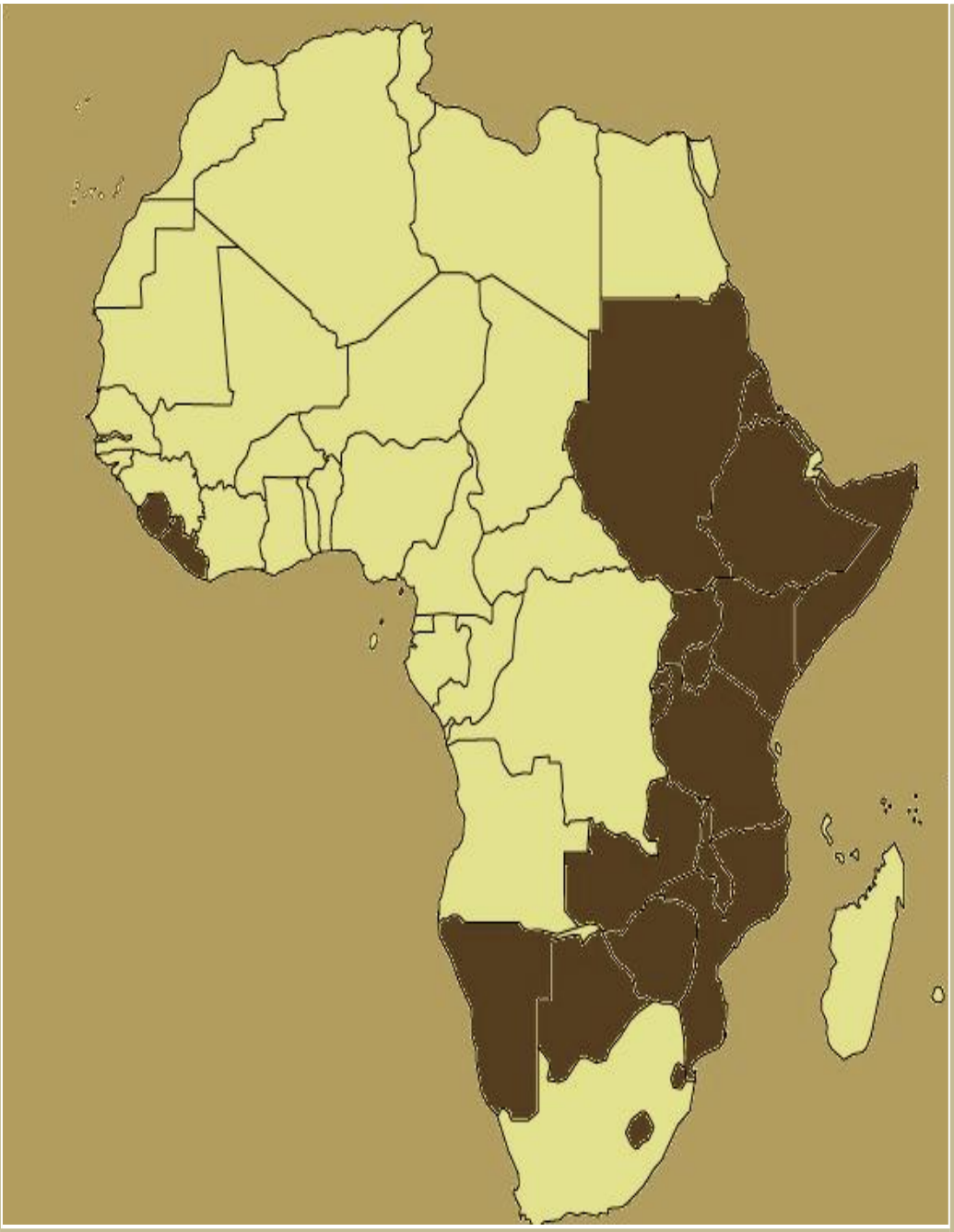
Africa Group I Constituency

FY11 Interim Report

IBRD, IDA, IFC and MIGA

April 2011



Hassan A. Taha
Executive Director

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Acronyms

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

Foreword by the Executive Director

The 2011 *Interim Report* covers four important events that have taken place since the 2010 Annual Meetings. These are: re-configuration of the Constituency, the post-crises global economy, IDA 16 Replenishment and the new Regional Strategy for Africa (2011-2016).

The re-configuration of Africa Group 1 Constituency was completed during the 2010 Annual Meetings of the Boards Governors of the World Bank Group (WBG) and the International Monetary Fund (IMF). This resulted in an additional Chair for Sub-Saharan Africa. The new Constituency is comprised of South Africa, Nigeria and Angola, previously in Africa Group 1 Constituency (AFG1). Rwanda has joined AFG1 as a new member while Somalia is informally represented by the Office. The Bank is carrying out further reforms on Voice and Representation which we hope will address staffing imbalances, particularly in the management ranks of the WBG.

Many countries in Sub-Saharan Africa (SSA) have emerged from the recent financial crisis economically stronger than expected, largely on account of sound macroeconomic policies pursued before and during the crisis period. The recovery in commodity prices has also been an important factor. Growth in most countries of the region averaged upward of 5 percent during the past 5 years, although future growth will depend critically on the pace of economic recovery in developed countries. Within the group of African countries, economic performance has varied. Countries exporting metals and minerals have generally performed well while prospects for agro-based economies have also improved considerably following the recent increase in food prices on global markets.

IDA 16 Replenishment was successfully concluded in December 2010 when traditional and non-traditional donors pledged a total US $49.3 billion to support development projects of the WBG in low income countries. These resources will go a long way in addressing some of the current pressing development needs. Infrastructure investment, particularly in roads, energy, water, education, health and telecommunications remains a top priority for many countries. Unemployment is now a global problem, and in Africa this has affected youth disproportionately. Urgent interventions are required to address youth unemployment before it turns into a more serious social and political issue in many countries.

On March 1, 2011, the World Bank launched the new Regional Strategy for Africa (2011-2016), replacing the Africa Action Plan (AAP). The Strategy has a ten-year vision with a focused five-year results framework. It focuses on accelerated growth and diversification, employment creation and poverty reduction, human capital development and women's empowerment, improving governance, and climate change. The new Strategy promises to be a better and more effective mode of engagement with African countries. Similarly, IFC and MIGA are committed to supporting private sector investment in Africa, which will be the backbone of growth and job creation in the coming years.

The Spring Meetings will focus on the WDR 2011 – Conflict, Security and Development, and the GMR 2011-Improving the Odds of Achieving the MDGs, Heterogeneity, Gaps and Challenges. The MDGs with just less than four years to the target date of 2015 remain a challenge. These two reports will put into perspective the way the WBG is preparing to respond to the global challenges. The Spring Meetings will also focus on WBG's internal institutional reforms and its modalities for partnering with other players to support client countries address development challenges.

Hassan A. Taha
Executive Director

Executive Summary

In 2011, prospects for a strong and sustained growth for Sub-Saharan Africa (SSA) look good. For a decade the global economic crisis, annual GDP growth averaged 5 percent. In 2010 the region rebounded strongly from the crisis partly in response to strong macroeconomic policies and a recovery in commodity prices. The recovery in the region is largely export-led. Even though incomes have improved and domestic demand is strong, the region's future growth will critically depend on sustained recovery in developed economies.

African countries face a myriad of long term development challenges, including undiversified production structures, low human capital, weak governance, women's empowerment, youth unemployment and climate change. The region has also seen a few of its countries emerge from war and insecurity. Development challenges in those countries remain daunting. Development partners have been pivotal in the recovery of the SSA region. On March 1, 2011, the World Bank's Board of Executive Directors endorsed the Regional Strategy for Africa 2011-2016 that purports to respond more effectively than previous strategies. The Strategy was developed around two pillars; Competitiveness and Employment, and Vulnerability and Resilience. Its foundation was Governance and Public Sector Capacity. The Strategy will support African countries to create opportunities for growth by investing in infrastructure and human capital. At the same time it will focus on the export sector to support future growth, hence the Bank's strategy on improving external competitiveness. The Strategy will support regional integration and address gender imbalances. It will also address needs of the poor and vulnerable groups in society, and assist countries to prepare for natural disasters and manage crisis when they occur. The new Regional Strategy for Africa replaces the Africa Action Plan.

The Sixteenth Replenishment of the International Development Association (IDA 16) was successfully concluded on December 15, 2010 with donors pledging US$49.3 billion to support development in IDA countries. Donors were concerned that with only five years remaining to 2015, progress on achieving most of the Millennium Development Goals (MDGs) would be compromised if donors did not respond strongly. They recognized that many countries had been affected adversely by the recent economic crisis. The recent price hikes in fuel and food had aggravated the situation. IDA 16 overarching theme was *Delivering Development Results* with the following special themes, (i) Enhancing IDA's Capacity to Respond to Crises, (ii) Accelerating Progress on Gender Mainstreaming and Gender-Related MDGs, (iii) Achieving Climate Resilient Development, and (iv) Supporting Countries Emerging from War and those that are Conflict Affected. IDA 16 is timely and will go a long way in supporting the new Strategy for Africa.

