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Africa's future and the World Bank's support to it

FEBRUARY 2011

AFRICA REGIONAL STRATEGY

AFRICA REGION

THE WORLD BANK

ABBREVIATIONS AND ACRONYMS

AAA	Analytic and Advisory Services
AAP	Africa Action Plan
ACBF	Africa Capacity Building Fund
ACT	Artemesinin-based combination therapy
ADI	Africa Development Indicators
ADI	African Development Indicators
AERC	African Economic Research Consortium
AfDB	African Development Bank
AFR	Africa Region
AFTCS	Fragile, Conflicts and Social Developments
AFTDE	Development Effectiveness
AFTEG	Africa Energy
AFTHD	Africa Human Development
AFTOS	Africa Region Core Operations Services
AFTPR	Africa Public Service Reform & Capacity
AFTSN	Africa Social Protection
AFTTR	Africa Transport
AFTUW	Africa Urban and Water
AGOA	Africa Growth and Opportunity Act
AIDS	Acquired Immune Deficiency Syndrome
AMC	Advance Market Commitments
APOC	African Program for Onchocerciasis Control
APRM	Africa Peer Review Mechanism
ARMS	Africa Results Monitoring Systems
ARV	Anti-retroviral
AU	African Union
CAADP	Comprehensive African Agricultural Development Program
CAS	Country Assistance Strategy
CCC	Collaborative Country Clusters
CDD	Community Driven Development
CDMAP	Capacity Development Management Action Plan
CEIF	Clean Energy Investment Framework
CFA	Communaute Francais Africaine
CFAA	Country Financial Accountability Assessment
CG	Consultative Group
CGIAR	Consultative Group on International Agricultural Research
CIFA	Center for Inter-Faith Action on Global Poverty
CITPO	Policy Division (IBRD Telephone and Informatics)
CMU	Country Management Units
CPIA	Country Policy and Institutional Assessment
CSI	Core Sector Indicator
CSO	Civil Society Organization
DAC	Development Assistance Committee
DBA	Doing Business Assessment
DFID	United Kingdom Department for International Development
DHS	Demographic Health Survey
DPO	Development Policy Operation
DTIS	Diagnostic Trade Integration Studies
EBA	Everything But Arms
ECA	Economic Commission for Africa
ECOWAS	Economic Comision for West Africa States
EDS	Executive Directors
EFA	Education for All
EITI	Extractive Industries Transparency Initiative
FCS	Fragile and Conflict affected States
FDI	Foreign Direct Investment
FEAC	
FPD	Finance & Private Sector Development
G-20	Group of 20 (Finance Ministers and Central Bank Governors)
GAC	Governance and Anti- Corruption
GDLN	Global Distance Learning
GDP	Gross Domestic Product
GEF	Global Environmental Facility
GEM	Gender, Entrepreneurship, Markets Program
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GTZ	German Agency for Technical Cooperation
HH	Population, Health and Nutrition Adjustment (WB)
HIV/AIDS	Human Immuno-deficiency Virus/Acquired Immune Deficiency Syndrome
IBRD	International Bank for Reconstruction and Development
ICT	Information and Communication Technologies
IDA	International Development Agency
IEG	Independent Evaluation Group
IFC	International Finance Cooperation
IFMIS	Integrated Financial Management System
IMT	Information, Management & Technology
IPS	Integrated Planning System
IT	Information Technology
LICs	Low Income Countries
LLIN	Long-lasting Insecticide-treated Nets
M&E	Monitoring and Evaluation
MAP	Multi-Country AIDS Project for Africa
MDB	Multilateral development bank
MDG	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MECTIZAN	US based pharmaceutical Company
MFIs	Micro Finance Institutions
MICs	Middle Income Countries
MIGA	Multilateral Investment Guarantee Agency
MSMEs	Micro, Small and Medium Enterprises
MTEF	Mid-term Expenditure Framework
NEPAD	New Partnership for Africa's Development
NORAD	Norwegian Agency for Development Cooperation
NRM	Natural Resource Management
OCP	Onchocerciasis Control Program
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OPCAE	Paris Declaration Indicators
OPCFC	Fragile/Conflict Affected Countries
OPCRX	Paris Declaration Monitoring Reports
OPCS	Operations Policy & Country Services
OXFAM	Oxford Committee For Famine Relief
PBA	Performance-Based Allocation
PEFA	Public Expenditure Management and Financial Accountability
PEP	Private Enterprise Partnership
PEPFAR	President's Emergency Plan for AIDS Relief
PER	Public Expenditure Review
PETS	Public Expenditure Tracking Surveys
PFM	Public Financial Management
PMI	The United States President's Malaria Initiative
PPI	Private Participation in Infrastructure
PREM	Poverty Reduction & Economic Management
PRI	Political Risk Insurance
PRS	Poverty Reduction Strategy
PRSC	Poverty Reduction Support Credit
PSD	Private Sector Development
PSNP	Productive Safety Nets Program
R&R	Resources and Results Processes
RBCAS	Results-Based Country Assistance Strategy
REC	Regional Economic Community
REDD	Reducing Emissions from Deforestation and Forest Degradation
RIAS	Regional Integration Assistance Strategy
RMT	Regional Management Unit
SMEs	Small and Medium Enterprises
SMUs	Sector Management Units
SSA	Sub-Saharan Africa
TA	Technical Assistance
TEVT	Technical and Vocational Training
UN	United Nations
USAID	United States Agency for International Development
WDI	World Development Indicators
WHO	World Health Organization

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Africa's future and the World Bank's support to it

Executive Summary

1. Sub-Saharan Africa in 2011 has an unprecedented opportunity for transformation and sustained growth. Until the outset of the global economic crisis, economic growth was averaging 5 percent a year for a decade. Even though growth declined as a consequence of the global financial crisis, it has rebounded in 2010 thanks to prudent macroeconomic policies and financial support from multilateral agencies. Progress on the MDGs has been sufficiently rapid that several countries (such as Malawi, Ghana and Ethiopia) are likely to reach most of the goals, if not by 2015 then soon thereafter. Africa's private sector is increasingly attracting investment, and the climate for market-oriented, pro-poor reforms is proving robust.

