the estimated GDP growth rate of 5.1 percent for Lesotho in 2012. In Eritrea, a decline in mining output, a leading sector in the economy, accounts for a near stagnation of Eritrea's GPD growth of 1 percent in 2012. The World Bank estimates that GDP growth in Swaziland declined by 2.0 percent. The continued weak macroeconomic environment and declining manufacturing capacity were the main reasons for the decline.

Overall, fiscal and current account balances improved in 2011, especially in the oil exporting countries owing to higher prices and increased production from new wells. However, even amongst the mineral and metal exporters, there were divergent outcomes. The current account balance (CAB) in Sierra Leone deteriorated because recent discoveries spurred increased investments, while there was an improvement Mozambique where new mines and additional capacity came on line. The CAB for oil importers on the other hand deteriorated due to higher oil prices and increased demand to support robust economic activity. The slowdown in global demand and developments in international trade affected the fiscal balances since government revenues in many countries are heavily dependent on customs taxes. Besides, most governments increased their expenditures due to increased fuel subsidy payments. For countries in the South African Customs Union (SACU), their fiscal balances deteriorated significantly due to the decline in the SACU revenues amidst the global economic turmoil.

1.5.2 Inflation

Rising inflation complicated macroeconomic management in several countries during FY12. While the pressures had eased somewhat by end June 2012, concerns remained. Across the region, food and oil importers saw their inflation rates rise owing to high prices on the international market. This was exacerbated by expansionary fiscal and monetary policies, which were necessary to stimulate economic growth and the robust domestic demand. In some Eastern African countries, adverse weather conditions worsened the situation, leading to high food inflation. By the end of FY12 headline inflation declined as governments tightened monetary policy, food price inflation decelerated, and the pass-through effects of earlier price hikes waned. In Uganda, inflation fell to 20.3 percent in April 2012 from the peak of 30.4 percent reached in October 2011. Similarly, inflation fell to 13.1 percent in April 2012 in Kenya from 19.6 percent in November 2011. In Ethiopia, after peaking at 36 percent in February 2012, inflation declined to 29.8 percent in April 2012. In contrast, good harvests kept food inflation low in other countries such as Malawi, Rwanda and Zambia.

1.5.3 The Medium-term Outlook

In the medium-term the growth prospects are good, but not without risks and challenges. The first set of challenges arises from the developments of the global economy, specifically in the banking system of the Euro area, the resolution of fiscal deficits in high-income countries, and recovery in the MICs. A broader global slowdown would lead to lower global demand and therefore declining foreign exchange earnings, weaker commodity prices (oil and metals), reduced trade and FDI flows. All these would impact the developing countries negatively. The impact will depend on how directly economies and financial systems are integrated with Europe, and the volume of trade with Europe. Their response to a worsening situation is on the other hand dependant on the fiscal space available to mitigate the effects.

The second set of challenges is specific to the region including unemployment especially amongst the youth; high levels of poverty and inequality; achievement of MDGs; infrastructure deficit; low labor productivity; underdeveloped financial and capital markets; and undiversified (specialized) economies. Prospects for individual countries vary and depend on key export products and income levels, amongst other factors. Resource-rich countries are expected to strengthen as new exports of oil, gas, metal and minerals come on stream, and explorations elsewhere continue. The MICs might slowdown owing to the close links with the global economy, while the fragile economies might get worse owing to weak institutions. LICs on the other hand will remain generally robust but with weaker growth.

Chapter 2

World Bank Group Operations

2.1 Overview

This chapter covers WBG operations in FY12 particularly in the context of SSA countries. Globally, IBRD and IDA commitments declined in FY12 from levels achieved during FY11. IBRD lending portfolio to SSA remained small while IDA commitments rose marginally and were significantly higher than those in other regions. IFC and MIGA have also stepped up their operations in the region.

2.2 IBRD and IDA Lending Operations

During FY12, total IBRD and IDA commitments declined by US$7.7 billion in FY11 to US$35.3 billion (Table 2.1). Out of this amount, loan commitments to IBRD countries accounted for 58 percent or US$20.5 billion, and the balance went to IDA countries. The decline in IBRD/IDA commitments is a disappointing outcome in view of the borrowing countries' needs in the face of the prevailing financial crisis. This may be attributed to the Bank's strategy to return gradually to pre-crisis lending levels. Evidently, many countries will suffer from a lack of financial resources in order for them to meet their development challenges on time. Over the last five years, IBRD/IDA commitments peaked at US$58.6 billion in FY10, and have since been on the decline.

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

Region	FY08	FY09	FY10	FY11	FY12
Latin America and Caribbean	4.7	14.0	13.9	9.6	6.6
Europe and Central Asia	4.2	9.4	10.8	6.1	6.6
East Asia and Pacific	4.5	8.2	7.5	8.0	6.6
Sub-Saharan Africa	5.7	8.2	11.4	7.1	7.5
South Asia	1.5	5.4	11.3	10.1	6.5
Middle East and North Africa	4.0	1.7	3.7	2.1	1.5
Total	**24.6**	**46.9**	**58.6**	**43.0**	**35.3**

Source: World Bank

Although, the Sub-Saharan Africa region experienced a modest increase in loan commitments of US$0.4 billion in FY12 as compared to US$7.1 billion FY11, the region's investment needs far exceeded what the WBG committed. During the last five years, the highest commitment by the Bank for this region was US$11.4 billion in FY10.

2.3 IBRD Lending Operations

As indicated in Table 2.2, IBRD commitments to SSA amounted to US$0.1 billion in FY12. It is important to note that IBRD last made a significant commitment to SSA in FY10 with US$3.75 billion to South Africa for the ESKOM Project. The commitment to SSA remains the lowest in comparison to other regions. This is largely because IBRD eligible countries in the region, namely Botswana, Equatorial Guinea, Gabon, Mauritius, Namibia, Seychelles, South Africa and Swaziland, did not borrow from IBRD. In contrast, Latin America and Caribbean Region, Europe and Central Asia Region and East Asia and Pacific Region borrowed from that window. During the last five years, the Latin America and the Caribbean and Europe and Central Asia regions, combined accounted for the largest share of commitments.

Looking ahead, several IDA countries, namely, Ghana, Nigeria, Kenya, Senegal, and Zambia are approaching the IDA threshold, and will most likely become "blend" countries soon. For others, such as Rwanda and Tanzania, there are discussions to allow them to borrow from IBRD using enclave project funding. Should these discussions be concluded successfully, the IBRD portfolio in SSA is expected to grow substantially.

Table 2.2: IBRD Commitments by Region (US$ billion)

Region	FY08	FY09	FY10	FY11	FY12
Latin America and Caribbean	4.4	13.8	13.9	9.1	6.2
Europe and Central Asia	3.7	9	10.2	5.5	6.2
East Asia and Pacific	2.7	6.9	5.9	6.4	5.4
Sub-Saharan Africa	0	0.4	4.3	0.1	0.1
South Asia	1.5	1.3	6.7	3.7	1.2
Middle East and North Africa	1.2	1.6	3.5	1.9	1.4
Total	**13.5**	**32.9**	**44.2**	**26.7**	**20.5**

Source: World Bank

2.4 IDA Lending Operations

Total IDA commitments in FY12 amounted to US$14.8 billion, which was lower than US$16.3 billion achieved in FY11. It was, however, slightly higher than US$14.5 billion for FY10. It is encouraging to note that the Sub-Saharan Africa region benefited the most, receiving US$7.4 billion, consistent with the 50 percent target of total IDA commitment annually, followed by the South Asia region, with US$5.3 billion (Table 2.3).

Table 2.3 IDA Commitments by Region (US$ Billions)

Region	FY08	FY09	FY10	FY11	FY12
Latin America and Caribbean	0.3	0.2	0.2	0.5	0.4
Europe and Central Asia	0.5	0.4	0.6	0.7	0.4
East Asia and Pacific	1.8	1.2	1.7	1.6	1.2
Sub-Saharan Africa	5.7	7.9	7.2	7.0	7.4
o/w AFG1	-	-	-	3.2	3.6
South Asia	2.8	4.1	4.6	6.4	5.3
Middle East and North Africa	0.3	0.2	0.2	0.1	0.1
Total	**11.2**	**14**	**14.5**	**16.3**	**14.8**

Source: World Bank

During FY12, IDA commitments to SSA increased by US$0.4 billion compared to those in FY11. Notably, this increase went to the AFG1 countries, where commitments rose from US$3.2 billion to US$3.6 billion. While the FY12 commitments to SSA were the highest among all regions, representing 50 percent of the total, due to the pressing development challenges the Region faces, the demand for more funding remains largely unsatisfied. This is particularly true taking into account the pressing demand to finance transformative projects such as for energy.

IDA commitments to Regional projects in SSA amounted to US$708 million in FY12, covering the Horn of Africa Emergency Nutrition and Basic Health project; and others in the power, agriculture, transport and trade sectors. Notably, some were in conjunction with development partners and WBG institutions.

2.5 IFC Operations

IFC continues to scale up its investments and to expand its advisory services to the vast majority of countries in emerging and frontier markets. In FY12, IFC committed US$15.46 billion in support of 576 projects, up from US$12.19 billion in support of 518 projects in FY11. Notably, IFC increased its investments despite liquidity constraints in international financial markets, due mainly to the fiscal crisis in the Euro Zone area. Mobilization by the Asset Management Company also continued to grow in FY12, albeit at a slower rate than in FY11. In FY12, IFC mobilized US$41 million under the newly approved Public Private Partnerships (PPP) Mobilization line. It covers third party financing made available for PPP projects due to IFC's mandated lead advisor role to national, local or other government entities.

2.5.1 Approvals, Commitments, and Disbursements

In FY12, IFC commitments increased to US$15.46 billion, from US$12.19 billion in FY11, but almost half (US$7.5 billion) went to two regions - Asia and Latin America and the Caribbean. SSA commitments amounted to US$2.7 billion in FY12, up marginally from US$2.1 billion in FY11, with the financial sector accounting for the largest share of about US$1.66 billion. Commitments to ECA region recovered substantially from US$1.7 billion in FY11 to US$2.9 billion in FY12 while that to the MENA region declined by US$0.4 billion, from US$2.6 billion in FY11 to US$2.2 billion in FY12.