The SSA region is facing serious policy challenges arising from rising food prices, growing youth unemployment and education standards, among others. This *Interim Report* covers these issues, albeit briefly. Food prices are rising again on the back of other price hikes in commodity prices. Adverse weather conditions in some major growing parts of the world have threatened global food stocks, and supply has further been depressed by restrictive trade policies of some countries. Revamping education standards in Africa is key to creating a competitive business environment and addressing long term growth and poverty reduction. The WBG is developing the 2020 Education Strategy that should give Low Income Countries (LICs) the competitive edge to prosper. The Strategy will also prepare youths for employment by equipping them with

the right skills. The Strategy is integral to dealing with long term structural unemployment and together with investment in infrastructure it will improve employment opportunities for the youth.

The *Interim Report* also reviews operations of the WBG in SSA. In general, IBRD operations remain low key, and IDA engagements have improved only marginally during the past year. Africa still lags behind Asia and Middle East and North Africa regions in IFC operations. Similarly, MIGA's presence in Africa has been insignificant.

Finally, the re-configuration of the Constituency was completed in October 2010, creating a third Chair for Africa on the Board of Executive Directors of the World Bank Group. South Africa, Nigeria and Angola formed the third Constituency. Internal reforms continue and should result in better representation of the region in management structures of the WBG. The Africa Group I Constituency with its restructured membership is now fully functional with new roles and procedures that map out a clear rotation system for its governing structure, and its agenda for furthering the interest of members for the 2010-2012 period is well articulated.

Chapter 1

Economic Developments and Prospects

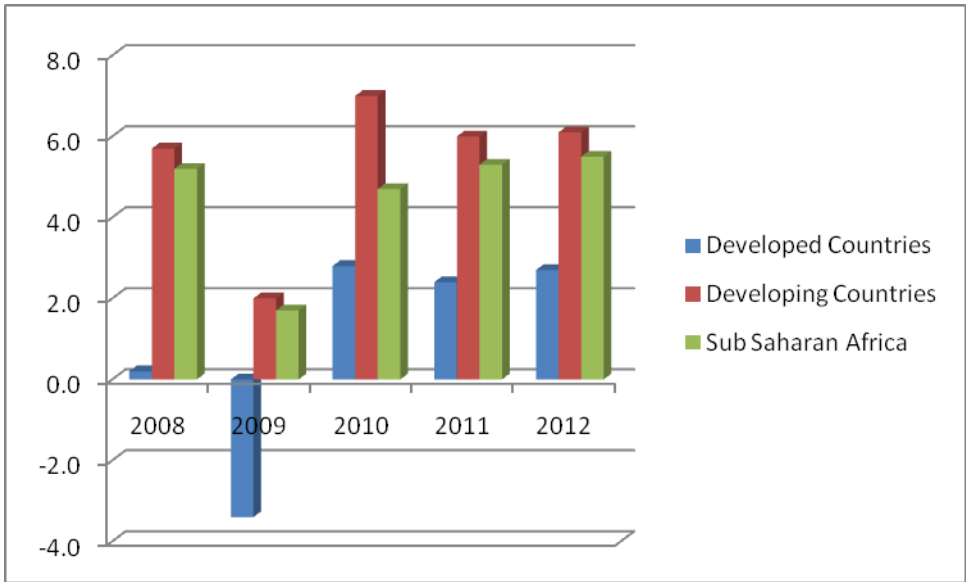
- Overview
- High Income Countries
- Developing Countries
- Sub-Saharan Africa
- Africa Group I Constituency Countries

ECONOMIC DEVELOPMENTS AND PROSPECTS

1.1 Overview

According to the *World Bank: Global Economic Prospects, 2011*, global economic outlook for 2011 points to a further recovery in growth albeit at a slower pace than in 2010. Following the economic decline of 2009, global output rebounded strongly in 2010 and is now poised to grow at a slower but more sustained pace. Recovery in low income developing countries has been more robust than in previous years and is underpinned by an expansion in domestic markets. In high income and some middle income countries, recovery has not been strong enough to make an impact on high levels of unemployment. Overall, global prospects for strong growth are more encouraging in 2011 than before, and prospects for 2012 and beyond are equally good.

Chart 1 GDP Growth by Region



Source: World Bank

Global output is expected to slow down to 3.3 percent in 2011 from 3.9 percent in 2010. In 2012 the world economy is forecast to grow by 3.6 percent. Output in high income countries is expected to grow by a modest 2.4 percent in 2011 from 2.8 percent in 2010 before expanding by 2.7 percent in 2012. Restructuring and right sizing in banking and construction sectors, combined with fiscal and household consolidation will continue to constrain growth in high income countries and developing economies of Europe and Central Asia. Growth in GDP for developing countries as a group is forecast to slow down to 6.0 percent in 2011 from 7.0 percent in 2010. In 2012, growth is expected to rise marginally to 6.1 percent (see Chart 1). Strong growth of domestic demand in developing economies will continue to lead the recovery in the world economy in the short to medium term. Within the group of LICs, countries in the East Asia and Pacific region are expected to record the highest growth rates, largely buoyed by the economic strength of China. The Sub-Saharan region will also record strong growth primarily on account of agriculture and extractive

industries, as well as strong macroeconomic policies and structural reforms.. The recent rise in commodity price on the world market has buttressed those gains.

The recovery in the world economy has also given an impetus to global trade. Trade regained pre-crisis levels by mid 2010, with almost 50 percent of the global increase in imports emanating from the faster growing developing countries. By November 2010, exports of developing countries were 16 percent higher than pre-crisis levels. Despite a recovery in export volumes, commodity prices of some key exports of developing countries, especially oil, fell below their pre-crisis levels, thereby reducing incomes among those countries. However terms of trade of the group of developing countries remained positive on account of an even sharper reduction in their average import prices.

1.2 High Income Countries

Growth in the United States and Europe remained weak partly as a result of the low post crisis restructuring investments, the turmoil in European debt markets, and fiscal austerity in some major economies in Europe. During the crisis, many developed countries pursued loose fiscal and monetary policies hoping to give some stimulus to growth.

In the aftermath of the crisis, the United States GDP growth has remained weak, largely reflecting a subdued demand in the housing market. Consumer confidence has been restored and domestic demand is strong again. Unemployment will however remain high in the near term notwithstanding additional stimulus measures passed late in 2010. The real effective depreciation of the United States dollar of 9 percent since January 2009 led to a strong growth in exports, but these gains were quickly eroded by leakages due to huge imports, particularly from China and other countries in that region, and also capital outflows precipitated by low interest rates in the United States. GDP in the United States is therefore expected to expand by only 2.8 percent in 2011 and 2.9 percent in 2012

In Europe, recovery is forecast to be slow and plagued by uncertainty surrounding sovereign debt in several countries, as well as fiscal tightening. European countries are now more concerned about long term damages to their economies caused by expansionary fiscal and monetary policies of the crisis period. GDP is expected to grow by 1.4 percent in 2011, from 1.7 percent in 2011. Growth in 2012 at 2.0 percent will not be significantly better. At this pace unemployment in the Euro area will only improve marginally in the short term. Similarly, Japan's growth will be sluggish despite a rebound in exports, and is estimated at 1.8 percent in 2011 and 2.0 percent in 2012.

1.3 Developing Countries

In general, low income developing countries were expected to grow more strongly in the post crisis period. There were however important differences among regions. Growth was strongest in the East-Asia and Pacific, and South Asia regions but remained modest in other developing regions.

The robust growth in the East Asia and Pacific region was largely driven by China which for several years has posted output growth in excess of 10 percent per annum. China's phenomenal growth has largely emanated from domestic demand, and in particular strong private consumption. Exports continued to play an important part in China's strong growth. Excluding China, the region grew by 6.8 percent in 2010. Overall, the region grew by 9.3 percent in 2010 from 7.3 percent in 2009.

The Middle East and North Africa region was not affected badly by the crisis compared to regions in Latin America and the Caribbean, as well as some parts of Europe and Central Asia. This was partly due to the

region's limited financial integration with western economies and a diversified export base. Growth in this region rose to 3.3 percent and 4.3 percent in 2010 and 2011respectively from 3.1 percent in 2009. In 2012 GDP is expected to grow at 4.4 percent.

1.3.1 Sub-Saharan Africa

Growth in the Sub-Saharan region was estimated at 4.7 percent in 2010 compared to only 1.7 percent in 2009. Excluding South Africa, the region recorded a robust growth of at least 5.8 percent in 2010, up from 3.8 percent in 2009. The recovery in 2010 was largely on account of a strong growth in export volumes, complemented by rising commodity prices, higher foreign direct investment and a booming tourist sector. By March, 2010 export volumes were 13.6 percent above pre-crisis levels. However during the second half of 2010 there was a marked deceleration in export volumes as global trade slowed down.

The rebound in export volumes in the post-crisis period was more pronounced in metals and minerals which for Sub-Saharan Africa rose by an estimated 34.7 percent. Oil exports from the region increased by 18.2 percent while agricultural commodity exports rose by 5.8 percent. Reflecting these developments, countries exporting metal and minerals recorded the highest growth rates in the region, averaging 6.5 percent, followed by oil exporters (5.9 percent) and agriculture based economies (5.7 percent).