2. Despite these gains, African countries still continue to face persistent, long-term development challenges. Among them: undiversified production structure, low human capital, weak governance, state fragility, women's empowerment, youth employment, and climate change. The current dynamism and optimism on the continent, changes in the global economy and the emergence of new development partners (China, India and Brazil) make it the right time for a renewal of the World Bank strategy for Africa.

3. The renewed regional strategy was developed through widespread consultations. It sets World Bank directions in support of Africa's transformation and provides the framework in which to embed country strategies. The Strategy builds on lessons learned from the Africa Action Plan and the recent IEG Evaluation of the AAP.

4. The strategy has two pillars—competitiveness and employment, and vulnerability and resilience—and a foundation—governance and public-sector capacity. The long term challenges and emerging issues identified in the strategy are consistent with the World Bank's Post Crisis Directions and the IDA policy framework.

5. Pillar One focuses on "Competitiveness and Employment" covering all traded goods and services sectors (e.g. light manufacturing, agribusiness, mining, ICT and tourism) as well as key domestic sectors which are pillars of competitiveness (e.g. agriculture, transportation, utilities, education and skills development, construction and retail). A priority will be to focus reforms and public investments on areas of highest growth potential, a healthy and skilled workforce, women empowerment and regional integration programs. Strategically targeted interventions will be complemented by deeper and broader interventions targeted at each of the three main investment climate constraints: infrastructure, business environment, and skills.

6. Under Pillar Two: "Vulnerability and Resilience" the strategy will address macroeconomic shocks, idiosyncratic shocks, such as health, natural disasters, disease, food shortages, conflict, political violence and climate change. The World Bank will harness its comparative advantage in building resilience to address the cumulative effects of these shocks through financial support, knowledge, global experience and technical assistance in designing, monitoring and evaluating safety net reforms, health system reforms as well as in smoothing the effects of macroeconomic shocks (as in the recent global crisis); and providing knowledge, finance, advocacy and convening power in helping countries adapt to climate change.

7. Governance and Public Sector Capacity is the foundation of the strategy. Feedback from our consultations identifies governance and leadership as the main challenge underlying Africa's development. Building on the lessons learned, we approach governance and public sector capacity from

both the demand and supply sides. On the demand side, the Bank's strategy aims to strengthen citizens' voice using instruments of social accountability and exploit the immense potential of ICT to provide innovative ways to enable citizen-centered governance. On the supply side, foremost is building the capacity of African political leaders by, for instance, supporting leadership training schools and convening leadership peer learning networks. Priority areas will continue to be building public expenditure management systems and strengthening incentives within the civil service.

8. The strategy will be implemented by leveraging partnerships, knowledge as well as the World Bank's Group financing instruments. Partnerships will be the first instrument of implementation -- with African society, the private sector, AUC, AfDB and other development actors. Internally, we will collaborate and coordinate closely with IFC, MIGA, DEC and WBI capturing synergies and expertise across the WBG. The second instrument will be knowledge generation dissemination to nourish evidence based debate and capacity building. We will promote catalytic mechanisms that leverage the Bank's financing to crowd-in other sources of private investments, link to the countries resources and deploy other innovative financing and risk management instruments to support Public-Private Partnerships. We will accelerate support to fragile states, emphasize regional solutions, and help Middle-Income Countries reach the next level through knowledge assistance.

9. In order to implement this strategy successfully and cement a more client driven focus on development and results, the Africa Region is undertaking several management and organizational changes. Through deepening of decentralization and the creation of sub-regional technical and knowledge hubs, the Bank will be closer to the client and respond quickly to diverse clients and changing business needs, improve operational effectiveness and better coordinate with partners on the ground. In updating our services and systems, we will work selectively and focus on results, flexibility, efficient delivery and innovation while increasing the use of programmatic approaches and maximizing the performance of our portfolio. The Africa Strategy will facilitate and reward selectivity at the country level, where it is both desirable given the large number of partners, and necessary in light of resource constraints. Through selectivity and increased multi-sectoriality in our mode of operations, we will concentrate on high impact operations in key strategic sectors.

10. The strategy takes into account lessons learned from AAP and the recent IEG evaluation of the AAP and defines a multi layered results monitoring framework at the regional level that allows a logical "results chain". The framework provides a dynamic integrated monitoring approach to track progress on selected indicators. It should not be mistaken as a tool for comprehensive reporting of sector or country level outcomes. Rather, it includes a set of indicators to selectively measure progress in results areas relevant to the strategy and provides an overarching framework demonstrating how linkages of sector and country level programs contribute to achieving development outcomes at the regional level. Our projections of results will of course be subject to the evolution of country demands for our support.