As table 2.4 shows, total disbursements increased from US$6.71 billion in FY11 to US$7.99 billion in FY12. Disbursement to SSA region increased significantly from US$685 million in FY11 to US$1.22 billion in FY12, increasing SSA share of total disbursements from 10 percent in FY11 to 15 percent in FY12. This development reflects IFC's new push for increased involvement in the SSA region and it also shows in the approvals of funds for projects in the SSA region. Total approvals for the SSA region almost doubled from US$1.23 billion in FY11 to US$2.10 billion in FY12. While this is a significant step in the right direction, SSA share of total approvals, however, was well below that of other regions – most notably Asia and ECA, with a 24 percent and 17 percent share of total approvals, respectively. IFC therefore needs to do more to scale up its activities in SSA, particularly in infrastructure and manufacturing.

Table 2.4: IFC Approvals, Commitments and Disbursement by Region

Region	FY10		FY11		FY12	
	US$ m	In % of total	US$ m	In % of total	US$ m	In % of total
Approvals						
SSA	1,873	17	1,225	12	2,096	15
ASIA	1,891	17	2,555	25	3,274	24
ECA	2,884	26	1,008	10	2,253	17
LAC	2,143	19	1,783	17	2,083	15
MENA	1,420	13	2,180	21	1,479	11
World	896	8	1,547	15	2,342	17
Total	**11,107**	**100**	**10,298**	**100**	**13,527**	**100**
Commitments						
SSA	2,428	19	2,150	18	2,733	18
ASIA	2,608	21	2,668	22	3,860	25
ECA	2,970	23	1,676	14	2,915	19
LAC	3,006	24	3,031	25	3,680	24
MENA	1,572	12	2,610	21	2,210	14
World	80	1	50	0	63	0
Total	**12,664**	**100**	**12,185**	**100**	**15,461**	**100**
Disbursements						
SSA	920	14	685	10	1,216	15
ASIA	1,404	21	1933	29	1,534	19
ECA	1,851	27	806	12	1,936	24
LAC	1,532	22	936	14	1,654	21
MENA	621	9	1,888	28	982	12
World	465	7	457	7	667	8
Total	**6,793**	**100**	**6,706**	**100**	**7,989**	**100**

Source: IFC

2.5.2 Approvals for the SSA Region by Sector

Total approvals for SSA region in FY12 amounted to US$2.10 billion, up from US$1.23 billion in FY11, representing 15 percent of total IFC approvals. The bulk of IFC approvals for SSA region were in infrastructure and natural resources with a combined total of US$1.14 billion (Table 2.5). On the other hand, the financial markets accounted for US$399 million (19 percent) of approvals in FY12, down from US$630 million in FY11. While there was a marked improvement in approvals for the agribusiness, which increased from US$30 million in FY11 to US$159 million in FY12, approvals for the manufacturing sector declined substantially from US$467 million in FY10 and US$112 million in FY11to US$58 million in FY12.

Table 2.5: IFC Project Approvals for Sub-Saharan Africa by Sector

Sector	FY10		FY11		FY12	
	(US$ m)	% of Total	(US$ m)	% of Total	(US$ m)	% of total
Financial Markets	421	21	630	51	399	19
Manufacturing	467	23	112	9	58	3
Infrastructure	129	6	162	13	846	40
Oil, Gas & Mining	214	11	91	7	298	14
Agribusiness	127	6	30	2	159	8
Telecommunications	210	10	146	12	175	8
Sub-National Finance	0	0	0	0	0	0
Private Equity & Investment Funds	280	14	37	3	28	1
Health & Education	175	9	17	1	133	6
Total	**2,023**	**100**	**1,225**	**100**	**2,096**	**100**

Source: IFC

2.5.3 Approvals for Africa Group 1 Constituency

As Table 2.6 shows, IFC total approvals for AFG1 Constituency in FY12 amounted to US$550 million in support of 23 projects, down significantly from US$1.5 billion in support of 61 projects in FY11. However, from the business line perspective, it is noticeable that IFC's equity investment in AFG1 increased from US$92 million in FY11 to US$141 million in FY12, signaling its growing confidence in the region's potential as a safe destination for investment.

It is important to note that overall, loans and equity investments for SSA region increased in FY12. Loans increased to US$1.38 billion in FY12 from US$812 million in FY11, while equity investment increased from US$193 million in FY11 to US$347 in FY12, with AFG1 accounting for the largest share of IFC's equity investment between FY11 and FY12. Notably, project approvals in the form of Guarantee and Risk management declined by US$980 million in FY12.

Table 2.6: IFC Project Approvals by Financial Instruments for SSA

	No of Projects	Loans (US$ M)	Equity (US$ M)	Quasi-loans (US$ M)	Guarantee & Risk Mgmt (US$ M)	Total (US$ M)
FY10						
Regional Projects	23	164.25	474.77	153.7	65.00	857.72
AFG1	22	119.40	196.13	18.0	5.84	339.37
Other SSA	28	333.94	68.14	113.0	160.41	675.49
Total SSA	**73**	**617.59**	**739.04**	**284.7**	**231.25**	**1,872.58**
FY11						
Regional Projects	6	3.3	94.9	19.8	99.2	217.2
AFG1	61	643.6	92.2	60.3	719.4	1,515.6
Other SSA	29	164.7	6.3	21.9	224.6	417.3
Total SSA	**96**	**811.6**	**193.4**	**102.0**	**1,043.2**	**2,150.1**
FY12						
Regional Projects	7	60	84	-	2	146
AFG1	23	397	141	12	-	550
Other SSA	43	919	122	298	61	1,400
Total SSA	**73**	**1,376**	**347**	**310**	**63**	**2,096**

Source: IFC

2.6 MIGA Operations

2.6.1 Guarantees

In FY12, MIGA issued US$2.7 billion in guarantees supporting 50 projects in 33 of its developing member countries – representing a record 27 percent increase over the volume registered in FY11 (Table 2.7). An additional US$10.6 million was issued under MIGA-administered trust funds. This is an encouraging development. The Agency's total gross exposure during the fiscal year reached US$10.3 billion while its net exposure stood at US$6.3 billion, marking the second consecutive year of a growing business for the Agency.

Table 2.7: Guarantees Issued by MIGA, by Fiscal Year

	FY07	FY08	FY09	FY10	FY11	FY12
Number of Guarantees Issued	45	38	30	28	50	66
Number of Projects Supported	29	24	26	19	38	50
New Projects[1]	26	23	20	16	35	38
Projects Previously Supported[2]	3	1	6	3	3	12
Amount of New Issuance, Gross (US$B)	1.4	2.1	1.4	1.5	2.1	2.7
Gross Exposure (US$B)[3,4]	5.3	6.5	7.3	7.7	9.1	10.3
Net Exposure (US$B)[3]	3.2	3.6	4.0	4.3	5.2	6.3

Source: MIGA

Notes:
1. **Projects receiving MIGA support for the first time in FY12 (including expansions).**
2. **Projects supported by MIGA in FY07 as well as in previous years.**
3. **Gross exposure is the maximum aggregate liability. Net exposure is the gross exposure less reinsurance.**
4. **Includes amounts leveraged through the Cooperative Underwriting Program (CUP).**

This year's portfolio reflects MIGA's efforts to support investments in its strategic priority areas; investment into IDA-eligible countries, support for complex projects, support for South-South investment, and investment into conflict-affected countries (Table 2.8). Of the sixty-six guarantees issued, 24 (representing US$1091 million or 41 percent) were in IDA-eligible countries, out of which 17 (representing US$636 million or 24 percent) were in Sub-Saharan Africa. In addition, US$302 million in coverage was in support of nine projects in conflict-affected countries. MIGA also provided a guarantee worth US$589 million for eleven South-South investment projects.

Table 2.8: MIGA Guarantees by priority area in FY12

Priority area[1]	Projects		Guarantee amount	
	No	In % of total	US$M	In % of total
IDA-eligible countries[2]	24	48	1090.5	41
South-South investments[3,4]	11	22	589.4	22
Conflict-affected countries	9	18	340.7	13
Complex projects[5]	12	24	1581.7	60

Source: MIGA

Notes:
1. **Some projects address more than one priority area.**
2. **These are Guarantees for the world's poorest countries.**
3. **Represents guarantees for investments made from one MIGA developing member (category two) country to another.**
4. **These figures represent projects involving one or more South-based investors**
5. **Complex projects include infrastructure, extractive industries, and financial structure**

Sector-wise, MIGA issued US$1.5 billion in guarantees (58 percent) for thirteen infrastructure projects with transformational potential to help to bring power, transportation and technologies that are essential to countries in need of sustained and sustainable investment. This is a commendable improvement from US$908 million in FY11. As Table 2.9 shows, the Agency also provided US$506 million cover for 25 projects in the agribusiness, manufacturing and services sector, which is also higher coverage for projects in this sector amounting to US$471 million in FY11.

Table 2.9: Sectoral Allocation of New MIGA Guarantee Business

Sector	FY10			FY11			FY12		
	No of projects	Amount (US$ m)	In % of total	No of projects	Amount (US$ m)	In % of total	No of projects	Amount (US$ m)	In % of total
Agribusiness, manufacturing & services	5	124	8	15	471	22	25	506.0	19
Financial	9	937	64	17	513	24	11	482.3	18
Infrastructure	4	178	12	5	908	43	13	1,549.0	58
Oil, gas and mining	1	225	15	1	207	10	1	119.5	5
Total[1]	**19**	**1464**	**100**	**38**	**2099**	**100**	**50**	**2,656.8**	**100**

Source: MIGA

Notes:
1. Includes two projects totaling US$8.7 million which were supported under the MIGA-administered West Bank and Gaza Investment Guarantee Trust Fund in FY12.