South Africa successfully hosted the FIFA World Cup in 2010 and recorded a large number of visitors. This had a huge impact on South Africa's tourist business. Other major tourist destinations in Africa such as Kenya, Tanzania, Mauritius, Seychelles and Cape Verde also posted strong performance.

The Sub-Saharan Africa region registered capital inflows in the form of foreign direct investment (FDI) estimated at US $32 billion during 2010. This was 6 percent up on 2009. According to the *World Bank, Global Prospects: 2011 Report*, foreign direct investment to the region has risen in six of the last eight years, reflecting increased investment interest in the region. About 40 percent of this investment went to the region's three largest economies i.e. South Africa, Nigeria and Angola. However over 50 percent of FDI went to other small economies. In contrast, over 90 percent of portfolio investment from abroad was concentrated in the three largest economies because of their relatively more developed capital markets. Although the main sources of foreign direct investment were the developed western countries, there was a growing share of FDI originating in Africa and Asia, in particular South Africa, China and India.

The region has also experienced a recovery in remittances from abroad. Following a modest recovery of the US economy and those of Europe, remittances to the African region are estimated to have increased by 1 percent on 2009 and reached US $21 billion in 2010.

1.3.1.1 Africa Group I Constituency Countries

The Sub-Saharan region is projected to grow at 6.4 percent and 6.2 percent in 2011 and 2012 respectively (excluding South Africa), making it one of the fastest growing regions in the world. Growth will be underpinned by a recovery in the global economy and strong domestic demand following large investments in telecommunications, banking, energy and transportation services. Agro-based economies in the region benefited from favorable weather conditions experienced in 2010, and with government subsidies on inputs, most countries registered bumper harvests, particularly in food crops.

Many countries in the Constituency experienced strong growth in 2010 on account of an impressive agricultural performance and a recovery in prices of metal and mineral exports. Favorable weather conditions

in the region resulted in bumper harvests which was not only good for food security, but also provided better incomes for a large segment of the population employed in that sector. In Malawi and Zambia, government funded farm input support programs were successful and resulted in bumper maize harvests. GDP for the two countries consequently grew by 6.8 percent and 6.4 percent respectively. Zambia's strong growth was also attributable to a recovery in prices of copper exports.

Kenya registered strong growth in GDP (5.0 percent) on account of industrial production and agriculture output, in particular tea. Flows from remittances rose to US $1.8 billion in 2010. Kenya's growth prospects will largely hinge on gains from infrastructural investment in information and telecommunications sector, tourism, global recovery, and also weather conditions. Ethiopia's rapid growth estimated at 9 percent in 2010, the highest in the region, was driven by the agricultural sector. The government of Ethiopia invested in infrastructure to support agriculture and provided other incentives to small scale farmers to boost production. Ethiopia has also put in place measures designed to encourage their nationals in the diaspora to open foreign currency accounts with local banks. Remittances from abroad are an important source of capital for the country.

Tanzania and Mozambique recorded GDP growth of 7.0 percent and 7.8 percent respectively in 2010. These countries have benefitted from strong export performance of their minerals and, in the case of Tanzania, additional revenues have come from tourism and services. Mozambique received substantial FDI and donor support during the period. Similarly, Rwanda has seen huge capital inflows come in form of FDI. Economic performance of other member countries of the Constituency has also been strong e.g. Uganda and Sierra Leone.

Growth prospects of the Constituency will be influenced to an important degree by the recovery in the global economy. However, fiscal austerity and tight monetary policies of western countries aimed at reversing the adverse impact of expansionary policies implemented during the crisis will raise the cost of international capital and dampen demand for exports from Africa. Both events have the potential to undermine growth prospect for the region. In the longer run the Constituency's growth prospects are expected to improve in line with recovery in the western economies.

Chapter 2

World Bank Group Operations

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


THE WORLD BANK GROUP

WORLD BANK GROUP OPERATIONS

2.1 Overview

During the first half of fiscal year 2011 (FY11), the World Bank Group (WBG) outlined its strategies for meeting global challenges over the next decade and beyond. In view of the weak demand for IBRD resources during the first half of FY11, the level of commitments to eligible countries declined by US$8.1 billion compared to FY10. However, the Bank's business with IDA countries continued to grow. Lending commitments to IDA countries increased by US$81 million.

The most important development during the first half of fiscal 2011 was the conclusion of IDA16 Replenishment, on the 15th December 2010. Donors pledged US$49.3 billion to support development projects of IDA eligible countries. The funds were to be disbursed over the next three years. Commitments under IDA 16 represented an 18 percent increase over IDA15. This was a very encouraging outcome for the IDA countries, whose development challenges were progressively changing and greater financial resources needed in an environment of global economic uncertainty.

During FY11, the Bank expected to increase disbursements from US$11.7 billion (net) to US$14.6 billion (net) for IBRD's borrowers and, from US$7.1 billion to US$8.0 billion for IDA borrowers.

2.2 IBRD Operations

During the first half of FY11, the IBRD's total commitments dropped to US$11.1 billion from US$19.2 billion during the corresponding period in 2010. The regions that experienced a decline in commitments were Sub-Sahara Africa, Europe and Central Asia, and South Asia (see Table 2.1 below).

Table 2.1: IBRD Commitments by Region (US$ million)

Region	FY10 1st Half	Share (%)	FY11 1st Half	Share (%)
Sub-Sahara Africa	488	2.5	9	0.1
East Asia and Pacific	2,006	10.5	2,444	22.1
Europe and Central Asia	4,339	22.7	763	6.9
Latin America and Caribbean	6,394	33.4	6,151	55.5
Middle East and North Africa	675	3.5	900	8.1
South Asia	5,250	27.4	806	7.3
Total	**19,152**	100.0	**11,074**	100.0

Source: World Bank

Whereas commitments to Latin America and Caribbean region declined by US$243 million in absolute terms, the region received the greatest share of commitments, about 56 percent, from 33.4 percent in corresponding period of 2010. Commitments to East Asia and Pacific region were 22 percent, followed by those to the

Middle East and North Africa (8 percent), South Asia (7 percent) and Europe and Central Asia (7 percent). The commitment for the Sub-Sahara Africa region was the lowest at only 0.1 percent of the total because the only eligible borrowers did not apply for Bank loans.

2.3 IDA Operations

The Bank continues to focus on IDA countries' developmental challenges. Table 2.2 shows that in 2011 total commitments to IDA countries increased by 1.9 percent, or US$81 million. The Middle East and North Africa (MENA) and South Asia regions received US$136 million and US$1.2 billion respectively in commitments during the first half of 2011. Sub-Sahara Africa received US$867 million less than the previous year. In terms of shares of the total commitment, South Asia's commitment of US$2.3 billion accounted for 53.7 percent, followed by Sub-Sahara Africa with US$1.4 billion or 32.7 percent (see Table 2.2).

Table 2.2: IDA Commitments by Region (US$ million)

Region	FY10 1st Half	Share (%)	FY11 1st Half	Share (%)
Sub-Sahara Africa	2,290	53.5	1,423	32.7
East Asia and Pacific	440	10.3	191	4.4
Europe and Central Asia	327	7.6	151	3.5
Latin America and Caribbean	37	0.9	173	4.0
Middle East and North Africa	65	1.5	82	1.9
South Asia	1,120	26.2	2,339	53.7
Total	**4,278**	**100**	**4,359**	**100**

Source: World Bank

2.3.1 IDA 16 Replenishment

IDA 16 Replenishment was successfully concluded on December 15, 2010 when traditional and non-traditional donors came together to pledge US $49.3 billion to support the development agenda of IDA.

The meeting took place at a time when only 5 years remained before 2015, a target date for meeting MDGs. Whereas some countries had made a lot of progress towards meeting the MDGs, there were fears that many low income developing countries, most of whom are IDA eligible countries, would not meet the goals unless there was strong support from donors. Donors responded impressively to assist these countries. However, this was done at a time when most developed countries faced significant fiscal challenges that required huge budget cuts on both domestic programs and international aid.

After wide consultations with stakeholders, it was resolved that the overarching theme for IDA 16 would be **delivering results**. Special themes will include crisis response, gender, climate change, and countries emerging from war and those that are conflict affected.

IDA 16 Replenishment has witnessed a broadening of donor membership. Non-traditional donors e.g. China played an important part in making this Replenishment a success. This was good for sustainability of donor support, but it also meant that the agenda of IDA had to be reviewed to reflect sentiments of new players.

2.4 IFC Operations

2.4.1 Commitments

IFC total commitments increased from US$4.8 billion in the first half of FY10 to US$5.2 billion in FY11. As shown in Table 2.3, the largest commitment was to Latin America and the Caribbean (26 percent) followed by the Middle East and North Africa (24 percent). IFC commitments to Sub-Saharan Africa almost doubled from US$589 million in the first half of FY10 to just over US$1.0 billion in FY11, reversing the declining trend that had been observed since FY08.