11. Given the heterogeneity and diverse country situations, the monitoring framework emphasizes tracking of progress in the first five years. To foster learning we will implement impact evaluations. Annual reports and a mid-term evaluation will provide critical information to management for revision and revision of indicators and course correction in the last five years. Data availability and weak monitoring and evaluation systems remain a main challenge to measuring results, therefore building and strengthening statistical capacity will be reinforced in the strategy as a long term undertaking.

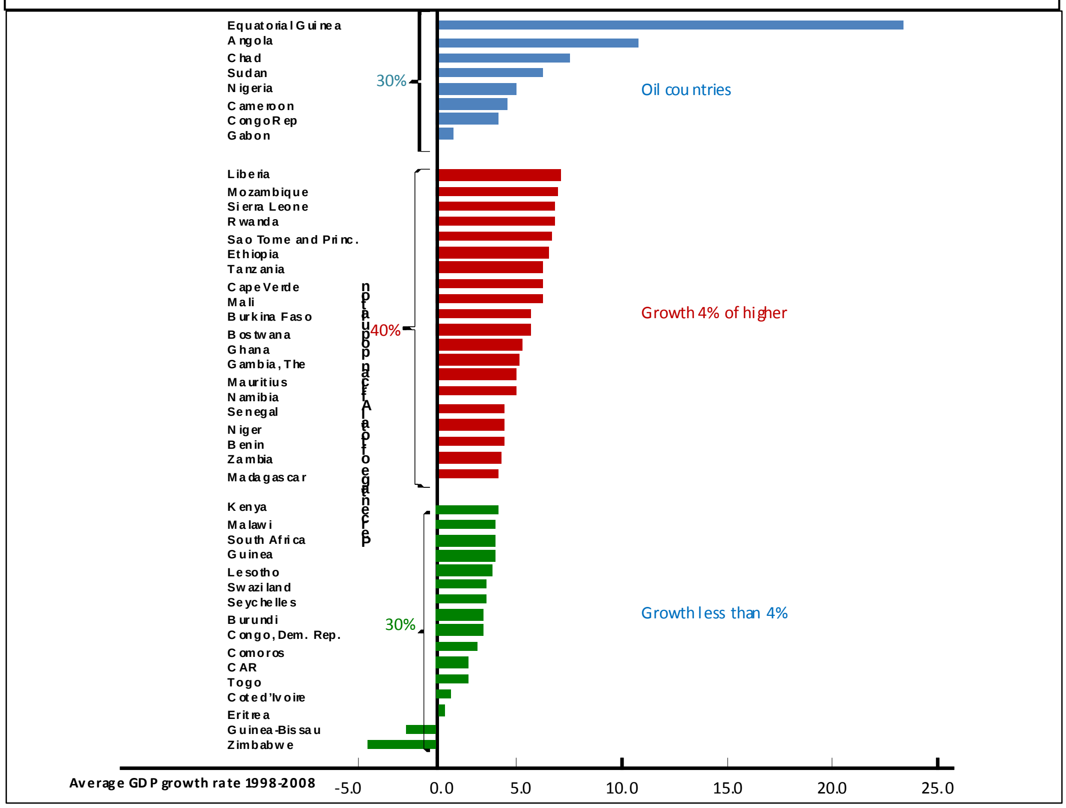
12. The strategy recognizes three main risks: the possibility that the global economy will experience greater volatility; conflict and political violence, and resources available to implement the strategy may be inadequate. The two pillars and foundation of the strategy, as well as the focus on partnerships, provide some confidence that these risks can be mitigated and Africa can realize its full potential for sustained growth and poverty reduction.

I. Introduction

1. For at least four reasons, Sub-Saharan Africa (hereafter “Africa”) in 2011 has an unprecedented opportunity for transformation and sustained growth. First, until the onset of the global economic crisis, GDP growth was averaging 5 percent a year for a decade, accelerating to over 6 percent in 2006-8. Growth was widespread. Some 22 non-oil exporters, including several countries that have experienced conflict such as Mozambique, Rwanda and Uganda, had 4 percent or higher growth from 1998-2008 (Figure 1).

2. While Africa was badly hit by the global crisis, the continent avoided an even worse growth shortfall in 2009 thanks to prudent macroeconomic policies and financial support from multilateral agencies and has rebounded in 2010 (Figure 2)

Figure1: Average GDP growth rates in Sub-Saharan Africa 1998-2008



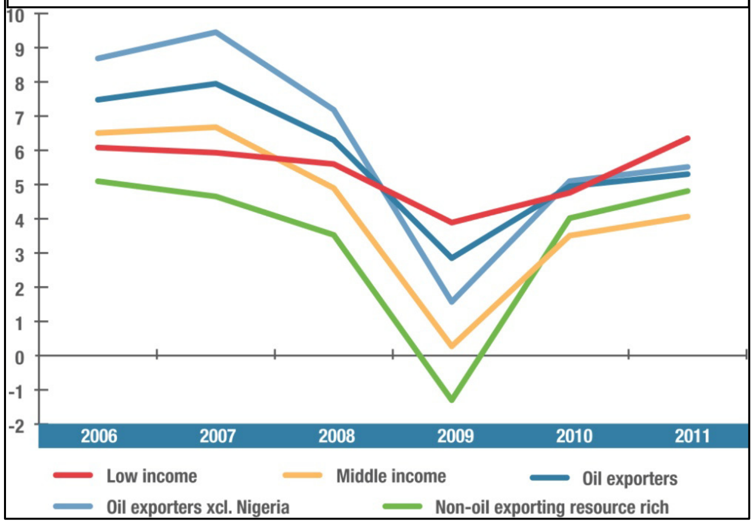
Source: World Development Indicators, World Bank

3. Second, alongside the acceleration in growth, progress on the Millennium Development Goals has been sufficiently rapid that many countries (such as Cape Verde, Malawi, Ghana and Ethiopia) are likely to reach most of the goals, if not by 2015 then soon thereafter. Africa’s poverty rate was falling at about one percentage point a year, from 59 percent in 1995 to 50 percent in 2005[1] (Figure 3). Child

[1] Others (Pinkovsky and Sala-i-Martin [2010], Young [2010]) estimate that poverty was falling even faster. Note that Africa’s rate of poverty decline is faster than India’s.