2.6.2 MIGA Activities in Sub-Saharan Africa

Table 2.10 depicts the regional breakdown of guarantees issued by MIGA. In FY12, the Europe and Central Asia (ECA) region took the highest share of MIGA's business with 20 projects amounting to US$928 million in coverage (35 percent). Sub-Saharan Africa (SSA) region ranked the second during the year with 17 projects, worth of US$636 million in coverage, supporting a wide variety of investments, including critical infrastructure investments in Côte d'Ivoire, Ghana, Kenya, Rwanda, and Senegal. Notably, 14 out of the 17 projects supported are in IDA-eligible countries. Six of the projects guaranteed in the region — a transportation project in Cote D'Ivoire, a power project in Ghana, two power projects in Kenya, a power project in Rwanda, and an infrastructure project in Senegal — accounted for more than two-thirds of MIGA's guarantees to the region. The remainder of MIGA's gross exposure in the region comprised smaller investments in the agribusiness, banking, manufacturing, services, and telecommunications sectors. It is also important to note that coverage of projects in SSA rose, from US$337 million in FY10, dipped slightly to US$243 million in FY11, but recovered to US$637 million in FY12.

Table 2.10: Regional Allocation of New MIGA Guarantee Business

Region	FY10			FY11			FY12		
	No of projects	Amount US$ M	In % of total	No of projects	Amount US$ M	In % of total	No of projects	Amount US$ M	In % of total
Asia	2	24	2	3	752	36	4	305.9	12
ECA	10	1085	74	16	1077	51	20	928.0	35
LAC	2	18	1	3	22	1	3	353.6	13
MENA[1]	0	0	0	1	5	0	6	432.9	16
SSA	5	337	23	15	243	12	17	636.4	24
Total[1]	**19**	**1464**	**100**	**38**	**2099**	**100**	**50**	**2656.8**	**100**

Source: MIGA

Note:

1. **Includes two projects totaling US$8.7 million which were supported under the MIGA administered West Bank and Gaza Investment Guarantee Trust Fund in FY2012.**

Within SSA, six countries belonging to the AFG1 obtained US$268.2 million worth (40 percent) of MIGA's insurance guarantees in support of 9 projects. Coverage for operations in AFG1 in FY11 amounted to US$213 million. Coverage to the rest of SSA projects amounted to US$368.5m in FY12, up from US$30 million in FY11.

Table 2.11: Breakdown of MIGA Guarantees in SSA in FY12

Constituency/Country	No. of Projects	Sector	Guarantee Amount (US$M)	In % of Total
Africa Group 1	**9**		**268.2**	**42.1**
Botswana	1	Banking	12.1	
Burundi	1	Services	0.7	
Ethiopia	1	Agribusiness	2.9	
Kenya	2	Power	160.5	
Rwanda	2	Agribusiness, Power	81.6	
Sierra Leone	1	Services	0.9	
Zambia	1	Agribusiness	9.5	
Other SSA	**8**	**Various**	**368.5**	**57.9**
Total SSA	**17**		**636.7**	**100.0**

Source: MIGA.

In Kenya, MIGA, in collaboration with the World Bank and IFC, supported the country's Least Cost Power Development Plan, which includes the construction of independent power plants (IPPs) using a diversified energy mix. The Agency also supported the expansions of geothermal and heavy fuel oil IPPs. MIGA client Chayton Africa, a producer of maize, wheat, and soya is helping Zambia realize its potential to be the region's breadbasket. Besides, MIGA provided US$2.9 million in guarantees to cover an investment by a Tanzanian company for an agribusiness project in Rwanda.

MIGA's increased presence in SSA is a reflection of the continuous and notable improvement in the risk profiles of many of the countries in the region, as democratic elections, economic stability, more peaceful relations, and regulatory reforms have become widespread in the region. Currently, many countries in the region are regarded by investors as frontier emerging markets. Consequently, while

MIGA's support to promote FDI in SSA has so far been encouraging, more needs to be done in the future. When it comes to increasing FDI into the region, Sub-Saharan Africa continues to be perceived as a high-risk, high-cost place to do business. For investors, the need to mitigate political risks, real and perceived, is great. Encouraging and maintaining developing country FDI when it might otherwise decline often requires nimble responses to events as they unfold. MIGA continues to play a counter-cyclical role to accomplish this for example, supporting banks that are tempted to deleverage in times of stress, entering projects when other insurers exit, and being among the first actors to engage as a country emerges from conflict. Thus, one cannot overemphasize the need for the Agency to devise and employ a more aggressive approach for its engagement in Africa.

Chapter 3

Selected Policy Issues

3.1 Overview

This chapter provides a snapshot of selected policies on development issues considered to be among the most urgent and strategically critical for poverty reduction and development in Africa and other low income countries. These policies are in infrastructure, information and communication technology, agriculture, jobs and Program for Results. Unlike the others, which fall within sectoral and related substantive aspects of development, the Program for Results (P-for-R) is a relatively new instrument intended to enhance development effectiveness in virtually all areas of development by linking disbursement to achievement of tangible, transparent, and verifiable results.

3.2 Infrastructure Strategy

The policy issue concerning infrastructure remains a critical area for the World Bank Group's (WBG) support. The WBG's initiative to support the infrastructure sector was covered in our FY12 Interim Report. Notwithstanding, considering the gravity of the infrastructural deficit in most of our countries, we consider it necessary to repeat the highlights of this initiative in this Annual Report as elaborated in the WBG's updated infrastructure strategy captioned, "Transformation Through Infrastructure: WBG Infrastructure Strategy Update, FY12-15".

The strategy has three pillars: (i) Core Engagement; (ii) Transformational Engagement; and (iii) Mobilization of Private Capital. The overall intent of the strategy is to support the means through which infrastructure can facilitate the acceleration of growth while shifting clients towards a more sustainable development path. The process would involve building on its previous sector-specific core engagement for access and growth while increasing effectiveness in the areas of poverty, governance, gender and knowledge. It would increase support through various institutions of the Bank and broaden the traditional infrastructure engagement in the core areas (water, transport, energy, and information and communication technology) towards a transformational infrastructure paradigm. This paradigm focuses on seeking opportunities to address more complex second-generation concerns such as cross sectoral issues and broader development challenges. The strategy would also involve the leveraging of WBG's capital to bring more private sector financing into infrastructure projects.

3.3 Information and Communication Technology

There is a consensus that information and communications technologies have vast potential for enhancing governance and accelerating socio-economic progress through quality economic growth, poverty reduction and wealth creation. To buttress client countries' national efforts that have

culminated thus far in exceptional growth in mobile networks and innovative applications, the WBG has provided support based on its 2001 ICT Strategy. According to staff reports, the results thus far have been mixed, with only about 59 percent of ICT projects and ICT applications project components achieving or likely to achieve their objectives fully or substantially. Nonetheless, there is optimism for such support, as this level of performance in mostly challenging environments is considered reasonable when compared to the performance in relatively less challenging environments.

On the way forward, the WBG has developed a new ICT Sector Strategy for the period 2012-2015. Drawing on lessons from the previous strategy, the new strategy focuses on the continuation of promoting competition and supporting private sector rollout of ICT infrastructure while placing more emphasis on policies for broadband rollout, complemented by support for public-private ventures in ICT infrastructure. Emphasis is also placed on promoting ICT to transform services for greater and more qualitative development impact. The Strategy further emphasizes skills development for ICT-related job creation and the use of ICT throughout the economy.

3.4 Agriculture Action Plan

Following the publication of the World Development Report (WDR), 2008 on the theme, "Agriculture for Development", the WBG has re-engaged and scaled up its support to the agriculture sector. That support was guided by the Strategic Framework of WDR 2008 and the Agriculture Action Plan FY2010-2012. This Plan which ended June 2012, focused on five key areas: (i) Raising agriculture productivity by increasing crops, livestock, aquaculture and fisheries yields; improving agriculture water management, tenure security and land markets; strengthening agriculture innovation systems; and supporting consideration of new technology tools. (ii) Linking farmers to markets and strengthening value chains by supporting South-South cooperation and regional trade; scaling up business models for market integration; improving food safety, market information and standards; strengthening market institutions; expanding infrastructure; strengthening producer organizations; and increasing access to finance. (iii) Reducing risks and vulnerability through safety nets programs and fiscal support; enhancing the management of food imports; exploring policy options to address price volatility; protecting assets against catastrophic loss; and reducing risks of major livestock disease outbreaks; (iv) Facilitating agriculture entry and exit, and rural non-farm income by improving the investment climate; and expanding rural infrastructure and upgrading skills, (v) Enhancing environmental services and sustainability by managing intensive livestock systems, improving rangeland management, reducing forest degradation and harvesting agricultural carbon.

The preparation of the new Agriculture Action Plan, 2012-2015 is in process. It is expected to provide continuity in implementation from the previous Action Plan. According to Management, it will build on the foundation and the long–term directions established over the duration of the previous Plan as well as respond to the evolving global context.

3.5 Program- for- Results (P-for-R) - A New World Bank Lending Instrument

Program for Results (P-for-R) is a new instrument designed to enable the WBG to respond better to changing development needs, meet demand from client countries, and enhance development effectiveness. It links disbursement to achievement of results that are tangible, transparent, and verifiable. Its intent is to help countries strengthen institutions, build capacity and enhance partnership with stakeholders to achieve lasting impact. Designed to accommodate broad range of countries, sectors and programs, P-for-R will also enable the WBG to leverage its own financing and partner with other development organizations in supporting country programs.

The key features of the program can briefly be stated as follows, (i) finances and supports borrowers' programs; (ii) disburses upon achievement of program results; (iii) focuses on strengthening the institutional capacity needed for programs to achieve their desired results; and (iv) provides assurance that WBG financing is used appropriately and that the environmental and social impacts of the program are adequately addressed.

The new instrument, which is a major innovation to WBG's lending tool kit was approved by the Board of Executive Directors on January 24, 2012 following a lengthy and extensive global consultation process in the formulation of the policy.

3.6 Jobs

The jobs issue is at the centre of public policy debate across the globe. In developed countries, social and economic tensions have worsened as these countries experienced slow growth and upheavals in financial markets because of unsustainably high fiscal deficits and a tightening of monetary conditions to stabilize their economies. In low and middle-income developing countries, despite impressive economic growth rates, their economies have not kept pace with demand for jobs as young people entered the job market. In the MENA region these tensions culminated into fundamental changes in political structures in a number of countries. Sub-Saharan Africa was not spared as the number of youth entering the job market also far exceeded jobs available both in the formal and informal sectors. Youth unemployment, notably among university graduates, is a serious social and development problem in many regions of the world and so too is gender discrimination.