Table 2.3: IFC Commitments, Disbursements and Approvals by Region (1st Half FY11)

Region	Commitments		Disbursements		Approvals	
	US$ Mn	Share (%)	US$ Mn	Share (%)	US$ Mn	Share (%)
Sub-Saharan Africa	1,050.89	20	364.57	11	719.49	18
Asia	810.25	16	1,063.91	31	1055.18	27
East Asia and Pacific	671.22	13	679.83	20	1,034.78	26
Europe and Central Asia	681.53	13	325.63	10	250.92	6
South Asia	139.03	3	384.08	11	20.40	1
Latin America and Caribbean	1,346.82	26	565.86	17	684.06	17
Middle East and North Africa	1,232.02	24	911.56	27	1,194.46	30
World	93.22	2	191.46	6	105.65	3
Total	**5,214.73**	**100**	**3,422.99**	**100**	**4,009.76**	**100**

Source: IFC

2.4.2 Approvals and Disbursement

IFC approvals increased from nearly US$3.5 billion in the first half of FY10 to US$4.0 billion in the first half of FY11. Approvals for SSA countries increased from US$197 million to US$719 million. The amount approved for projects in AFG1 countries increased from US$20 million in the first six months of FY10 to US$73 million in FY11. Overall, about 70 percent of the approved projects for AFG1 Constituency were in the form of loans, while equity and quasi-equity accounted for about 30 percent of all approved projects.

In contrast, IFC disbursements decelerated for all regions, except MENA. Disbursements for SSA countries decreased from US$562 million in the first half of FY10 to US$365 million in the first half of FY11. Similarly,

disbursements for LAC and ECA decreased substantially during the same period. On the other hand, disbursements for the MENA region increased to US$912 million in FY11 from US$312 million in FY10.

2.5 MIGA Operations

2.5.1 Guarantees

During the first half of FY11, MIGA issued twenty five new contracts valued at US$337.2 million in guarantees to support twenty projects, compared to two contracts for a total of US$82.3 million in guarantees in support of two projects in FY10. Fourteen projects were in the financial sector, two in infrastructure, two in agribusiness, and the last two in the services/telecommunications sector. Three projects guaranteed during the period were underwritten through MIGA's Small Investment Program (SIP). The agency's gross and net exposures as of December 31, 2010 reached a record high of US$8.4 billion and US$4.9 billion, respectively. These amounts were slightly higher than US$7.4 billion and US$4.1 billion, respectively, at the end of the second quarter of FY10. Of the new guarantees, US$156.1 million was underwritten as part of the Financial Sector Initiative, a new vehicle to support financial institutions in the aftermath of the financial crisis. In total, MIGA has issued US$1.891 billion in coverage under this initiative.

During the same period, MIGA supported only two projects (10 percent) in Sub-Saharan Africa – one in Liberia and the other in South Africa, both in the agribusiness sector. This shows the Agency's continued low presence in the region, in spite of the growing need by countries in the region for MIGA's assistance to promote FDI. In Liberia, MIGA supported an investment in agribusiness involved in the collection and processing of non-productive rubber trees for export to power plants in Europe. Similarly, MIGA's project in South Africa was underwritten through the SIP program, to support investment in a winery farm in Tulbagh, a town whose main economic activities consist of agriculture (vineyards and soft fruit), tourism, and services. In general, the demand for private investment among countries in the region is higher now than ever before, hence the need for MIGA's increased role in assisting them to attract more FDI.

Table 2.4: MIGA Operations (US$ Million)

	FY08	FY09	FY10	FY10 Q2	FY11 Q2
Total Guarantees Issued	2,098.0	1,377.0	1,464.0	513.0	812.0
Gross Exposure	6.5	7.3	7.7	7.5	8.4
Net Exposure	3.6	4.0	4.3	4.1	4.9

Source: MIGA

2.5.2 Cancellations

During the second quarter, portfolio run-off due to cancellations, expirations and reductions totaled US$176.3 million. Cancellations alone accounted for US$134.0 million or 76 percent. This compares favorably with US$269.3 million in total run-off during the second quarter of FY10, of which cancellations accounted for US$11.6 million or 4 percent. The cancellations in FY11 were due to the termination of six contracts associated with five projects.

2.5.3 Non-Guarantee Activities

During the period under review, MIGA received a claim for assessment under its expropriation cover for a project in Sierra Leone. MIGA was also working with a claimant on a previous claim related to a guaranteed project in Kenya. In addition, MIGA, in its capacity as administrator of the Afghanistan Investment Guarantee Fund, was handling a claim under war and civil disturbance coverage. Also during the second quarter, the Agency was engaged in discussions with investors and governments seeking to resolve investment disputes that have the potential to develop into claims in the following countries: Argentina, Djibouti, the Republic of Guinea, Guinea-Bissau, Senegal, and Uganda.

Other activities MIGA undertook during the quarter included the launching of its publication entitled, *World Investment and Political Risk Report,* at a conference held in London, which was sponsored by MIGA and the Financial Times. In addition, the Agency began research on operational papers aimed at evaluating the global evolution of political-risk insurance (PRI), backed by quantitative analyses, over the past few years, as well as prospects going forward. Some of these papers were expected to be finalized in FY11. Furthermore, MIGA maintained the Political Risk Insurance Center (PRI Center) website, which is an information portal providing free online political risk management and insurance resources.

Chapter 3

Selected Policy Issues

- Rising Food Prices
- Towards a New World Bank Education Strategy
- Youth Unemployment
- Africa Regional Strategy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SELECTED POLICY ISSUES

3.1 Overview

A series of policy issues and strategy discussions have preoccupied the Bank during the past six months. This Chapter, therefore, highlights selected policy challenges facing the Sub-Saharan Africa region and presents a synopsis of the new WBG Strategy for its engagement with the sub-region.

3.2 Rising Food Prices

Food prices are rising again on the back of rising commodity prices around the world. There have been sharp increases in the global prices of wheat, maize, sugar and edible oils. Reasons vary, but weather problems in major production areas are much to blame for higher prices. Wheat prices have increased the fastest, doubling between June 2010 and January 2011 as Russia restricted exports and Australia's crop was damaged by flooding.

High food prices are of great concern to poor countries that have to import a lot of food to feed their population. High food prices are also a problem for the household that spends a big proportion of its income on food. The World Bank's recent estimates showed that fewer people had fallen into poverty recently than in 2008 because good harvest in many countries, including African countries, had kept prices stable. Also, supplies of major food crops are more plentiful than two years ago, mainly because of much larger reserves. Reserves of rice, wheat and white maize (the most important staple food crops in many vulnerable countries) were adequate and that reduced the risk of a repeat of the 2008 crisis.

The latest figures clearly show that the upward pressure on world food prices was not abating. These high prices were likely to persist in the months to come. In response to the 2008 food prices increases, the World Bank set up the Global Food Crisis Response Program (GFRP) with an initial expedited processing ceiling of US$1.2 billion. In April 2010, the Board endorsed an adjustment in the ceiling from US$1.2 billion to US$2 billion, but shortened the use of expedited processing by one year to end of June 2010. In light of the recent rise in food prices, the Board reinstated the initial time period for the use of expedited processing to June 2011. Measures to address the recent spike in food prices included expanding nutritional and safety net programs in countries where food prices were rising fastest.

The GFRP was providing assistance to over 40 low income countries through new and improved seeds, irrigation and other farm support and food assistance for the most vulnerable people. The GFRP had played an important short-term role in dampening the negative effects of high global food prices. In the long-term, the Bank was aware that progress on reducing hunger would continue to require substantial investment in longer-term agricultural productivity growth. In this context, the World Bank was boosting its support to agriculture to anywhere between US$6 billion and US$8 billion per year.

3.3 Towards a New World Bank Education Strategy 2010

Since its first operations in the educational sector about four decades ago, the Bank has made significant contributions to its development projects amounting to US$69 billion globally. This financial investment through a variety of financial instruments and technical assistance modalities has been buttressed by increased knowledge sharing. Despite the progress achieved over the years, especially in increased enrollment,

accessibility, primary school completion rates and increasing opportunities for girls, there was a need for much more to be done. First, it appeared unlikely that the education Millennium Development Goal would be reached by most Low Income Countries, many of which are in Sub-Saharan Africa. Second, the current educational system had not adequately provided the knowledge and skills required for productive employment and other income generating opportunities in an increasingly competitive and globalized economy. Furthermore, considering changing conditions engendered largely by current evolving demographic, technological and economic factors, there was a consensus that the education sector needed to be more robustly responsive to the current situation.

To assist countries in their efforts to respond to these challenges, the World Bank Executive Board's Committee on Development Effectiveness (CODE) discussed a draft new World Bank Group 10-year Educational Strategy on January 24, 2011 as a precursor to the full Board's involvement..

The premise of the Strategy called "Learning for All" suggested that while education in general was important to development, what matters most was an educational system that embodied the following: (a) easy accessibility to the general population beginning from early childhood, inclusive of girls, people with disabilities and ethno-linguistic minorities; (b) relevance of educational programs to the development needs at the country level; (c) the quality and the cost-effectiveness of the programs; (d) and the adequacy of its management tools and monitoring and evaluation mechanisms.