4. Third, Africa's private sector is increasingly attracting investment, with much of the funding coming from domestic banks and investors; and the rest from the U.S. and Europe. The sector is also creating an emerging African middle class of hundreds of millions of consumers. Returns to investment in Africa are among the highest in the world.[2.] Success of ICT, especially mobile phone penetration, shows how rapidly a sector can grow. It also shows how the public sector can set the conditions for the exponential growth of a vital industry that could transform the continent. Private capital flows are higher than official development assistance (and FDI is higher than in India). China, India and others are also investing large sums in Africa.

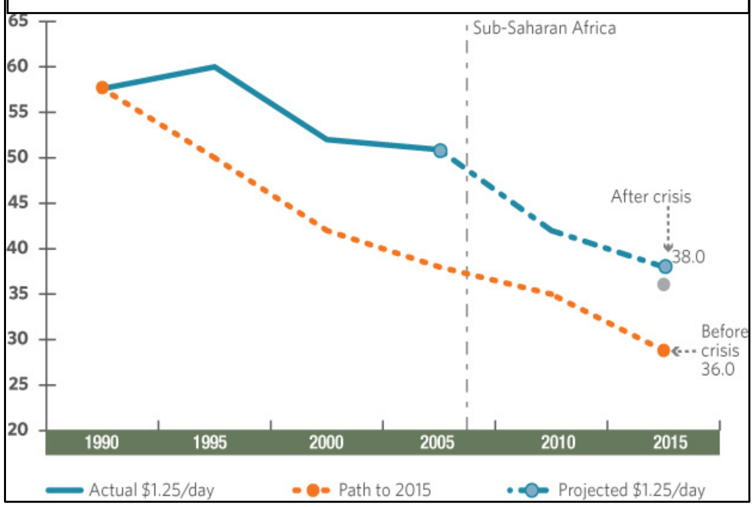
Figure 2: GDP growth in Sub-Saharan Africa by country groups



Source: Development Prospects Group, World Bank

5. Fourth, the climate for market-oriented, pro-poor reforms is proving robust. During the global crisis, the payoffs to economic reforms fell. Yet, policymakers continued with prudent economic policies, even in the face of contradictory policies elsewhere—because the public demanded them. The voice of civil society is increasingly heard, as evidenced by Uwezo on education in Kenya, citizen report cards in Ghana, and the various non-state actors demanding accountability for resource revenues.

Figure 3: Poverty rate in Sub-Saharan Africa 1990-2005



Source: Development Prospects Group, World Bank

6. Putting these factors together, we conclude that Africa could be on the brink of an economic takeoff, much like China was 30 years ago, and India 20 years ago[3].

7. To be sure, African countries continue to have persistent, long-term development challenges. At 15 percent of GDP, the private investment rate is about half of Asia's. Most African countries still have an undiversified production structure, concentrated in primary commodities. Africans have the lowest levels of human capital in the world: only 5 percent of the eligible population is enrolled in universities (the same rate as in Asia and Latin America 40 years ago); some 140 children out of every 1,000 births die before their fifth birthday. Despite progress in the last fifteen years, most African countries will fall short of most of the MDGs, largely because they started from further behind in the in terms of their

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[2] (Collier and Warnholz [2009], McKinsey Global Institute [2010], Boston Consulting Group [2010])
[3] Unlike China and India Africa is diverse continent. Africa's growth is unlikely to be uniform across all countries.

capacity to reach these global goals. Weak governance is reflected not just in high levels of corruption—nine of the bottom 17 countries in Transparency International's Corruption Perception Index are in Africa---but also in service delivery failures, such as teacher absenteeism in public primary schools (20 percent in Uganda) or leakage of public funds to health clinics (99 percent in Chad). That most of Africa's mineral exporters have not been able to transform these resources into sustained growth is a testimony to the huge opportunity cost of weak governance. Similarly, the mechanisms for ensuring bottom up governance are still largely underdeveloped, with potential risks to social cohesion.

8. Furthermore, in the last five years, more challenges have come into sharper focus:

- Growth has not been accompanied by sufficient increase in productive formal employment, especially for the 7-10 million young Africans who enter the labor force every year. In light of the recent unrest in North Africa, it is clear that youth under-employment, if unaddressed, can increase the risk of urban unrest and possibly violence.

- The co-existence of a massive infrastructure deficit and the large number of small countries in Africa signals the need for regional solutions.

- Even redistributed growth and productive employment may not be enough for the chronically poor, who suffer from food insecurity and under-nourishment.

- African women—who are both contributors to and beneficiaries from development—still lack legal and property rights, and access to finance and modern business practices. They also risk dying from childbirth at alarming rates.

- Climate change, through its effects on water, will threaten Africa's agriculture.

- The large number and persistence of fragile states indicates that these countries may be stuck in a low-level equilibrium "trap" for which non-traditional solutions must be found.