Jobs are important for economic and social development. Whereas the state plays an important role in promoting right conditions for job creation, the private sector creates the vast majority of jobs by seizing opportunities arising from demographic shifts, investments in training and infrastructure, technological innovations, and global migration of people and tasks, amongst other factors. The private sector remains the principal driver of job creation while the state is not only a regulator of that market, but has the responsibility to enact enabling social sector policies conducive to better jobs being created. However, in developing countries where the private sector is not developed and there are serious challenges to attracting private investment, the public sector plays an important role in job creation. Equally important is the size and role of the informal sector in creating jobs. In this regard availability and access to affordable finance creates opportunities for the development of small and medium scale enterprises that also create jobs.

The WDR 2013 addresses the issue of jobs and provides a comprehensive analysis of the link between jobs and development, productivity and social cohesion. The Report uses a three-layer

policy pyramid concept that starts with the foundation of sound fundamental policy settings conducive to growth, followed by labor policies designed to translate growth into jobs and finally focuses on prioritizing interventions that are pertinent and country specific. The Report highlights the importance to deliver more and better jobs. It recommends structural transformation to deliver good jobs for development.

Jobs will be at the centre of discussions during the Governors' 2012 Annual Meetings of the World Bank Group and the International Monetary Fund in Tokyo, Japan.

Chapter 4

Constituency and African Caucus Matters

4.1 Overview

This chapter gives an account of Constituency and African Caucus activities in FY12. It provides highlights of the 4th Statutory Meeting of the Constituency, the African Consultative Group discussions and the deliberations of FY12 African Caucus meeting in Kinshasa.

4.2 Highlights of the 4th Statutory Meeting of the Constituency

In accordance with the Constituency Working Rules and Procedures, the Constituency meets twice per year. The first meeting in 2012, which was the 4th Statutory Meeting since 2010, was held under the Chairmanship of Honorable Ontefetse K. Matambo, Minister of Finance and Development Planning for Botswana, in Washington DC, USA on April 22, 2012 during the course of the Spring Meetings of the World Bank and the International Monetary Fund.

The Meeting considered the FY12 Interim Report of the Executive Director and endorsed the Constituency Development Committee Member Statement for the FY12 Spring Meetings. In addition, Governors commenced the selection process of the Alternate Executive Director as well as preparations for the FY2012 Regular Elections of the Executive Director for the Constituency. Highlights of these issues are provided below.

4.2.1 Summary of deliberations on the Interim Report of the Executive Director

Governors acknowledged the main messages in the Interim Report of the Executive Director on the global economic outlook for 2012, which underscored a subdued global economic situation, undermined by higher oil prices, developing countries' capacity constraints, fiscal consolidation and bank leveraging in Europe, and weak global carryover from 2011. They concurred with the Report that the situation presented uncertainties and risks that Constituency member countries had to contend with for the remaining period of 2012, particularly the worsening Euro Zone situation and its impact on these countries through reduced Overseas Development Assistance (ODA), tourism, weak commodity export prices and lower remittances.

Governors welcomed the progress reports on the operations of the World Bank Group (WBG) in Constituency member countries supported by IBRD, IDA, IFC and MIGA resources (financial and non-financial). They expressed concerns about the low allocation trap that countries in fragile situations and conflict-affected countries continue to face, and stressed the need to continue to call the Bank's attention to countries that are yet to benefit from the HIPC Initiative and MDRI. They noted the importance of IDA's crisis preparedness, especially in view of recent experiences with droughts in the Sahel and the Horn of Africa, potential threat of droughts in the Southern Africa region, the unfolding Euro Zone situation as well as the outlook on the global economic situation. Governors underscored the urgency for the Bank Board to develop plausible approaches to assure

IDA's financial sustainability ahead of the IDA 17 replenishment. The ongoing review of the Middle Income Countries' Agenda was noted. Governors called for the review to map out a clear strategy for enhancing IBRD's engagement in the MICs in Africa. Governors also noted the update on the Bank's infrastructure, trade and environment strategies that were rolled out during the first half of 2012, and welcomed the related financing programs that were benefiting countries in the Sub-Saharan Africa region.

Governors welcomed the selection of the new World Bank President, Dr. Jim Yong Kim and expressed their commitment to work with him. They also underscored the importance of the competitive and merit-based system as being appropriate for bolstering the legitimacy of the governance arrangements of the WBG Bank Group. They acknowledged the need to sustain advocacy for increased voice and representation of developing and transition countries during the next shareholding review in 2015.

4.2.2 Consideration of the April 2012 Development Committee Member Statement

Governors welcomed the focus of the Spring Meetings discussions on (i) the need to support and strengthen the global economy and consolidate progress towards meeting the MDGs; (ii) the 2013 World Development Report on Jobs; (iii) the role of safety nets in safeguarding social capital and cohesion, and; (iv) efforts to leverage the private sector to spur development efforts. They endorsed the following key messages in the Constituency Member's statement to the Development Committee.

Food Prices, Malnutrition and the Millennium Development Goals (MDGs)

Governors welcomed the 2012 Global Monitoring Report (GMR) and noted that the emphasis on food prices and nutrition was appropriate and timely. However, they observed that the achievement on some MDGs, risked masking the grim reality that Africa was lagging behind, particularly with respect to infant mortality and maternal health.

They urged the WBG to explore whether escalated food prices also generate new opportunities and provide lessons that could guide long-term interventions. In addition, they called for assistance to Developing Countries to build the necessary databases and statistical systems to enable sound and timely decision making. They also called upon the WGB to lead the efforts to address the effect of agriculture subsidies in Developed Countries on global trade and food production.

With regard to aid effectiveness, they called for full commitment and observance of the principles espoused in the Monterrey Consensus, Paris Declaration, Accra and recently, the Busan Accords. They requested the WBG to use its convening power to scale up aid to the Low Income Countries (LICs), especially conflict-affected states, to enable them to achieve most, if not all, of the MDGs within the remaining timeframe.

Youth Unemployment and Jobs

Governors commended the Bank for focusing the 2013 World Development Report on Jobs, noting that it was comprehensive and addressed some of the deep rooted structural problems and policy issues. Acknowledging that productive employment for young people requires long-term policies

and programs, they urged the Bank and development partners to work with country authorities to invest in education, improve business climate and reduce the barriers to youth entering the labor market. They also urged the Bank to introduce new instruments that would support country efforts to meet the youths' aspirations and expectations, address the regulatory frameworks for labor markets, and enhance investment in labor-intensive operations, particularly in Africa where labor remained abundant and relatively cheap, among other issues.

Social Safety Net and Social Protection

Governors recognized the critical role of safety nets and social protection in building resilience of the poor and most vulnerable groups, promoting economic development and reducing inequality. In addition, experiences of the recent crises provided strong impetus to such policies and initiatives. They appreciated the increased World Bank focus on social protection and safety nets, and noted that drawing the international community's attention to this policy concern was appropriate and timely.

With this perspective, the Governors welcomed and supported the principle underlying the World Bank Social Protection and Labor Strategy. They agreed that a comprehensive social protection package would include a good mix of short- and long-term measures for social protection, and emphasized that country-specific conditions should dictate the choice and design of the programs.

In view of the challenges facing many developing countries in the implementation of social protection programs, Governors looked forward to getting support from development partners. In this regard, they called upon the Bank, as a leading development institution to spearhead the efforts to mobilize additional resources and introduce appropriate instruments. Finally, they encouraged the Bank to continue in its efforts to disseminate information, including through South-South knowledge exchange platforms on experiences or lessons learned from countries that have successfully implemented similar programs.

Leveraging the Private Sector for Development

Governors noted the report on Leveraging the Private Sector for Development. They acknowledged that a vibrant private sector would underpin sustainable growth. However, the private sector in Africa remained underdeveloped due to several constraints including infrastructure bottlenecks, access to markets, access to finance, especially by Micro, Small and Medium Enterprises (MSMEs), and shortage of skills. In this regard, Governors welcomed the emerging WBG common approach to private sector support such as designing and financing Public Private Partnerships (PPPs) and called upon IFC to diversify its services beyond finance, to help promote private sector development and reinforce the growth momentum in developing countries.

Infrastructure Development

While noting that they had discussed the importance of infrastructure for African development in previous statements, Governors reiterated that lack of basic infrastructure and inefficient and costly related services in most African countries constituted a major development constraint. They appreciated the current WBG involvement in the infrastructure sector, and the operational thrusts of the new Infrastructure Strategy geared towards achieving transformational development. Likewise, they acknowledged the establishment of a staff technical team to work with the African Governors

Energy Task Force on identified power projects, in response to their call at the 2011 Caucus Meeting. They urged the WBG to be unrelenting in the exploration of innovative ways and means to fund infrastructure development. On their part, Governors reaffirmed their commitment to the adoption of appropriate strategies for domestic resource mobilization and effective management of activities related to the development and maintenance of infrastructure facilities.

Financing for Development

Governors, while acknowledging the valuable role development assistance continues to play, urged donors to honor their financial pledges and aid commitments since much remains to be done to achieve the MDGs, especially in Sub-Saharan Africa and in countries affected by fragility, conflict and violence. As the climate for development assistance threatened to deteriorate owing to lingering economic problems in the donor countries, Governors noted the need to leverage aid more effectively through new instruments and more donors. The Governors suggested that the World Bank supports country and regional initiatives to mobilize domestic savings, and enables private sector participation to help expand markets, and exploit economies of scale as well as competitive and comparative advantages of developing countries.

4.2.3 Preparations for 2012 Election of Executive Director and Selection of the Alternate Executive Director

Governors noted that 2012 was a regular election year for country representatives to the Boards of World Bank Group and that process would be finalized in Tokyo, Japan during the Annual Meetings. They acknowledged the need to cast their votes to ensure representation on the Boards.