The Strategy built on the progress achieved in the education sector. Its implementation was designed to follow a two-pronged approach: (i) promoting country-level educational systems reforms; and (ii) building a powerful global knowledge base to guide the reform process. The first approach expanded the concept of the educational system to include formal and non-formal programs, as well as the full range of beneficiaries of and stakeholders in these programs (teachers, trainers, administrators, employees, students and their families and employers). The concept further included rules, policies and accountability mechanisms that bound the components of the system together and the resources, financial mechanisms that sustain them. This approach would enable the Bank and its partner countries to address barriers that lay outside the realms of the system as it was traditionally defined. The second approach, building the knowledge base, would be achieved through systems assessment, impact evaluation and assessments of learning and skills. This would facilitate determining the strengths and weaknesses of the system and the most effective interventions to address them. The process would include the development of new tools for system assessment and benchmarking to determine countries capacities in the education subsystems as well as intermediate outcomes along the results chain that lay between the inputs and learning outcomes.

3.4 Youth Unemployment

Unemployment remains an acute problem globally, primarily due to the unequal economic growth among countries, weak formal job growth, and the adverse impact of new technological development on jobs. Secondly, the mismatch in skills between those demanded by employers in the labor market and those acquired in schools and universities created further problems.

With the rapid population growth around the world and its implication for the age pyramid, youth unemployment has become a major issue of concern to many governments, including those in Africa. At the global level, there are an estimated 700 million or more youth, who are unemployed and many more underemployed. Given this situation, there is more than ever an urgent need to create jobs for the youth.

From the World Bank Group (WBG) perspective, a good education was seen as the undisputed gateway to employment. Youth employment was the key to conflict prevention, poverty reduction, sustainable development, and lasting peace. The Bank also recognized that while employment creation was key to economic and social development, it had a role to play in that endeavor together with other donors to assist Governments in that endeavor. This role fits well with its core mandate and the targets set to achieve the Millennium Development Goals (MDGs) by 2015.

The Bank conducted a study on the youth market in Africa and found that *200 million job-seekers between the ages of 15 and 24 were actively seeking employment.* Youth make up 40 percent of Africa's working age population, but 60 percent of total unemployed. *The study argued that whereas the creation of youth employment* posed significant challenges due to a number of factors, this could be partially resolved through; (i) expanding job and education alternatives in the rural areas; (ii) encouraging and supporting entrepreneurship; (iii) improving the access and quality of skills formation; and (iv) addressing demographic issues. Other advocates also argued that there were other factors influencing youth employment, such as labor market policies, socio-economic condition, investment climate, and the globalization effect. According to the World Bank, the disparity of local and national conditions of countries means there is no single best solution to address this problem but the most appropriate strategy to deal with it is to identify the binding constraints facing young entrepreneurs and to develop a combination of interventions to address them. These interventions can be multi-sectoral, involving education and social policies as well as private sector development, which is the source of economic growth.

The private sector can promote youth entrepreneurship as another way to integrating youth in dynamic labor markets and to improve their economic independence. Furthermore, young entrepreneurs may be more responsive to new economic opportunities and trends that influenced economic policy decisions. In that case, Government could offer business incentives to companies that provided apprenticeship programs to young people. Of course, policies for promoting youth entrepreneurship vary from country to country.

As part of the education reforms, vocational education should be part of the national curricula (since we are referring to several nations) that will sharpen the skills required by the labor market. Entrepreneurship education if properly implemented can equip the youth to be innovative and creative towards the business and job opportunities including the creation of their own business. Through seminars and conferences, the youth themselves could be empowered to generate the solutions to employment and at the same time aim at all levels to support further replication of such initiatives from the grassroots to the global level.

In recognition of this challenge, WBG demands that in every project to its borrowers, Country Assistance Strategy (CAS) and Country Partnership Strategy (CPS) programs, the development outcome should focus on the creation of employment opportunities that will reduce poverty. During the last two years, a number of countries have benefited from the Bank's financing to tackle youth employment either through education sector or directly to national programs connected to the youth. In case of Africa, Democratic Republic of Congo received US$10 million for Street Children Project plus additional financing of US$15 million to support Basic Education Project; Kenya – Youth Empowerment Project US$60 million; Liberia – Youth, Employment and Skills (YES) Project US$10 million; Malawi – Improvement of Education Quality Project US$50 million; Mozambique – Higher Education, Science and Technology Project US$40 million; Nigeria – Lagos - Eko Secondary Education Project US$95 million; Sierra Leone – Youth Employment Support Project US$20 million; Tanzania – Secondary Education Development Program II US$150 million; Uganda – Post Primary Education and Training Project US$150 million; and Zambia – Technical Education Vocational and Entrepreneurship Training Development Project US$25 million.

Although many governments encourage entrepreneurship and self-employment among youth at the conceptual level, few initiatives specifically targeted at youth had emerged on the ground. A number of NGOs set up programs to enhance life skills, provide job training, and develop some entrepreneurial skills among youth, but these efforts lacked the scale and resources to address the depth of the youth employment problem. In view of the social unrest seen in many countries recently, there was an urgent need, at both the national and international levels, to accelerate the momentum of these initiatives that were to have a meaningful impact on the youth welfare. It was only through an effective collaboration and cooperation from all stakeholders concerned with youth employment that such a challenge could be overcome.

3.5 Africa Regional Strategy 2011-2016

The Executive Board of Directors of the World Bank approved the Africa Regional Strategy 2011-2016 on March 1, 2011. The new Strategy replaces the Africa Action Plan (AAP). The Strategy was developed after wide consultations with all stakeholders and drew lessons from the AAP. It will guide the World Bank Group (WBG) engagement with Africa.

Africa still faces several development challenges that have persisted over the years despite efforts of various stakeholders, including governments and donors. Among these, the Strategy intends to address low human capital, undiversified production structure, weak governance institutions especially in countries that have recently emerged from conflict, women's empowerment, youth unemployment and climate change.

The Africa Regional Strategy 2011-2016 therefore has two pillars: (i) Competitiveness and Employment, and (ii) Vulnerability and Resilience, and with its foundation in Governance and Public Sector Capacity. Its ten-year vision covers accelerated growth and diversification, employment creation and poverty reduction, human capital development and women's empowerment, improving governance, and climate change.

The Strategy's ten-year vision which is assessed on a five-year results framework has set ambitious growth targets. Per capita GDP is targeted to grow annually by 3-4 percent in 20 countries, while five countries are expected to graduate to middle-income status during the period. Some 15 countries are expected to register an output growth in agriculture of at least 5 percent annually.

The two pillars and foundation of the Strategy are designed to maximize the benefits of globalization. These will be realized through improved competitiveness and output growth. The export led growth strategy will depend for its success on continued economic recovery in developed countries. In addition the Strategy will assist African countries built resilience to external shocks and protect vulnerable groups. The Strategy's foundation is governance and public sector capacity which are important in attracting private capital inflows. To attract private investment government should provide a stable and transparent policy and regulatory framework, a fair tax regime and public sector investments to support private enterprise.

The Strategy also addresses youth unemployment through appropriate interventions in education, and creation of job opportunities through infrastructure investment and support to small and medium scale enterprises (SMEs). This strategy will have a positive impact on poverty reduction. In its 10 year vision, the Strategy targets to reduce the poverty rate by 12 percentage points.

On climate change, the Strategy offers several options to mitigate the problems that are estimated to cost Africa a 1-2 percent loss in GDP annually. The Strategy estimates that between 75 and 250 million people in Africa will suffer water scarcity by 2020, and up to 560 million people in the region did not have access to modern energy, and access rates to such energy are as low as 6-6 percent in some countries. Mitigation

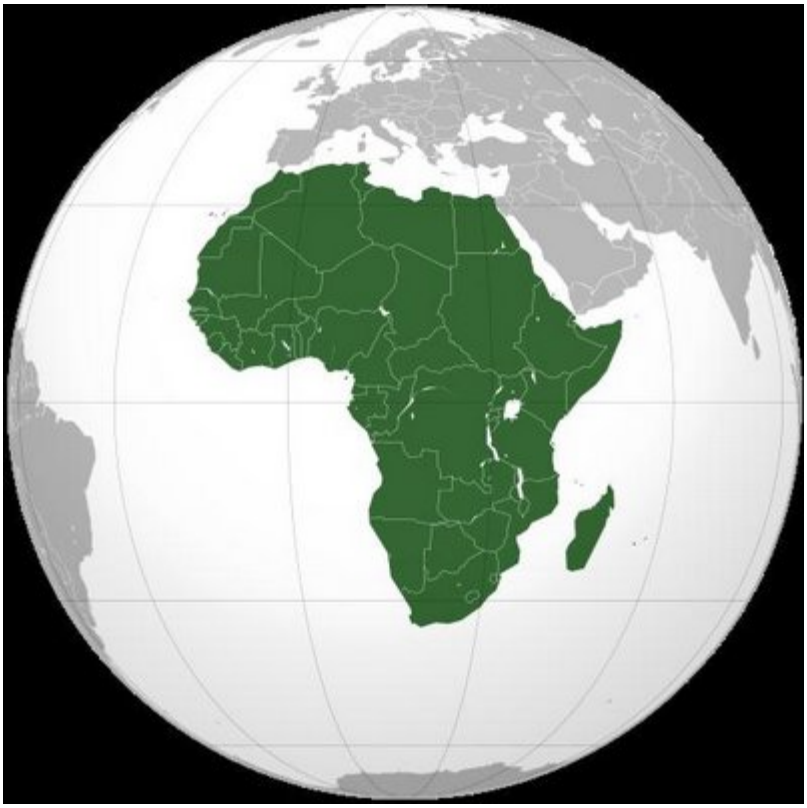
measures proposed in the Strategy include irrigation, water resource management, more investments in hydro electricity, climate resistant infrastructure (e.g. roads in Ethiopia), soil carbon sequestration (could yield an estimated US$1.5 billion annually for Africa), avoiding deforestation, and other carbon finance.