- Fiscal austerity in developed countries, as well as criticism and political backlash against foreign aid, means that official development assistance may be constrained—despite rhetoric to the contrary. Even before the global financial crisis, the 2005 G-8 commitment to double aid to Africa was running about $20 billion short; the L'Aquila pledge on agriculture and food security has so far raised a fraction of the committed amount—despite considerable progress by African countries in developing agricultural growth strategies in the CAADP framework.

9. The combination of the current dynamism and optimism on the continent (which came through loud and clear in the consultations [Box 1]) and development challenges ahead—not to mention changes in the global economy, in Africa, and in the World Bank—make it the right time for a renewal of the World Bank strategy for Africa. The Bank's current strategy has been guided by the 2005 Africa Action Plan which was developed at a time when the global economy was buoyant and there was considerable optimism about aid for Africa (Box 2). Since then the world has suffered the worst recession since the Great Depression.

Box 1: Consultations to renew the World Bank's strategy for Africa

The World Bank started consultations with civil society, the private sector, government officials, and other interested parties on a renewed Africa strategy on June 1st, 2010. In addition to face-to-face meetings in 31 African countries and five in Europe, it held online consultations for stakeholders interested in sharing feedback via the web. The first "listening period" of the consultative process ended on July 31st, 2010. The comments and suggestions provided by more than 1,000 face-to-face and 400 on-line participants during the first phase of consultations (June-September 2010) informed the initial draft of the strategy..

Stakeholders identified the (i) promotion of private sector as a driver of growth; (ii) capacity of governments to manage resources; and (iii) role of sub-regional economic organizations in executing regional solutions as the broad challenges facing the continent today. Infrastructure, education, corruption, and institutional development were also highlighted as critical bottlenecks. A clear majority mentioned "infrastructure" when naming the biggest development challenge facing Africa. Yet for some others, these are downstream manifestations of poor governance, ensuring that public goods cannot be provided without the pervasive losses due to poorly allocated budgets, weak asset and public service management. Under this umbrella, stakeholders called for the need to address the lack of roads, water delivery mechanisms, and electricity. As one citizen put it, "No society can grow and develop in darkness. The provision of electricity would reduce the production cost for industries, create more jobs, promote small scale enterprises and increase the information flow in the continent."

"[The World Bank should] help African countries invest in infrastructure of all kinds," wrote one citizen through the consultations website. "Roads, railway networks, and air transport are essential for intra-African trade. It costs about the same to ship a container from Nairobi to Addis as it does from Nairobi to New York."

Education was the area in which the World Bank could make the biggest difference in helping Africa create jobs, especially for young people and women. People mentioned the urgent need to improve universities, increase academic contact with countries outside of Africa, develop technical programs, and provide means to expand access to higher education, including scholarships. As one feedback provider said, "We need to ensure that people get some tertiary level education, either vocational training in their field of interest and/or university education at a subsidized cost."

Besides education, many saw the area of renewable energy as a promising source for job creation. Given Africa's abundance of natural resources and the global threat of climate change, many stakeholders saw a future source of high demand for jobs in all programs geared towards producing clean energy. They saw a role for the World Bank in helping the continent kick-start these programs, not only because they would help expand employment for young Africans, but also because they could help find solutions to important global environmental challenges.

Following the release of the draft strategy in November 2010, the second phase of consultations enabled the Bank to calibrate whether the inputs from the first round had been incorporated, as well as to receive and incorporate further comments to the document. A solid majority (76 percent) of the 880 respondents reported that the draft accurately captured the development challenges facing Africa. The feedback from the phase 1 and 2 consultation process forms the basis for this strategy. Details of the consultations as well as feedback provided can be found at: http://www.worldbank.org/africaconsultations

A video summary of the feedback provided can be viewed at:
http://www.youtube.com/watch?v=B9PwMzzb1xM&feature

10. The global economy is likely to remain volatile for some time. Aid is becoming more constrained and criticized (in some quarters) for lack of results; traditional multilateralism is coming under greater strain. The emergence of development partners such as China, India and Brazil, the untapped potential of mobilizing domestic resources, as well as the rise in private capital flows to Africa, including a rise in remittance flows, call for a new approach—Africa as an investment proposition—and points to the need for new partnerships among governments, development partners including the Diaspora and the private sector[4]. Furthermore, Africa is changing. African countries are increasingly

[4] The IFC Strategy for Africa was discussed at the Board March 25, 2010. The main elements of that strategy reinforce the directions outlined in this document, with a clear agenda for more focused Bank Group collaboration in key areas such as infrastructure, agriculture, business environment, and access to finance.

relying on the private sector as the engine of growth, and confronting governance problems, including corruption, head-on. There is political support for the role of the state as regulator, facilitator and the agent of redistribution for equity, as shown in the success stories such as Mali mangoes (Box 3), Kenyan cut flowers or Rwanda tourism. Despite deep governance problems, conflict and confrontational politics, coupled with weak public-sector capacity (reflected for example in the large "execution deficit" of investment budgets), African countries are beginning to address them through supply- and demand-side mechanisms, such as results-based financing for health in Rwanda or citizen monitoring (through cell phones) of conflict and disaster management in Kenya's Ushahidi. Regional organizations, such as the AU and NEPAD, are fostering private-sector growth (through trade agreements and regional infrastructure programs) on the one hand, and better governance (through the African Peer Review Mechanism, for example) on the other.