They noted that according to the rotation system of the Constituency, Zambia and Seychelles were next in line to provide representatives to the Boards. Accordingly, Dr. Denny Kalyalya, the Alternate Executive Director since 2010, would be nominated for election as the Executive Director for the period 2012-2014. Further, the Meeting also considered and approved the Constituency Panel report on the interviews of candidates nominated by Seychelles for the position of the Alternate Executive Director. Governors agreed to endorse the selection of Dr. Peter Larose as Alternate Executive Director upon conclusion of the election of the Executive Director during the Annual Meetings in Tokyo, Japan in October 2012.

Finally, the Meeting noted that the Chairperson, Vice Chairperson, the Panel Members, the Development Committee Representatives and Associates, and IDA Borrowers Representatives for the Constituency would also change after October 2012, consistent with the rotation rules of the Constituency.

4.3 FY2012 African Caucus Deliberations

Two key ministerial level consultations are held annually with the senior management of the Bank. These take place during the Annual Meetings with follow-ups during the subsequent Spring Meetings.

4.3.1 The 2012 African Consultative Group Meeting

The 2012 African Consultative Group met with Mr. Robert Zoellick, President of the World Bank and Senior Management on the margins of the 2012 Spring Meetings to follow up on the 2011 African Caucus Memorandum and emerging issues of concern to the continent. In addition to infrastructure (energy, in particular), food price volatility and agricultural productivity, voice representation and diversity in the World Bank, which were the main issues in the Memorandum they sought update on, Governors drew attention to the need to address IDA's long term financial sustainability, crisis preparedness and low disbursement in Africa. This being their last meeting with Mr. Zoellick, Governors bid farewell to him and acknowledged his visionary leadership, unshakable commitment, relentless efforts, and immeasurable achievements in reducing poverty, particularly in Africa.

4.3.2 The FY2012 African Caucus Dialogue

The forthcoming African Caucus which would be held with the new President of the World Bank, Dr. Jim Yong Kim, was preceded by a preparatory meeting of African Ministers of Finance and Economic Development and Planning, and Central Bank Governors in Kinshasa, Democratic Republic of Congo during August 1-2, 2012, under the Chairmanship of the Minister of Finance of the DRC. As part of the meeting a day was allotted for seminars to deliberate on the topical issues that would form the key messages of the Memorandum to the President of the World Bank Group and the Managing Director of the International Monetary Fund during the Annual Meetings in October 2012. The second day focused on the draft African Caucus Memorandum to the Heads of the Bretton Woods Institutions, the review of the African Caucus Accord and follow up on the activities of the Task Force on Transformative Energy Projects for the Continent.

The main topic for the seminar was 'Agricultural Productivity, Agribusiness and Light Manufacturing in Africa' as pathways to structural transformation in the Continent. The keynote speakers for this topic were Dr. Kandeh Yumkella, Director General, United Nations Industrial Development Organization and Dr. Justin Lin, former Chief Economist and Senior Vice President of the World Bank. Their messages were supported by two new publications that were disseminated to the meeting (i) "Agribusiness for Africa's Prosperity" by K.K. Yumkella et al, UNIDO and (ii) "Light Manufacturing in Africa" by H. T. Dinh et al, World Bank. Other topics of the seminar focused on the "IMF Debt Limit Policy for Low Income Countries" and the "Debt Sustainability Framework". The main outcome of the preparatory meetings is summarized in the "Kinshasa II Declaration" herein attached as Annex 1.

In the Declaration, Governors of the African Caucus underscored the importance and urgency of the investments that Africa needs to simulate and sustain inclusive growth, create jobs, and ensure energy and food security, thereby reducing poverty in Africa. While committing to do their part, the African Governors called on the Breton Woods Institutions to work with the African Development Bank (AfDB) and other partners to establish a single project preparation facility to support priority transformative regional projects, particularly in the energy sector. In this regard, the African Capacity Building Foundation (ACBF) was asked to submit a proposal for Governors' consideration on ways and means to strengthen the institutional capacities of the national and regional bodies responsible for the identified projects. To boost agricultural productivity, the Governors underscored the importance of increasing financial resources to improve water availability and support the whole

supply chain, and to accelerate the implementation of the five projects, which had been selected because of their regional potentials.

Governors urged the IMF to increase concessional resources to countries, and allow them more flexibility in their access and utilization. They also sought the acceleration of access to, and implementation of HIPC Initiative and MDRI in the remaining debt-stressed eligible African countries, and enhanced Diversity, Voice and Representation in favor of Africa. Governors of our Constituency were implored to continue to support projects in their vicinities in order to safeguard a balanced distribution amongst the various sub-regions.

Main Messages on Agricultural Productivity, Agribusiness and Light Manufacturing in Africa

Agriculture is considered the most important sector of the African economy and will therefore have to be its driving engine out of poverty. It accounts for 65 percent of the continent's employment and 75 percent of its domestic trade. Africa is also urbanizing at a fast rate, and its urban population will require more and higher quality processed agricultural commodities to meet the changing lifestyles and eating habits.

The economic progress recorded by Africa has been due to its enormous amounts of mineral and oil resources. Little contribution, however, has been made to improve the employment rates, especially for our young population.

Exporting commodities with little value added will not bring a desirable solution to the unemployment challenge and has limited potential for wealth creation. Manufactured value-added products account for 85 percent of world trade compared to only 15 percent of trade in commodities. Countries importing commodities from Africa add value to these products through manufacturing and trade back higher value products to African countries, thus creating jobs abroad and draining foreign exchange reserves from Africa.

In order to turn bright prospects into employment opportunities for its young people, Africa needs to embrace economic diversification. There is little evidence that significant structural changes underpinned Africa's rapid growth between 1995 and 2008. The boom in commodity prices drove the region's recovery from the global crisis of 2008-09. Africa has yet to break into new global markets. Private investment remains low, and foreign direct investment is mostly concentrated in mining and minerals. These activities do not generate sufficient employment for Africa's youth population.

Moreover, the new 'growth poles' in the world, China, India and Brazil are climbing the industrial ladder and offer unprecedented opportunities to countries with income levels currently below theirs. Following a period of sustained growth, China's economy has now reached an important crossroad characterized by rapidly rising wages and a reduction of surplus labor. If China is to continue on a dynamic growth path, it will need to start new industries and relocate its labor-intensive industries to low-income countries. According to the World Bank, 85 million workers in China are employed in the labor-intensive sectors of manufacturing compared with around 8 to 10 million in Africa. The reallocation of these Chinese workers to more sophisticated, higher value added products will open up new doors for lower-income countries, which have abundant labor supply to fill the gap. Transferring only 5 million of those 85 million industrial jobs would boost employment

opportunities on the African continent by 50 percent. Africa currently only accounts for approximately 1 percent of global manufacturing and is losing ground in labor-intensive manufacturing, the first step that needs to be taken on the path towards industrial development.

The best opportunity for Africa and rightfully the first step is in agribusiness. Lessons from the food crisis of 2007-2008 are that food is not only an imperative for food security, but is a strategic option for economic development. Africa holds a comparative advantage for agricultural production: 60 percent of the remaining arable land in the world is located in Africa. However, farm yields are below the world average, post-harvest losses are high and agro-processing into high value products is low. African producers are not linked to global retail networks that are increasingly dominating the trade of agricultural commodities.

Over the next 20 years, Africa needs to boost agricultural productivity as recommended by the Comprehensive African Agricultural Development Program (CAADP). Currently, most of the agricultural production growth in Africa stems from increases in land area under exploitation rather than from increases in efficiency. This trend is not sustainable and needs to be replaced by an increase in productivity that is fuelled by adoption of best agricultural practices, improved infrastructure (irrigation, energy, and mechanization), value adding processing and linkage to growth markets. Both farming and agro-industries need to undergo profound structural transformations in order to meet these objectives.

Transformation of agricultural raw materials into industrial products depends increasingly on the capacity of African entrepreneurs to participate and compete in global, regional and local value chains. Accordingly, African agribusiness value chains will have to adapt to changing market conditions, continuously improve efficiency and strive to meet consumer requirements in a competitive global trade system.

Improving agricultural productivity goes hand in hand with employment-generating industrial structural change. As industrialization gains pace agriculture will benefit from increased access to cheaper industrial consumer goods as well as from the growing availability of industrial products such as machinery, fertilizers, improved farming technologies, construction, transportation, better and cheaper seeds and other industrial inputs. The result is not only an overall rise in agricultural productivity and output growth, but also the possibility of increasing incomes and savings in rural areas. The enlarged market provides additional stimulus for continuing industrial growth which feeds back into agriculture, improving efficiency and productivity.

Improving agricultural productivity requires a substantial, well-coordinated flow of resources from a wide range of stakeholders. Farmers and traders, suppliers of fertilizers, pesticides and seeds, rural energy service companies, transporters and processors, providers of technology or rural finance and, at the end of the chain, domestic and foreign buyers take independent decisions in their resource allocation processes. So, they must be guided by strong coordination signals in the form of clear and predictable public policies, as well as adequate physical and institutional infrastructures.

Africa enjoys trade preferences in OECD countries but lacks trade capacity to fully exploit them. Opportunities exist in higher differentiated products aiming at niche markets. African domestic and regional markets, as well as emerging markets show signs of being able to nurture the growth of African agro-industries but an enabling policy environment and proactive negotiations with trading partner countries are essential prerequisites.

High performance agribusiness value chains need to be based on processes that guarantee the highest product quality in a challenging global marketplace. Africa needs new learning and innovation systems involving regional cooperation, new types of partnerships between farmers, sellers, investors and researchers, and the right incentives and public actions that crowd-in rather than crowd-out private investment. Private agribusiness development can be promoted through improved competitiveness within the framework of inherited comparative advantage and a business-friendly environment, while building on policy reforms that aim at creating the conditions for enterprises to achieve international competitiveness.

The existence of a reliable and appropriate infrastructure system is essential for any meaningful agro-industrial development. Africa needs to make strategic investments in transport infrastructure; ensure access to energy and water; improve ICTs and management efficiency in order for agribusiness to thrive; reduce transaction costs; and promote openness and integration of economies, while facilitating labor mobility. There are opportunities for attracting and leveraging investment in infrastructure and energy, including new forms of project financing such as carbon finance, climate change adaptation funds, microfinance facilities, PPPs, bilateral funds, and increasingly private equity funds.