The World Bank plans to implement the Strategy in partnership with host governments, other regional development institutions, civil society, private sector and development partners. The Bank will transform into a knowledge bank and work closely in information sharing with other research institutions while making its information readily available to the public. This will enhance transparency and ownership of the programs supported by the Bank. Finally the Strategy will leverage resources from domestic markets, IDA, IBRD, IFC, MIGA and donors.

Chapter 4

Constituency Matters

- Coordination of the Three Sub-Saharan African (SSA) Chairs
- The Strategic Agenda of AFGI Constituency for 2010-2012
- Outreach Activities
- Update on the Voice Secondment Program (VSP)



CONSTITUENCY MATTERS

4.1 Overview

This Chapter provides an overview of the Constituency activities relating to the three new chairs for SSA and how they are coordinating to ensure effective use of the Enhanced Voice of the sub-region on the Board. It presents a summary of the Strategic Plan of the Africa Group 1 Constituency for the 2010-2012 Board Session, and highlights the Outreach activities of the Office of the Executive Director since October 2010.

4.2 Coordination of the Three Sub Saharan African (SSA) Chairs

The following group of countries voted as blocs in October 2010 for three Executive Directors to represent Sub Saharan Africa on the Boards of the World Bank Group (IBRD/IDA, IFC and MIGA). (See Table 4.1)

Table 4.1: Constituency Membership for SSA Countries on the Executive Boards of the World Bank Group

Africa Group I		Africa Group II		Africa Group III	
1	Botswana	1	Benin	1	Angola
2	Burundi	2	Burkina	2	Nigeria
3	Eritrea		Faso	3	South
4	Ethiopia	3	Cameroon		Africa
5	Gambia	4	Cape Verde		
6	Kenya	5	Central		
7	Liberia	6	Africa Rep.		
8	Lesotho		Chad		
9	Malawi	7	Comoros		
10	Mozambique	8	Congo Rep.		
11	Namibia	9	Congo		
12	Rwanda	10	(DRC)		
13	Sierra Leone		Cote		
14	Seychelles	11	d'Ivoire		
15	Somalia*		Djibouti		
16	Sudan	12	Eq. Guinea		
17	Swaziland	13	Gabon		
18	Tanzania	14	Guinea		
19	Uganda	15	Guinea		
20	Zambia	16	Bissau		
21	Zimbabwe		Madagascar		
		17	Mali		
		18	Mauritania		
	*Informal	19	Mauritius		
		20	Niger		
		21	Sao Tome		
		22	Senegal		
		23	Togo		

The Africa Group I Constituency in its newly restructured membership is fully functional with new Working Rules and Operational Procedures adopted in August 2010 in Freetown, Sierra Leone, clearly articulating its governing structure and rotation system (See Annexes 3 through 6).

The three Sub- Saharan African Chairs have been actively coordinating to ensure effective use of the Enhanced Voice of the subcontinent on the Boards. The Offices of the three Executive Directors representing SSA have embarked on a more strategic approach aimed at supporting the extensive Board and corporate agenda, amplifying Africa's voice on key global issues and ensuring regular focused discussions with senior management to facilitate transformative engagement of the Bank and the African countries.

Through the three Chairs, Sub Saharan Africa is represented on all five Committees of the Board as Chair of the Human Resource Committee, Vice Chair of the Committee on Development Effectiveness, and member of the Audit Committee, Budget Committee and the Committee on Governance and Administrative Matters respectively. The Executive Director for Africa Group 1 Constituency sits on the Budget Committee and serves as Vice Chairman on the Committee on Development Effectiveness.

The two key objectives of the three Chairs are; (i) ensuring effective implementation of the Bank's post Crisis Direction and the New Africa Strategy, and (ii) improving the institutional effectiveness of the Bank to the interest of the African countries. In pursuing these objectives, the SSA Chairs have been guided by the African Caucus and made the key issues in the 2010 Africa Caucus Memorandum to the World Bank President the center piece of the dialogue with senior management. The memorandum focused on the post crisis issues pertaining to Africa's development and ways to restore economic growth. Themes covered included financing infrastructure and agricultural development as two areas where the Bank had relative expertise. The Bank's President's response is captured in Annexes 1 and 2.

4.3 The Strategic Agenda of AFG1 Constituency for 2010-2012

Noting that the three SSA Chairs consist of countries with different development challenges and therefore different interests, the Office of the Executive Director has articulated the strategic Agenda for the Constituency for the period 2010-2012. This agenda, the summary of which is highlighted below, is however aligned with the African Caucus Memorandum and as relevant, the common interest of the sub continent pursued by the three Chairs.

Our Vision, Mission and Goals

The ***Vision*** of the Constituency is to become more effective and proactive in representing the interests of its member countries in the Bank and in bringing the African perspective to the policy direction of the institution in order to achieve development and significant poverty reduction in the region.

The ***Mission*** of the Constituency is to increase the influence of the constituency member countries in shaping policies, strategies and instruments of the World Bank with a view to increasing assistance and development effectiveness for attainment of the MDGs.

The interlocking ***goals*** for this strategic framework are to use the acquired Voice to:

- strengthen partnerships between our constituency and the World Bank Group;
- ensure the scaling-up of financial and technical support to our member countries;
- Increasing the participation of African enterprises in the business opportunities of the World Bank.

Strategic Objectives

Recent reviews of Bank assistance suggest that addressing Africa's development challenges will require more and focused attention in terms of increased resources, improved effectiveness, and development of approaches that take into account country-specific conditions. It is further acknowledged that significant poverty reduction in Africa, and attaining the MDGS, will require higher inclusive growth sustained for a long time. In addressing the current challenges facing the region, the Constituency will focus on a few high impact strategic objectives in its operational work in the short to medium term.

Given the broad spectrum of issues and topics that are debated at the World Bank in the context of its operations, prioritization of the strategic objectives of the Constituency will reflect the current issues and their potential impact on the policy and strategic direction of the Bank in the immediate future. Thus, the prioritization does not necessarily reflect the relative importance of a particular issue or topic to development or to the Constituency, but rather the time-sensitivity and calendar of the debates.

Strategic Objectives Include:

- Making Africa a top priority in World Bank Group's operations, given the relatively higher challenges of growth and attaining the MDGs;
- Increasing resource flows to our Constituency (and to Africa in general), and ensuring that resources are timely and predictable;
- Ensuring increased resources for country programs, and within countries to create the fiscal space for productive investments by advocating for the effective use of resources in the Bank
- Increasing impact in countries in post conflict and conflict affected countries
- Increasing resource allocation to key social and productive sectors, particularly infrastructure necessary for strengthening the foundations for growth;
- Increasing attention to agriculture and rural development;
- Ensuring issues of regional integration and regional solutions receive increased Bank support through financial commitments, technical assistance and advocacy.
- Ensuring that debt sustainability remains in focus;

- Ensuring effective implementation of cross-cutting issues across the Bank such as increased impact of climate change support in Africa

- Increasing effectiveness of resources to Africa through partnership, commitments on harmonization, alignment and predictability;

- Scaling up IFC and MIGA activities in Africa and advocating World Bank group synergy to facilitate private sector development while ensuring increased poverty and development focus in private sector operations;

- Bringing forth capacity building issues to the centre stage for more resource support and contribution to productivity enhancement.

- Promoting more Bank support for development policy operation that enhances pro-poor growth; and financial sector development.

- Broadening consensus on the outstanding issues in the financing and delivery of social services, with particular focus on education; HIV/AIDS, Malaria and TB; Water and Sanitation;

- Promoting improvement of the institutional effectiveness of the Bank by making better use of the Bank's financial and human resources, calling for deeper and more effective country presence and promoting improved Board effectiveness and better use of Spring and Annual Meetings

Implementation Road Map

Realization of the above objectives will require a tripartite arrangement between constituency member countries, the Executive Director's offices and Bank management based on the following principles:

- Effectively using the enhanced "Voice" of constituency member countries by forging common positions, helped by increased cooperation between the office and constituency members.

- Building coalitions with development partners, the private sector and civil society organizations to step up resource flows to SSA, keeping the spotlight on the MDGs and ensuring the development of the private sector.

- Strengthening partnerships and governance principles that guarantee mutual accountability in donor assistance and effective utilization of resources, and ensuring that each category of stakeholders—donors, the Bank and recipient countries—implement their part of the bargain.

- Improving the effectiveness of official development assistance through harmonization of policies among donors, the streamlining of conditionality and the establishment of improved monitoring and evaluation procedures.

- Building capacity in constituency member countries to enable them articulate their priorities, develop programs and implement them much faster than has previously been the case.

- Developing an effective communication infrastructure, considering that the timely flow of information is central to increasing the participation of the Constituency in policy formulation within the World Bank Group.