11. The World Bank Group is changing. The "paradigmatic instability"[5] of the past notwithstanding, the Bank is supporting development models that allow for different mixes of government and market interventions. The Bank is not prescribing solutions. Rather, the Bank is using its knowledge assistance to nourish an evidence-based debate in countries on policy issues. The Bank is listening and learning. We are promoting South-South knowledge exchange for this purpose. Given the large number of public and private sector players in Africa, the Bank is seeing its role as a partner first, providing a platform on which development assistance and the country's own resources can be more effectively used. The Bank's own financial resources are sources of leveraging, made more possible by the reforms to the investment lending policy. For instance, the $800 million Bujagali power project in Uganda leverages $115 million of IDA with comparable amounts from IFC and MIGA and the rest from the private sector to provide clean, renewable energy to a power-deficit area. The IFC's establishment of vehicles for mobilization of external funding (Asset Management Company, Crisis Initiatives) is another example.

12. Any strategy for Africa should take into account the differences among countries, in levels of development (per capita incomes range from $200 to $20,000[6]) economic structure, and political and social environment. Moreover, the strategy will largely be implemented at the country level.

13. What, then, is the role of a strategy for Africa? The regional strategy provides a framework in which to embed country strategies, based on country circumstances. In some cases, such circumstances might cause the strategy to deviate from the themes but such deviation will be explained. The strategy for Africa helps shape country strategies by empowering managers to go further in the directions of the regional strategy, based on what other partners and the government are doing, and the Bank's comparative advantage (see box on Selectivity)[7]. In addition, this regional strategy, since it is based on widespread consultations among various stakeholders (government, private sector, civil society), can provide the space for an African consensus, in which civil society, the private sector, government and development partners (including the Bank) find their comparative strengths to select the nature of their interventions. Inasmuch as promises of aid remain unfulfilled, a common voice that demonstrates the increasing productivity of aid could be a powerful counterweight to political forces attempting to reduce aid. This would also feed into the efforts towards nurturing regional solutions and platforms for more effective use of scarce resources. As such, the regional strategy is not conceived as just the aggregation of all country strategies, but rather will set the directions of the Bank's strategy in the process of Africa's transformation.

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[5] A term used by one of the participants in the consultations to refer to the Bank's shift from a state-led model of development in the 1960s to a market-friendly approach in the 1980s and back to a state-friendly approach in the 2000s.

[6] Burundi and Equatorial Guinea, respectively.

[7] The results framework for the regional strategy is different from an aggregation of country strategies. It spells out the logic of the results chain (linking interventions with outcomes). Quantitative indicators to monitor progress are built up from the country level.

14. In addition, this regional strategy, since it is based on widespread consultations among various stakeholders (government, private sector, civil society), may provide the space for an African consensus, in which civil society, the private sector, government and development partners (including the Bank) find their comparative strengths to select the nature of their interventions. This would also feed into the efforts towards nurturing regional solutions and platforms for more effective use of scarce resources.

Box 2: Accomplishments of and lessons learned from the Africa Action Plan

In 2005, recognizing that a large number of African countries were unlikely to meet many of the MDGs, the international community requested the World Bank to develop an action plan to accelerate Africa's progress towards the goals. The G-8 had also pledged to double aid to Africa. The resulting Africa Action Plan was a comprehensive and detailed set of 30 objectives and 109 actions that would in the first instance guide the World Bank's program in Africa. The Plan was more sharply focused in 2007, and further streamlined and adapted to the global financial and economic crisis in 2009.

The Bank's experience with the AAP, as well as a recent evaluation by the Independent Evaluation Group (IEG) of the plan, has yielded several lessons that have informed the development of the present strategy. The broad themes of the AAP—accelerating growth, making growth inclusive, building capable states and strengthening governance, and improving aid effectiveness—remain as relevant today and, in fact, can be mapped to the present Africa strategy. Good progress was made in aligning Bank support to Africa's priority needs in several important areas covered by the AAP, including a renewed focus on infrastructure and on agriculture. Increased attention to regional projects and issues is also a welcome development. The relatively robust private-sector led growth and significant progress on some MDGs also holds the promise of a better future.

That said, both IEG and the Bank's Africa Region find that significant problems with the design of the AAP limited its usefulness. First, the AAP was a "top-down" exercise, prepared in a short time with little consultations with clients and stakeholders, not to mention Bank staff and management. People who had to implement the plan did not have much engagement with, and in some cases were not even aware of, the AAP. It is because of this lesson that the Africa Region embarked on the current strategy with face-to-face discussions with over 1,000 people in 36 countries, and an additional 400 commentators on-line (see Box 1). In addition, the strategy was prepared by a team consisting of managers and staff from the Africa Region, with input from staff across the Bank.

The second problem that IEG's evaluation raised, and the Africa Region experienced, was that the AAP was a regional strategy in a country-based environment. It was too comprehensive to be a useful tool for strategic prioritization. The same could be said of the present strategy, whose two pillars and foundation leave very little out. But the point is that prioritization takes place at the country level. It is very difficult for a regional strategy to exclude a particular sector in each and every country. By contrast, in each country strategy, there has to be prioritization because of limited resources.

Another issue that is highlighted in the evaluation of the AAP is the performance of the Bank's portfolio in the Region. In the implementation of this strategy, the Africa Region will continue to emphasize the quality of implementation support and quality of project preparation which has seen steady improvement over the past 7 years.

Moreover, specifying a detailed set of actions at the regional level, when the Bank operates in a country-based model, meant that the system was over-determined. Building on these lessons, the present strategy specifies explicitly the relationship between the regional and country assistance strategies. The regional strategy represents a filter against which CASs will be evaluated. At the same time, the regional strategy is intended to guide and inspire, but not dictate to, country teams about the design of their strategies. The results framework of the current strategy is designed to reflect this relationship between regional and country strategies.