In close partnership with the Food and Agriculture Organization (FAO) and the International Fund for Agricultural Development (IFAD), UNIDO has launched the Accelerated Agribusiness and Agro-industries Development Initiative or 3ADI program to promote value addition to agricultural commodities, with added value being realized in domestic markets and through global supply networks. This Initiative was endorsed by the High-Level Conference on the Development of Agribusiness and Agro-industry in Africa in Abuja, Nigeria in March 2010, and is now operational in a first group of 12 countries including Rwanda, Sierra Leone, Sudan and Tanzania in AFG1.

UNIDO's research shows that value added and employment in the food and beverages, textiles and apparel, wood and wood products and paper and printing industries grows much more rapidly than GDP, by up to US$5,000 dollars per capita (constant 2005 PPP). Employment generation based on industrial structural change and related improvement of agricultural productivity is however, threatened by Africa's vulnerability to climate change. According to the International Panel for Climate Change (IPCC), Africa is the most vulnerable continent to climate change and climate variability, and the situation is compounded by the region's low adaptive capacity. Climate change experts project that most of the continent will experience a temperature rise which is very likely larger than the global mean annual warming, reduced average annual rainfall and increased aridity and droughts. Hence, substantive efficiency gains in the use of scarce resources, water and energy inputs will be paramount to protect job creation efforts from the impact of climate change.

Emerging industrial enterprises in Africa should adopt business strategies where they look to maximize resource efficiency and cleaner production. More simply, they should adopt "three Rs" strategies – Reduce, Recycle, Reuse. This requires them to first maximize the efficiency with which they use their energy and raw materials, adopting cleaner production, pollution prevention, green productivity or similar approaches. Enterprises must also maximize the recycling and reuse of the remaining wastes they generate; increased efficiency alone will not eliminate all wastage. In some cases, enterprises can recycle and reuse their wastes themselves, but often it will be others who recycle and/or reuse them.

In conclusion, it was noted that without decisive action towards economic diversification, improvements in agricultural productivity and increased resources, water and energy efficiency, the creation of 'decent' employment opportunities to address the fast growing population and urbanization trends will not be possible. A green industrial policy, while focusing on the generation of new productive activity ensures social inclusiveness and due respect for the environment, can put Africa on a virtuous growth path. Governments need to introduce mechanisms that include appropriate incentives, disincentives and regulations to attract investments in the desired manufacturing areas and in much needed economic and physical infrastructure. Innovation and technological change aimed at generating new products, enhancing the efficiency of production processes and improving land yield are necessary. Appropriate skills and educational training programs must be developed and fostered to match specific industry demands. Sound financial instruments need to be in place to fund these efforts. Finally, it was underscored that fostering industrial structural change is a necessary condition to address the "jobless growth" that Africa has experienced in recent years.

Summary of Report of the Task Force on Transformative Energy Projects in Africa

In response to Governors' Memorandum for 2011, the World Bank President created a World Bank Group Task Force in October 2011 to accelerate the preparation and implementation of a set of 5 high priority energy projects[1] on the African continent with the potential to contribute to transformation of economies, using energy as a lever. The projects comprise mainly hydropower projects, reflecting the need for Africa to develop this major resource on the continent where only about 10 percent of the potential has been developed to date. In addition, the work of the Task Force also includes efforts to develop the region's geothermal energy potential on a large scale, starting in the Kenya Rift Valley. Both of these endowments account for a substantial part of the solution to Africa's energy access challenge.

Since the Task Force's creation, momentum has been strong and significant progress achieved. Indeed, the Lom Pangar Hydro Project in Cameroon is moving into the implementation stage with procurement done and financing in place. Technical Assistance for development of Inga 3 has been defined and the funding needs required for its preparation are being firmed up. The preparation of financing by IDA and other financiers for the main transmission network of Guinea's hydropower generated from Souapiti and Kaleta is at advanced stages. Cote d'Ivoire, Liberia, Sierra Leone and Guinea are included in interconnection project. A high-level dialogue was initiated with the Government of Guinea on stepping up the Bank's role in accelerating the execution of the Souapiti and Kaleta hydro projects in a sustainable manner and with innovative financing. In close partnership with the AfDB, large trust funds and IDA resources are supporting the exploration and steam field development phases for the private sector to develop power-generating facilities utilizing geothermal energy in Kenya's Menengai area.

All of the priority projects are at different stages of development, and the role of the Task Force therefore differs. The Task Force Report highlights the key milestones for each of the projects,

[1] These are: Inga III & Grand Inga, in the Democratic Republic of Congo (DRC), for the Southern Africa Power Pool; Lom Pangar Hydro Power, in Cameroon, for the Central Africa Power Pool; Souapiti and Kaleta, in Guinea, for the West Africa Power Pool; and the Menengai geothermal development project in the Rift Valley, in Kenya, for the East Africa Power Pool.

which in turn drive the efforts of the Task Force so that project preparation and implementation can be accelerated. Several associated projects have also been identified, notably the transmission network, whose concurrent development is critical for the generation projects under the Task Force's mandate to be successful.

While progress is being made in a positive direction, some challenges remain including the pipeline of "bankable" projects, which requires well-funded project preparation. With annual infrastructure investment needs in the order of US$93 billion in the region, of which half is needed for energy, financing will need to come from multiple sources and will need to deploy Bank-group wide instruments. It will also require project preparation facilities with funding to undertake feasibility studies and associated environmental and social assessments. To this end, the Task Force will, as part of its work going forward, coordinate efforts with relevant World Bank partners in this domain; explore donor funding options and potential trust funds; and identify the catalytic role of the WB in the establishment of project preparation facilities with good funding potential.

ANNEXES

Annex 1 Kinshasa II Declaration

KINSHASA II DECLARATION

Having met in Kinshasa, the Democratic Republic of Congo (DRC), at our 2012 Caucus, hosted and chaired by His Excellency Patrice Kitebi, Chairman of the African Caucus of the International Monetary Fund (IMF) and the World Bank Group (WBG);

Mindful of the importance and urgency of the investments that Africa needs to stimulate and sustain inclusive growth, create jobs, and ensure energy and food security; thereby reducing poverty in our continent;

Concerned by the global crisis, notably its developments in the Euro Zone, and its impact on African economies; and

Aware of the under representation of Africans in the Bretton Woods Institutions and that of Africa on the IMF Executive Board;

WE, THE AFRICAN GOVERNORS OF THE IMF AND THE WORLD BANK GROUP, AGREE TO:

1. Strengthen our energy power pools by mobilizing and co-mingling necessary resources to prepare and implement transformative projects with regional impact;
2. Carry out concerted actions towards establishing a Single Project Preparation Facility to ensure the development and the realization of transformative projects with regional Impact.
3. Boost agricultural productivity through the development of integrated regional projects with significant transformative potential;
4. Promote entrepreneurship and develop manufacturing Industries, especially agro-industry, drivers of growth and creation of jobs, particularly for women and youth;
5. Mitigate the impact of the global economic downturn, notably that of the Euro Zone crisis, on African economies; and
6. Continue advocacy for enhanced Africa's voice and representation in the Bretton Woods Institutions and increased number of African professionals at all levels of the IMF and the World Bank Group.

TO THESE ENDS:

1. TO POOL THE RESOURCES NEEDED TO PREPARE ENERGY PROJECTS WITH REGIONAL IMPACT, WE

CALL on the World Bank Group to:

- Work with the African Development Bank (AfDB) and other development partners in establishing a Single Project Preparation Facility (SPPF) for transformative regional projects, in particular energy projects; and mobilize sufficient resources, including IDA contributions; and

- Offer the guarantees and leverages needed to attract private sector investments' and promote public-private partnerships (PPP), as well as Increase IFC's resources under Its Special Initiative for Infrastructure and its "Infra Venture" program in Africa.

CONFER on the African Capacity Building Foundation (ACBF);

- To submit, within a six-week timeframe, a concrete proposal for our consideration during the African Caucus gathering In Tokyo, Japan, in October 2012, on ways and means to (i) facilitate the activities of the ministerial Energy Task Force on transformative energy projects and (ii) strengthen technical and Institutional capacities of national and regional authorities responsible for the realization of projects identified in our 2011 Memorandum.

2. TO BOOST AGRICULTURAL PRODUCTIVITY, WE

URGE the World Bank Group to:

i. Increase Its financial resources and mobilize additional contributions to support the development of water supply and agriculture development through the entire supply chain;

ii. Accelerate the implementation of the following five projects which, in our view, offer a great potential for regional transformation and integration, namely:

- The Niger Basin Water Resources Development and Sustainable Ecosystems Management Project;
- The water resources management program and the development of a multi-usage system in the Senegal River basin (PGIRE);
- The Transit-Transport facilitation Project for the Central African Economic and Monetary Community (CEMAC);
- The CEMAC Regional Institutions Support Project; And
- The Tanzania Southern Agricultural Growth Corridor Initiative

3. TO MITIGATE THE IMPACT OF THE GLOBAL ECONOMIC DOWNTURN, PARTICULARLY THAT OF THE EURO ZONE CRISIS, ON AFRICAN COUNTRIES, WE

CALL on the IMF to:

- Increase the concessionality of Fund lending to low-income countries (LJCs) and extend beyond December 2012 the zero-interest policy on Fund concessional resources;
- Increase the access norms and limits applicable to its concessional lending facilities, which are quite low compared to those applicable to the Fund's general resources;
- Ensure adequate resources to the Poverty Reduction and Growth Trust and allocate a portion of the windfall profits from gold sales (SR 1.7 billion) to fund the Trust at the level higher than the amount currently proposed; and
- Allow more flexibility in setting debt limits for LJCs borrowing under Fund supported programs, taking into account the developmental objectives.

CALL on the World Bank to:

- Review its current crisis response instruments to find the ways and means to better assist and support affected and most vulnerable countries;
- Adopt a systematic approach to social protection and risk management by developing bold social protection programs and strengthening country systems to ensure greater future crisis preparedness:

CALL on the Bretton Woods Institutions to:

- Accelerate access to, and implementation of HIPC and MDRI initiatives in the remaining eligible African countries; and
- Explore options for debt relief in favor of non-HIPC countries in debt distress.