- Commitment to a competent and professional team in the Executive Director's office that would effectively represent the views of the constituency in the Executive Board and to management and staff of the Bank.

4.4 Outreach Activities

Overview of Country Outreach

During the period under review, the Executive Director undertook outreach activities to Constituency member countries. These included country visits to Uganda, Mozambique, Lesotho, Swaziland, The Gambia, Sierra Leone and Liberia. The Office of the Executive Director also participated in the visit by the World Bank President to Zambia. The visits served the purpose to meet and discuss with Authorities and the World Bank field officials on the development efforts and challenges, portfolio/project implementation issues and seek our ways of strengthening countries' relations with the World Bank Group.

The countries visited fall within the range of country categories that warrant forceful World Bank engagement – low income countries in post-conflict situation or those with challenged institutional capacities, and lower middle income countries with constrained access to World Bank resources. All these countries have good relations with the World Bank Group. They underlined the relevance of the World Bank's contribution to their development efforts. Although the IDA allocations for the eligible countries visited are flat, their portfolio sizes are on average expanding, supported largely by the role of Bank Executed Trust Funds. On the side of the lower MICs, having a clear Bank strategy for effectively engaging these countries remains an issue. Most of the countries are far advanced in the implementation of their current Country Assistance or Partnership Strategies and on the verges of commencing consultations for new Assistance or Partnership Strategies. The IEG evaluation of the Africa Action Plan which points to a long standing challenge of low implementation performance in the region and the new World Bank Strategy for Africa which aims at addressing it, provided the lessons on the basis of which most of the visit deliberations were undertaken.

Common Concerns on Countries' Engagement with the Bank Group

A number of common concerns that undermine the effectiveness of these countries' engagement with the World Bank Group were discussed. These issues include among others, access to resources, limited knowledge of the growing facilities to support countries and project implementation challenges, and relate to both the World Bank Group and Member countries alike.

In all the countries, status of implementation of the various Bank supported projects was provided. The authorities underscored the following implementation issues:

- That project conceptualization and design needed to carry more country ownership. It was noted that institutional arrangements for projects if not thoroughly thought out at design phases, complicated project implementation and rendered challenging reporting requirements (particular reference was made to the on-going infrastructure support project in Uganda, Sierra Leone etc).
- That the No Objections process (for procurement, hiring of project staff etc) which was centralized with TTL was cumbersome and slowed implementation. They called for some form of decentralization at least at the country office level or an improvement on the level of authority given to implementing agencies
- Unpredictability of Disbursements, in particular, budget support, created complications for broader national budgetary management
- Counterpart contributions – there was call for more innovative ways for countries to demonstrate commitment other than financial counterpart funding, which sometimes proved burdensome for government budget and undermined effective implementation of committed projects
- Need to consolidate and sustain support in key social sectors to avoid creating donor orphans sector in countries.

Countries expressed appreciation of the expansive Bank facilities but showed concern about the limited knowledge on the nature of and modalities for accessing the existing and new WBG instruments, both financial and non-financial. Also, of concern was the limited access of some countries to a category of financing instruments as a result of country classification based on estimated income levels. This was particularly the case of the lower middle income countries that could not benefit fully through the IBRD window while at the same time having no access to the IDA window of financing.

Several of the small countries and countries in conflict and post-conflict situations expressed concern of being caught in a "low equilibrium trap" in relation to IDA resource allocations. It is noted that despite the record increase in the IDA 15 and IDA16 replenishment and the SSA allocation maintained at 50 percent, their respective countries' allocations have either been flat or declined, meanwhile their CPIA performance have been improving. While acknowledging the efforts of the IDA 16 framework for conflict and post-conflict countries underlined the importance to review the CPIA taking into account the special concerns of this group of countries.

Great potentials are noted in regional solutions across the countries visited. However, countries observed that the size of regional programs is generally low relative to the region's legitimate needs. They urged for a more forceful intervention on the regional scale.

Key Observations for Enhancing Effective Engagements

World Bank Group's Post Crisis Direction and the new World Bank Strategy for Africa reflect the on-going shift towards according Africa's development priority on the Bank's agenda. Implementation of these strategies must be given keen attention, if the concerns above are to be effectively addressed.

The upcoming review of the World Bank Group Country Assistance Strategies for these countries presents a unique opportunity for an intense, open and participative dialogue with the governments

and all development stakeholders on the national visions and possible role and contribution of the World Bank. In view of observations during the missions, we believe that the Bank is spread too thinly in many sectors relative to the resource envelop available to most of the countries. In the upcoming CAS or review of existing ones, there is the need to make World Bank engagement in these countries focus on a few projects with deep and tangible development impact. The Bank would need to strike the right balance between selectivity for results and impact and spreading thin.

Parts of the project implementation challenges are among the factors undermining the country's CPIA rating and in turn their IDA resource allocations. It is important that countries are fully informed about the expectations of the on-going Investment Lending Reform by the World Bank. The relevant implementation challenges should be taken up with the authorities during the CAS consultations and portfolio reviews.

On the issue of access to resources, it is important that a strategy for engaging lower MICs be articulated. The Bank must also provide tailor-made solutions where expedient to strengthen its support to these set of countries. Access to IDA/IBRD blend facilities, and promotion of public private partnerships as possible options to lend, access would need to consolidated. On-going efforts to streamline procedures for fast access to available Bank instruments should be intensified.

Next Steps

While the Office of the Executive Director may take up these findings, it is important that these issues receive the attention of the Constituency and also taken up through the African Consultative Group and the African Caucus as well as individually by Governors with the Senior Management.

4.5 Update on the Voice Secondment Program (VSP)

The 7th Cohort of the World Bank's Voice Secondment Program 2011 started on February 14, 2011 in Washington, D.C, USA. The program was originally approved in 2004. Since then, it has served tens of government officials from our countries, the total number of which favorably compares to that from other Developing and Transition Countries (DTCs), despite taught competition. During the six month assignment, and after an induction period, program participants are normally attached to their host units where they work directly with other Bank staff and learn by doing including. They also accompany other regular staff on Bank missions. According to some feedback, most alumni found the program very educative and useful.

Due to an increasingly competitive selection process, only two candidates were selected from our Constituency this year, one from Lesotho and the other from Uganda. This is the lowest number of participants from our Constituency since the program was introduced and is happening mainly as a result of financial constraints.

The VSP requires that the secondee continues to receive his/her salary and benefits from the member country while the Bank provides support that includes:

- settling-In Grant;
- travel to/from Washington air tickets;
- living allowance;

- housing rental;
- limited health insurance coverage; and
- one Operational Travel as part of the work program

Due to growing interests in the Program, the Bank has extended it. In this regard in March 2011, the office of the Executive Director invited member countries to send nominations for the new round (the Eighth Cohort) slated to start in July 2012.

Annexes

- 2010 Memorandum of the African Governors of to Mr. Zoellick, President of the World Bank Group
- President Zoellick's Response to the African Governors' Memorandum
- Rotation Schedule for Constituency Chairmanship
- Rotation Schedule for Constituency Panel Membership
- Rotation Schedule for Constituency Representation on the Development Committee
- Rotation Schedule for Executive Director and Alternate Executive Director

Annex 1

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Mr. Robert B. Zoellick
President of the World Bank Group
1818 H Street NW
Washington, DC 20433
USA

October 10, 2010

Dear Mr. Zoellick,

2010 Memorandum of the African Governors of the IMF and World Bank

On behalf of the African Governors of the International Monetary Fund and the World Bank, it is with pleasure that I present to you our 2010 Memorandum. In this Memorandum, we bring to your attention current issues that are critical to our region, calling for a bold approach that focuses on strengthening the path to recovery; pursuing stronger reforms; and boosting capital, investment and aid flows to our countries in ways that would allow us to confidently face the demands of the post-crisis era.

Notwithstanding the timely and effective measures that many African countries were able to adopt, our countries continue to face multiple challenges and constraints as substantial uncertainties surrounding the global recovery still remain. As you know, the projected growth for 2010 and 2011 remains below the trend in most countries, thereby compounding the challenges our countries are facing. Increased trade and financial linkages with emerging market economies in Asia will not compensate for subdued demand from the advanced economies as a result of deleveraging and fiscal consolidation. Added to these, the increased cost of financing would only reduce further the pace of post-crisis growth. Accordingly, the long lasting impact of the crisis on the development trajectories of our countries cannot be ignored.

We applaud the World Bank Group (WBG) for playing a central role in the global response to the financial and economic crisis, be it through the Crisis Response Window (CRW); front loading IDA resources, or the various interventions by IFC and MIGA. We also appreciate the WBG's efforts to organize continent-wide consultations in order to revise its partnership with Africa in a spirit consistent with fostering national ownership of development programs. However, we realize that much more needs to be done and call on you, Mr. President, to

steadfastly support our efforts to improve the prospects for scaling up financial resources to our countries, as well as technical and advisory services in order for us to be able to meet the global challenges, reduce the vulnerability, restore growth, and achieve the MDGs. To this end we call on the WBG to:

- Enhance its support to Africa's infrastructure and regional integration sectors via increased access financing and partial risk guarantees; relax its conditionalities on financing regional projects, improve its inter-group synergies as well as linkages with our RECs;
- Work with us to secure strong replenishment of IDA resources and use its convening power to mobilize additional resources, particularly for financing infrastructure;
- Step up its support to the agricultural sector in Africa to allow us boost productivity; improve competitiveness, rural infrastructure; and address the whole value chain; and to use its catalytic role to open the international markets for our exports and access the carbon markets;
- Make existing financing instruments more responsive to our needs, including by maintaining and increasing the support extended during the crisis on highly concessional terms through the unwinding period.