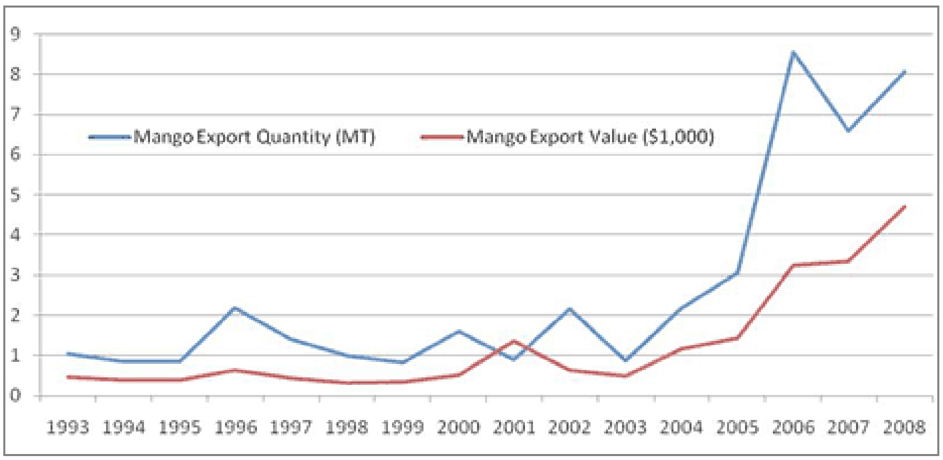
Finally, in light of the fact that the G-8 promise of doubling aid to Africa has fallen about $20 billion short, the present strategy emphasizes partnerships—with African governments, the private sector and other development partners, including South-South partnerships—as the main instrument of implementation, so that we explore all possible sources of finance for Africa's growth and poverty reduction.

Box 3: Exporting mangoes from Mali

Mali is a landlocked country that is heavily economically dependent on agriculture but with limited transportation infrastructure and, until recent years, little market understanding and agricultural export competitiveness. Though the government identified mangoes as an option for diversifying Mali's export base in the 1990s, it faced several significant inefficiencies: high costs of air freight, poor access to sea ports, and weak harvesting and post-harvest techniques. These problems were further exacerbated by lack of finance, insufficient management capacities, an unfavorable investment climate, poor organization, and an inexistent land market.

In 1993, Mali began implementing a multi-modal (road, rail, and sea) transportation system to move mango exports to destination markets in Europe more efficiently Through partnership with private operators and backed by donor financing, a cold-chain (refrigerated) system was developed, phyto-sanitary improvements were made, certification and traceability programs were implemented, and training in orchard management practices and post-harvest handling was offered to Malian agricultural workers. The overarching goal of the strategy, though, was to increase rural incomes.

Most importantly, Mali's mango exports increased 1,042 percent between 1993 and 2008, from 1,050 to 11,995 metric tons. Sea freighted exports, which were zero in 1993, rose to 4,600 metric tons. Transit time for mangoes from Sikasso to Northern Europe, meanwhile, decreased from 25 days to 12 days over the same period, and Mali has become an increasingly-recognized origin of fruit imports to the European Union. The approach also brought producers a significantly higher price for mangoes at the farmgate level—125 CFAF in 2008, up from 50 CFAF in 1993.



Mali's experience underlines the importance of bringing together a combination of ingredients—public-private investment, technical expertise, national capacities, and innovation—that are likely to drive positive economic change. Additionally, it emphasizes the importance of sustained development over time and highlights the importance of leveraging established bilateral relationships (in Mali's case, with France and Côte d'Ivoire) in supporting value-chain improvements and export growth.

II. A Ten-year vision

15. The ten-year vision of the strategy is an Africa where, for at least 20 countries, per-capita income would be 50 percent higher than today--implying per-capita GDP growth rates of 3-4 percent a year[8]. Another 20 countries would grow at an average rate of 1-2 percent[9]. The poverty rate would have

[8] A possible list would be Radelet's [2010] seventeen emerging African countries plus Kenya, Malawi and Benin, all of whom averaged approximately two percent or higher per capita growth over the last 15 years.

[9] The vision could be extended to a ten-year vision of Africa's urban and metropolitan space.

declined by 12 percentage points. At least five countries will achieve middle-income status[10]. This growth will be achieved with a production mix that is considerably more diversified, with manufacturing and services growing rapidly and absorbing labor at a rapid clip. Meanwhile, agricultural productivity will increase with 15 countries—up from the current eight—registering at least 5 percent average annual agricultural GDP growth. The continent's share in world trade will double (to 8 percent), with regionally integrated infrastructure[11] providing services at globally competitive costs, and human development indicators going beyond the MDGs to achieve quality goals in health and education. Access to infrastructure will have doubled so that at least half the households have power. Women's legal capacity and property rights will have increased significantly. Climate change adaptation measures will have been put in place. Finally, governance indicators will be rising, with the ICT revolution strengthening accountability in the public sector.

16. These objectives are consistent with those in national vision statements, such as Nigeria Vision 2020, Cameroon Vision 2035, and Uganda Vision 2025. A further articulation of that vision is one where there are sub-regional drivers of growth—large and/or integrated countries such as South Africa, Nigeria, DR Congo, Ghana and Kenya—that would not only be the locomotives of their sub-regions, but also promote regional solutions that help Africa overcome the constraints of small states and markets. Africa's middle-income countries (MICs), especially South Africa, will play a key role, both as dynamic markets in their own right, and as links for many low-income countries for both inward and outward investment.