4. TO ENHANCE AFRICA'S VOICE AND REPRESENTATION IN THE BRETTON WOODS INSTITUTIONS, WE

URGE the International Monetary Fund to address, as a matter of urgency, our long-standing request for a third chair for Sub-Saharan Africa on its Board of Executive Directors. While we consider the ongoing governance reforms an opportunity to effectively align the Board size with the growing mandate of the Fund, we emphasize that all other avenues be explored to increase the region's representation, as well as to protect and increase the quota shares of African countries.

CALL on the World Bank and the IMF to enhance African representation at all levels; take concrete measures as a matter of urgency to achieve the diversity objectives at all levels of staff; and make greater progress in recruiting, promoting, and fostering the career development of African personnel in both institutions.

ACKNOWLEDGEMENT

We, African Governors, thank His Excellency the Head of State, the Government, and the People of the Democratic Republic of Congo for the hospitality and support they accorded us throughout our stay in the DRC.

Kinshasa, August 2, 2012
The African Caucus

Development Committee Communiqué
Washington, DC
April 21, 2012

1. The Development Committee met today, 21 April 2012, in Washington DC.

2. The global economic outlook remains challenging. Policy adjustments and improved economic activity have reduced the threat of a sharp global slowdown. Growth in emerging and developing economies continues to be relatively strong, but poor countries still need support. Implementing policies and structural reforms to promote poverty reduction and inclusive growth must continue.

3. The likely achievement of the Millennium Development Goal (MDG) to halve global poverty by 2015 is welcome news, but we remain vigilant and continue to work with all stakeholders to advance the other MDGs and to learn from experience. We call on the World Bank Group (WBG) and the International Monetary Fund (IMF) to support the implementation of the New Deal for Engagement in Fragile States. We call on the WBG to develop more innovative and stronger partnerships with middle income countries. Providing knowledge and financing for global public goods will also remain key. We welcome steps being taken by the IMF to implement the agreed funding package for the Poverty Reduction and Growth Trust, which should enable it to meet likely demand for the IMF's concessional support through 2014.

4. Higher, more volatile food prices threaten poverty reduction and other lagging MDGs, especially reducing hunger and child and maternal mortality. Food insecurity and malnutrition have devastating effects, especially on women and children. The *Global Monitoring Report: Food Prices, Nutrition and the MDGs* is timely and builds on our discussion last spring and the G20 conclusions at Cannes. We call on the WBG to continue to pursue multi-sectoral solutions to food insecurity and malnutrition through instruments such as the Global Agriculture and Food Security Program.

5. Social protection makes sound development sense. Social safety nets bolstered poor people's resilience to the last financial crisis and are also an important component of longer-term poverty reduction when they are well-targeted, affordable, gender sensitive and sustainable. The WBG has increased support for social safety nets, including conditional cash transfers, public works, and school feeding. We welcome the report *Safety Nets Work: During Crisis and Prosperity,* with its focus on improving the design and efficiency of existing social safety net programs and building new ones where needed, particularly in low income countries. We urge the WBG to promote south-south learning and to allocate sufficient resources to this work, continuing to collaborate with relevant institutions such as the IMF, the regional development banks and the International Labor Organization.

6. A vibrant private sector is crucial for growth, jobs and poverty reduction. We therefore welcome the report on the *WBG's Innovations in Leveraging the Private Sector for Development.* Building on its mandate of poverty reduction, the WBG is uniquely placed to innovate and advise clients about how to harness the private sector for development and to promote an enabling environment. The IFC has effectively supported development through the private sector and grown its investment portfolio and advisory services, and innovative products such as local currency and short term finance, while

maintaining its focus on IDA countries and frontier markets. MIGA has also expanded its guarantee portfolio. We ask management to prepare a group-wide approach that assesses the implications for priorities and use of resources, and optimizes synergies between IBRD, IDA, IFC and MIGA to enhance responsiveness to clients and provide integrated solutions.

7. We are encouraged by progress on the modernization agenda, designed to improve the Bank's effectiveness and efficiency to deliver more and better results. Cultural and organizational change will be needed and we fully support management in bringing this about. The *Update on the Bank's Business Modernization: Results, Openness and Accountability* indicates a clear way forward. Critical areas for reform include human resources and knowledge building and sharing. Promoting staff diversity is vital to enhance operational effectiveness and attract motivated talent. The Corporate Scorecard is beginning to drive a results culture through the organization. Building on recent World Development Reports, the incorporation of gender equality and greater focus on fragile and conflict affected situations (FCS) will incentivize improved WBG performance. The momentum behind modernization must be maintained, and we look forward to a progress report next spring and to an updated Corporate Scorecard this autumn. Modernization, innovation, and greater creativity in the use of capital will achieve a more efficient WBG and contribute to its long term financial sustainability.

8. The Ministerial Dialogue on Sustainable Development, with the participation of the United Nations Secretary General Ban Ki-moon, sent an important signal about the need for global partnership to advance this demanding agenda. We look forward to continued discussion about inclusive, green growth in the context of poverty reduction and sustainable development, natural capital accounting and oceans, feeding into the Rio + 20 and G20 processes.

9. We express our profound appreciation and gratitude to Robert B. Zoellick for his leadership of the WBG over the last five years. He has positioned the WBG at the forefront of effective and timely responses to food and financial crises and natural disasters, as well as reinvigorating delivery of longer-term poverty reduction and tangible results. He has championed gender equality, better performance in FCS, adaptation to climate change, and renewed attention to agriculture and infrastructure. Under his leadership, the Bank secured the first capital increase in over twenty years and two unprecedented IDA replenishments, and launched a host of private sector initiatives, such as the IFC's Asset Management Company. He has helped transform the WBG, making it more open, transparent, accountable and ready for a new era of "modernized multilateralism". Reflecting this change, Mr. Zoellick has overseen the rise in the voting share of developing countries to 47%, to be followed by a further review of voice by 2015.

10. We congratulate Dr. Jim Yong Kim on his selection as President of the WBG and commit to working in close partnership with him. We thank Dr. Ngozi Okonjo-Iweala and Dr. José Antonio Ocampo for their candidacies and for sharing their valuable ideas for the WBG.

11. We welcome Mr. Marek Belka as the new Chair of the Development Committee and look forward to working with him. We also note with satisfaction the proposed revision of the Development Committee's membership to reflect the addition of a third chair for Sub-Saharan Africa in the WBG's Board.

12. The Development Committee's next meeting is scheduled for 13 October 2012, in Tokyo.

Development Committee Member Statement by Mr. Tendai Biti, Minister of Finance, Zimbabwe During the World Bank/IMF 2012 Spring Meetings, Washington, DC

Introduction

Despite the recent improvement in global economic prospects, global economic growth remains subdued and is characterized by significant uncertainty. Rising international oil prices, lingering sovereign debt problems in Europe, social inequality, food insecurity, and climate change are all exerting pressures on the global economy. Developing countries, whose economic performance continues to shore up the weak performance of the developed economies, are not insulated from these risks.

While Sub-Saharan Africa has shown commendable resilience, its economic prospects face downside risks arising from weak global demand; tight financial markets; and declining Official Development Assistance (ODA).

We also note that despite opportunities for phenomenal economic transformation, as shown in recent discoveries in the extractive sector in many countries and favorable commodity prices (for commodities producers and exporters), the challenges to meet the MDGs, high unemployment, especially among the youths, infrastructure deficiencies, that undermine market integration and private sector growth, incapacity to address vulnerabilities to climate shocks continue to be formidable.

In this context, while we remain committed to exerting our own efforts to meet the lingering challenges, we welcome the focus of these Spring Meetings discussions: on the need to support and strengthen the global economy, on consolidating progress towards meeting the MDGs, the concrete focus in the World Development Report on Jobs, the role safety nets can play in safeguarding social capital and cohesion, and how to leverage the private sector to spur our development efforts.

Food Prices, Malnutrition and the Millennium Development Goals (MDGs)

The 2012 Global Monitoring Report (GMR) emphasis on food prices and nutrition is appropriate and timely. It is clear that high food prices and malnutrition undermine the attainment of the MDGs, particularly those on poverty, health and education. High food prices have also serious implications for stability in many of our countries and can significantly set back development efforts.

While acknowledging the progress made in achieving the MDGs, including in Africa, there is a risk of this masking the grim reality that Africa is lagging behind, particularly with respect to infant mortality and maternal health. Therefore, attention of developing partners to scaling up their support is an urgent imperative to reinforce our own efforts towards meeting the goals.

Early findings of the GMR show that high food prices raise poverty in most developing countries where many net food buyers spend large portions of their income on food. The WBG should explore the flip side of the crisis, i.e. whether escalated food prices also generate new opportunities and provide lessons that could guide long-term interventions. We note that the long-standing data problem needs to be addressed diligently. More than fifty African countries lack the appropriate poverty and malnutrition data for effective monitoring of progress. Priority should therefore be accorded to assist our countries build the necessary databases and statistical systems with a view to enabling policymakers take sound and timely decisions.

As we have repeatedly pointed out, developed countries' agricultural subsidies crowd-out trade and create disincentives for food production in our countries. The WBG leadership in addressing this matter is welcome and long overdue.
With regard to aid effectiveness, we urge full commitment and observance of the principles espoused in the Monterrey Consensus, Paris Declaration, Accra and recently the Busan Accords. We ask the World Bank Group (WBG) to use its convening power to scale up aid to the Low Income Countries (LIC's), especially conflict-affected states, to enable them to achieve most, if not all, of the MDG's within the remaining timeframe.

Youth Unemployment and Jobs

As the recent spate of civil unrest has shown, the youth unemployment problem requires our urgent attention. At the Annual Meetings in September 2011, we highlighted the importance of WBG support to its members in promoting growth, reducing inequality and creating new opportunities for youth employment. The recent events in the Middle East and other countries have shown that the youths continue to be at the forefront in changing the economic and social landscape in many of our countries. *A sustainable solution to their growing problem is urgently needed*.