We reaffirm our readiness to adopt contingent measures if needed and continue to work with the World Bank towards maintaining healthy balance between short run stabilization and achieving high long-term growth within the framework of maintaining supportive macroeconomic policies and structural reforms. Meanwhile we would like the World Bank Group to make all efforts to advance the discussion of the development agenda at the forthcoming G20 summit in Seoul, Korea.

Yours sincerely,

Samura M. W. Kamara
Minister of Finance and Economic Development of Sierra Leone, and
Chairman of the African Caucus

Annex 2

Memorandum to the African Governors
In reply to the
2010 Memorandum of African Governors to
the Heads of the Bretton Woods Institutions

Thank you for the 2010 Memorandum of African Governors to the Heads of the Bretton Woods Institutions. In it, you raised a number of issues concerning our support of African development and suggested ways in which this support could be made more effective. In this response, I would like to address issues raised in your Memorandum.

I. Voice and Representation

I am pleased that the World Bank Group continues to make progress in ensuring greater voice and representation of African countries. I congratulate you on the election of the third African Executive Director, representing South Africa, Angola and Nigeria, and look forward to a strengthened African voice on the Board. The second phase of voice reform is ongoing, with a focus on realigning IBRD shareholding toward more equitable voting power between developed and developing countries, and similar reform measures are underway at IFC. We are moving ahead in terms of staff diversity, but recognize that we need to continue our efforts to increase the representation of Sub-Saharan African and Caribbean (SSA/CR) nationals within the World Bank Group.

II. Impact of the Global Economic Crisis on Africa's Development

I commend African countries for their continued prudent response to the global economic crisis, which helped to spur the continent's rebound, with growth levels estimated to average 4.5 percent in 2010. At present, over half of the global growth is coming from developing countries, including in Africa. While we need to maintain attention to the longer-term impact of the crisis, including on the most vulnerable, Africa's recovery suggests that there are real opportunities for sustained growth, and that the continent can indeed be a growth pole of the future.

I am pleased to indicate the support that the World Bank Group was able to provide during FY 2010. Our commitments to Sub-Saharan Africa rose to $13.9 billion. This included $7.2 billion in IDA, $4.3 billion from IBRD, $2 billion from IFC, and $345 million in MIGA guarantees. An additional $3 billion was made available to North African countries. African countries also benefited from special funds that were set up in response to the food, fuel and economic crises, receiving $715 million in Global Food Crisis Response Program (GFRP) funds since its inception, and approximately $1 billion under the Crisis Response Window. We will continue to support the efforts African countries are making in the coming year with financial resources, but also through increased technical and advisory services.

In order to better meet the needs of African countries, we are continuing to refine and develop lending instruments, including use of IBRD enclave operations in high-performing IDA countries, and to exploit the synergies across the World Bank Group. We are also actively using our concessional resources to leverage private sector investment, and are developing innovative instruments that will allow us to channel more private funds to African countries.

Infrastructure, regional integration, agriculture and climate change

I endorse the Memorandum's emphasis on infrastructure, regional integration and agriculture as crucial to the continent's growth. During FY 2010, IDA/IBRD investments in infrastructure totaled $7.5 billion, including regional projects to address "missing links" in the continent's infrastructure. Given the scale of resources needed, we are encouraging other partners to scale up investment in infrastructure. We are also helping countries design effective public private partnerships, as well as providing partial risk guarantees and utilizing our resources and instruments to attract and facilitate private investment.

The World Bank Group is supporting the efforts African countries are making on regional integration, not only through our investments in regional infrastructure, but also through development of regional capital markets and agricultural centers of excellence, and assistance to Regional Economic Communities. Our financial resources are backed by increased non-lending technical advisory services and we are developing new products for regional investments.

In agriculture, we committed $1 billion in FY 2010 in support of CAADP programs to improve agricultural productivity. Our approach to agriculture is to provide assistance throughout the whole value chain, and both the World Bank and IFC have substantially increased their focus on agribusiness. We are also working in partnership with others, including the African Development Bank, and are supporting the World Food Program's Purchase for Progress initiative that not only helps reduce food insecurity but also provides assurances of purchase for producers. The public window of the Global Agriculture Food Security Program (GAFSP) was launched at the 2010 Spring Meetings, and allocations have been made to Rwanda, Sierra Leone and Togo. We expect proposals from more African countries at the next call for proposals in October 2010.

Across the World Bank Group, we are focusing on climate resilient development and taking climate change into account in the support we are providing for both infrastructure and agriculture. Although it is unlikely that the COP 16 meeting in Cancun will result in a new international agreement, African countries could benefit much more from existing arrangements, and we are providing assistance to help them do so, including through improving climate investment readiness.

IDA

The current replenishment of IDA comes at a difficult time, given the fiscal constraints in many contributor countries. I thank the Governors and African Heads of State for their endorsement of IDA and their advocacy for a robust replenishment. IDA is of fundamental importance to Africa. The majority of African countries are IDA borrowers, and in FY 2010 almost half of the total

IDA resources were committed to Africa. IDA in Africa has also achieved results on the ground. Since 2006, 2.9 million people have improved access to water, and 2.4 million people access to roads in rural areas. It has helped to provide 45 million treated bednets, more than 8 million doses of malaria control drugs, and HIV counseling and testing to 4.3 million adults. Projects underway will deliver 2,000 MW of new power generation capacity by 2011, as well as 2,800 kilometers of cross border transmission lines for regional electricity trading, and 10,000 kilometers of critical missing links in six major regional road corridors.

IDA contributors are focused on results. We are improving our results management system and our effectiveness through internal reforms. We are also increasing our support to African countries to improve their statistical capacity to record progress. With substantial IDA 16 resources we can continue to provide the assistance African countries need to sustain their economic recovery and make progress on the MDGs. The financing provided by the World Bank Group can serve as a catalyst for investments from the private sector and non-traditional partners, and complement increased domestic resources generated by African countries themselves.

Open data, Open Knowledge, Open Solutions

The knowledge sharing the World Bank Group facilitates is as important as the financial resources we provide. In a multi-polar world, we need to also have multi-polar knowledge based on actual experience. We need to share information, learn from each other, and stimulate innovation. I am pleased that the World Bank Group is making current and previously compiled data sets available, along with software applications to facilitate their use. We are also launching a competition to generate new software applications to broaden data access and use across the world. Greater sharing of information will widen the knowledge base of both policy makers and practitioners, while more evidence-based analysis will facilitate better understanding of the process of development.

Conclusion

In conclusion, I want to reassure you that the World Bank Group is committed to helping African countries sustain economic growth and reduce poverty. We will continue to strengthen our support for infrastructure, agriculture and regional programs, as well as for the special challenges faced by post-conflict and fragile states, the subject of the 2010 World Development Report. Reducing global poverty and the development gap is a special focus of the G-20 Seoul Summit, and we will encourage continued and additional support for Africa at the Summit and in other international fora.

Once again, I thank you for your 2010 Memorandum, and I look forward to our continued partnership in support of Africa's development.

1818 H Street, N.W., Washington DC 20433, USA

ROTATION SCHEDULES

Annex 3

SCHEDULE I		
ROTATION SCHEDULE FOR CONSTITUENCY CHAIRMANSHIP		
FIRST ROUND 2010 - 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.Aviods duplication with IMF Rotation - Governors not serving on the IMF constituency Panel are given preference		

Annex 4

SCHEDULE II

ROTATION SCHEDULE FOR CONSTITUENCY PANEL MEMBERSHIP

FIRST ROUND 2010 - 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.Aviods 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)

Annex 5

SCHEDULE III ROTATION SCHEDULE FOR CONSTITUENCY REPRESENTATION ON THE DEVELOPMENT COMMITTEE FIRST ROUND 2010-2050								
2010	ZIMBABWE	ZAMBIA	BOTSWANA	BURUNDI	TANZANIA	ERITREA	RWANDA	GAMBIA, THE
2012	ZAMBIA	UGANDA	BURUNDI	ERITREA	LIBERIA	MALAWI	TANZANIA	KENYA
2014	UGNADA	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 (Zto A), and***
3. ***Associate Members are elected to provide regional balance***

Annex 6

SCHEDULE IV		
ROTATION SCHEDULE FOR EXECUTIVE DIRECTOR AND ALTERNATE EXECUTIVE DIRECTOR		
FIRST ROUND 2010 - 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.Sudan and Zambia special dispensation to serve their turn under rotation system of the erstwhile Africa Group I consistency		
2.Seychelles which has never served the constituency as Executive Director is accorded special dispensation on the rotation system		
3.The rest of the countries follow an Alphabetical rotation alternating between A and Z until the first round is completed		
4.This schedule avoids duplication with IMF Rotation for EDs and AEDs		