We therefore commend the Bank for focusing the *2013 World Development Report* on Jobs. We welcome that the scope of the Report is comprehensive and addresses some of the deep rooted structural problems and policy issues. Our economies are not growing fast enough to generate enough jobs to absorb the large pool of highly educated youth. Jobs in the formal sector have not kept pace with demand, partly reflecting a substitution in the workplace of technology-driven operations at the expense of labor-intensive processes.

Productive employment for young people requires long-term policies and programs. We therefore urge the Bank to work with us and use its convening power to lead a joint initiative with other multilateral institutions and regional development partners to invest in education, improve business climate and reduce the barriers to youth entering the labor market. Of paramount importance is that country-ownership should remain at the heart of these initiatives. We believe such a strategy will not only help policy coherence by the development partners, but also build synergies and boost youth employment. In this regard, we, once again, call on the Bank to take timely action and introduce new instruments that support country efforts to meet the youths' aspirations and expectations through both public and private sector interventions.

We cannot successfully deal with poverty unless we address the issue of income distribution. For many, paid employment is the only source of income, and decent wages would naturally come from higher productivity and more profitable business operations. The Bank strategy on jobs should therefore complement our efforts to address these issues, including regulatory frameworks for labor markets and cross-border trade, trade barriers, vocational training needs, and investment in labor- intensive operations, particularly in Africa where labor costs are still low and abundant.

Social Safety Net and Social Protection

We recognize the critical role of safety nets and social protection in not only building resilience of the poor and most vulnerable groups in times of shocks but in also responding to concerns associated with inequalities and chronic poverty. Experiences of the recent crises have provided strong impetus to such policies and our governments have keen interest in such initiatives. The increased focus of the World Bank on social protection and safety nets is thus welcome and drawing the international community's attention to this policy concern is appropriate and timely.

We note and support the principle underlying the World Bank *Social Protection and Labor Strategy*. Indeed, a comprehensive social protection package needs to include a good mix of short- and long-term measures for social protection. Providing relief to affected families and preventing them from falling into destitution, and the transformational functions of social protection programs in addressing the underlying causes of poverty are

important for economic transformation. In this connection, we would like to emphasize that the choice and design of the programs should be dictated by country-specific conditions.
We call attention to the challenges facing our countries in the implementation of social protection programs, including lack of comprehensive plans, weak inter-sectoral coordination, and financial constraints. It should be noted, given the constrained fiscal space, most of our countries are unlikely to be able to afford and operate multiple programs, and so are obliged to select from their development priorities those most appropriate to their conditions. The support from international institutions and other development partners is therefore critical to these programs' viability in our countries. In this regard, we call upon the Bank, as a leading development institution to spearhead the efforts to mobilize additional resources needed for the implementation of potential safety net projects expected to be drawn from the strategy. Notwithstanding this, we also urge the Bank to strive for innovative instruments suitable to our countries' economic and social situations, by building on its rich experience in the area.

Finally, we believe that publicizing stories of successful cases in the implementation of safety net programs could go a long way in helping to maintain in the future the strong policy interest demonstrated by our countries. In this regard, we encourage the Bank to continue on its efforts to disseminate information, including through the means of south-south knowledge exchange platforms, on experiences or lessons learned from countries where such programs have been successfully implemented.

Leveraging the Private Sector for Development

We note the report on *Leveraging the Private Sector for Development*. Policy makers in many African countries have recognized that for growth to be sustainable over the longer term, it needs to be underpinned by a vibrant private sector. Private sector investment helps create jobs; and enhances the national tax base, which permit higher spending on essential public services, such as, in health, water and sanitation and education. Therefore, any serious effort to foster broad-based economic growth in Africa and in other developing countries must move beyond traditional government sources of foreign assistance to focus on leveraging private sector-led growth. However, in Africa the private sector remains underdeveloped due to several constraints including infrastructure bottlenecks, access to markets, access to finance, especially by Micro, Small and Medium Enterprises (MSMEs), and shortage of skills.

To prosper, the private sector needs an environment that facilitates growth, including access to business-related information, technical support services, capital and access to national and international markets. In this regard, we welcome the emerging WBG common approach to private sector support. We welcome support in strengthening the investment climate, design and financing of Public Private Partnerships (PPPs), climate change and renewable energy programs and MSMEs finance, which are critical for Africa to generate growth necessary to accelerate progress towards the Millennium Development Goals. The challenge is to ensure that the various instruments the WBG uses focus on bringing about sufficient and tangible changes in Africa's business environment.

While we appreciate the emphasis on innovative solutions through lending and knowledge services, we urge the WBG to pursue setting priorities and determining an appropriate sequence based on an analysis of the local context, as part of the policy dialogue with member states. Moreover, noting the high concentration of its financial services portfolio currently, we call upon the IFC to work on diversifying its services to help promote private sector development and reinforce the growth momentum in our countries.

Infrastructure Development

Although we have spoken about the general importance of infrastructure to African development in previous statements, we will not stop doing so until this problem is fully addressed through our own initiative and in partnership with the international development community.

As we are all aware, infrastructure and related services play a critical role in stimulating quality growth, minimizing the affliction of poverty, and increasing more dignified and sustainable livelihood. Lack of basic infrastructure and inefficient and costly related services in most African countries constitute a major development constraint.

Now, more than ever before, as Africa is increasingly showing promising development prospects, it is imperative that more efforts are exerted towards transforming such prospects to tangible benefits for the people. To this end, increased support with flexible conditions to Africa from the Bank and other development partners is critically important to complement national and regional efforts.

We appreciate the current WBG involvement in the infrastructure sector. We are also encouraged by the operational thrusts of the new *Infrastructure Strategy* geared towards achieving transformational development. Likewise, we acknowledge the establishment of a staff technical team to work with the *African Governors Energy Task Force* on certain identified power projects, in response to the call made by the African Governors. This notwithstanding funding for infrastructural support remains a daunting challenge. We therefore urge the WBG to be unrelenting in the exploration of innovative ways and means to address this challenge. On our part we, without reservation, reaffirm our commitment to the adoption of appropriate strategies for domestic resource mobilization and effective management of activities related to the development and maintenance of infrastructure facilities.

Financing for Development

As we continue to witness multiple poles of growth, emerging new economic powers, increasing economic, trade and financial interdependences at unprecedented scales, the imperatives to foster broad-based growth to serve the mutual interest of both the developed and developing countries are heightening. These unfolding phenomenal realignments in the global economy strongly underpin our increasing call for innovations in financing for development.

While acknowledging the role development assistance continues to play as a valuable instrument in the fight against poverty, and noting that much remains to be done to achieve the Millennium Development Goals, especially in Sub-Saharan Africa and in particular countries affected by fragility, conflict and violence; we urge that financial pledges and aid commitments be honored.

As we urge for commitments to be honored, we recognize that the climate for development assistance may deteriorate as donor countries struggle with their fiscal balance sheets. This growing dynamic bolsters the need to leverage aid more effectively through new instruments and expand the contributors by involving more stakeholders through innovative approaches. We see the need to achieve this call through country initiatives that mobilize domestic savings and enable private sector participation, but also through regional initiatives. The latter will help expand markets and enable economies of scale to be exploited as well as competitive and comparative advantages of our countries. For the World Bank, this requires the urgent exploration of synergy opportunities on a grand scale with other international financial institutions and the private sector that will address the demand for resources and partnership from our countries.

Conclusion

In the uncertain global economic environment in which we live, we must anticipate risks and develop appropriate shock absorbers. Fiscal adjustments, prudent economic policies and macroeconomic management as well as safety nets and social protection programs, for instance, will remain critical in preserving the gains we have made on the fight against poverty. Yet, we all acknowledge that much needs to be done on the MDGs and Africa continues to lag behind other regions in reaching the MDGs by 2015. As we call for ODA commitments to be honored, we acknowledge the changing global environment for development assistance. We underscore, in this regard, the opportunities and challenges presented by the multiple growth poles, the growing importance of sovereign wealth funds and private capital searching for safety. The World Bank is called on as a convener, to innovate with

instruments that could pool these opportunities together to support Sub-Saharan Africa's efforts in infrastructure development, stimulating private sector development and addressing unemployment, particularly among the youth.

Africa has the commitment to defeat poverty in order to improve the quality of lives of its citizens. For this, we remind and ask our development partners to come through on their commitments to promote the fair trade agenda. We need both investment in entrepreneurship and aid directed towards agriculture, education, health, and infrastructure, through innovative instruments and programs/initiatives tailored to our specific situations. In this regard, we call upon our development partners to work with us to realize these objectives.

Similarly, our countries have put significant efforts to improve their capacities. We therefore call for continued support from development partners, including the Bank, to these efforts so as to promote Africa-wide networks that can contribute to local capacity building through research, experience-sharing, dissemination of successful experiences and training on various aspects of human resource development and management.

Annex 4 Rotation Schedules

SCHEDULE I		
ROTATION SCHEDULE FOR CONSTITUENCY CHAIRMANSHIP		
FIRST ROUND 2012 - 2050		
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	SUDAN
2040	SUDAN	SWAZILAND
2042	SWAZILAND	TANZANIA
2044	TANZANIA	UGANDA
2046	UGANDA	ZAMBIA
2048	ZAMBIA	ZIMBABWE
2050	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*

SCHEDULE II

ROTATION SCHEDULE FOR CONSTITUENCY PANEL MEMBERSHIP

FIRST ROUND 2012 - 2050

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

NOTES:

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. ***General panel members reflects regional balance (East, South and West)***

SCHEDULE III
ROTATION SCSHEDULE FOR CONSTITUENCY REPRESENTATION ON THE DEVELOPMENT COMMITTEE
FIRST ROUND 2012-2050

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

Notes:

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

SCHEDULE IV

ROTATION SCHEDULE FOR EXECUTIVE DIRECTOR AND ALTERNATE EXECUTIVE DIRECTOR

FIRST ROUND 2012 - 2050

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

NOTES:

1. Seychelles which has never served the constituency as Executive Director is accorded special dispensation on the rotation system

2. The rest of the countries follow an Alphabetical rotation alternating between A and Z until the first round is completed

3. This schedule avoids duplication with IMF Rotation for EDs and AEDs