17. To realize this vision, the strategy must be transformative. It cannot rely on a single sector or product to trigger rapid growth and poverty reduction. Even if there is consensus that there is a fundamental ingredient, such as education—without which nothing can be achieved—realizing the desired level of education requires the coordination of a number of sectors, such as health, education, transport and communication. Accordingly, the proposed strategy does not divide itself neatly into individual sectors. Instead, it attempts to exploit the synergies among these sectors by organizing around critical themes. This does not mean that individual sectors are not important. Indeed, some such as health and education are important in their own right. But achieving health and education goals requires a multi-dimensional approach, including achieving goals in other sectors. Conversely, infrastructure is not a goal in itself, but a critical ingredient to achieving almost all other development objectives, most importantly economic growth. For these reasons, the strategy has been organized around two pillars and a foundation. Lessons from the past, including the AAP, reveal that a sector-by-sector approach will not work. For example, focusing on primary education contributed to the neglect of secondary and tertiary education and learning outcomes. Focusing on health led to a neglect of other factors such as water and sanitation that determine child survival. Likewise, gender is a cross-cutting issue because it is central in all three themes.

III. Themes of the strategy

18. The themes of the strategy emerge from the World Bank's strategic directions following the global crisis. In particular, they pick up on the Post Crisis Directions' (PCD) strategic thrust on creating opportunities for growth. Africa is poised to seize these opportunities and, possibly, become the next growth pole. Likewise, the PCD's focus on the poor and vulnerable is reflected in our emphasis on vulnerability and resilience, which is also a main theme of IDA16 because low-income countries have fewer options in responding to shocks. Finally, the events of the past few weeks in the Middle-East have reinforced the notion that governance lies at the heart of the development challenge.

[10] Ghana, Mauritania, Comoros, Nigeria, Kenya and Zambia are currently on the threshold.
[11] Defined as the "missing links" in energy, road, rail and ICT being reduced by 50 percent.

19. The strategy has two pillars—competitiveness and employment, and vulnerability and resilience—and a foundation—governance and public-sector capacity. Both the long-term challenges and the emerging issues described above not only fit within these pillars and foundation, but rather are consistent with the World Bank's Post-Crisis Directions and the IDA 16 policy framework. Table 1 captures these relationships. Addressing them within country strategies will be the catalyst needed to realize the vision.

20. In presenting the pillars and foundation of the Africa Strategy, we first describe the pillars of competitiveness and employment; and vulnerability and resilience. In so doing, we point to where governance is the binding constraint to progress on these pillars, thereby setting the stage for our foundation: governance and public sector capacity.

Table 1: Relationship to global strategies

Africa Strategy	Post Crisis Directions	IDA 16 Framework
Competitiveness & Employment	Create Opportunity for Growth	Gender (women's empowerment)
Vulnerability & Resilience	Target the poor & Vulnerable, Manage risk & preparing for Crisis	Climate Change Crisis Response Gender (reproductive health)
Governance & Public Sector Capacity	Strengthen Governance Global public goods	Fragile States Regional integration

Pillar one: Competitiveness and employment

21. The first pillar, competitiveness and employment, represents the way to harness private sector growth for sustainable poverty reduction and, ultimately, wealth creation. We use a broad definition of competitiveness which covers all traded goods and services sectors (e.g. light manufacturing, agribusiness, mining, ICT, and tourism) as well as key domestic sectors which are pillars of competitiveness (e.g. agriculture, transportation, utilities, construction and retail). We also include the concept of competitive cities because productive and sustainable urban development will be a key driver of wealth and jobs going forward for Africa.

Table 2: Economies improving the most in each Doing Business topic in 2009/10

Starting a business	Peru
Dealing with construction permits	Congo, Dem. Rep.
Registering property	Samoa
Getting credit	Ghana
Protecting investors	Swaziland
Paying taxes	Tunisia
Trading across borders	Peru
Enforcing contracts	Malawi
Closing a business	Czech Republic

Source: Doing Business database.

22. Despite the greater emphasis on the private sector and signs of its dynamism, Africa's private sector growth has not been sufficiently poverty-reducing, nor is it clear that its growth is sustainable. Most African enterprises are small (often employing only household members), and suffer from low productivity. While productive formal-sector jobs are growing at the same rate as GDP in countries like Uganda, this rate is not enough to absorb new entrants to the labor force. The underlying reasons are the legacy of rapid population growth, only beginning to decline in some countries in the past decade, combined with a poor investment climate: Africa's private-investment-to-GDP ratio is half of Asia's.

23. Africa's weak investment climate is due to three main factors: (i) poor infrastructure, (ii) poor business environment (policies and access to finance) and (iii) insufficient technical skills. Africa's

infrastructure seriously lags that of other developing regions and the gap is widening over time. Not only that, but – due to small scale and limited competition – Africa's infrastructure services are typically several times more expensive than those in other parts of the developing world. This is one of the main factors behind African exports' cost disadvantage in world markets as well as one of the obstacles to the productive development of rural and urban areas.

Table 3: Zambia's infrastructure deficit ($ millions per annum)

	ICT	Power	Transport	WSS	Total
Needs	(218)	(631)	(289)	(471)	(1,609)
Spending	90+	180	245	158	673
Eff. gains	n.a.	160	59	96	315
Funding gap	n.a.	(291)	15	(217)	(493)

Source: Briceño-Garmendia, Smits, and Foster 2008

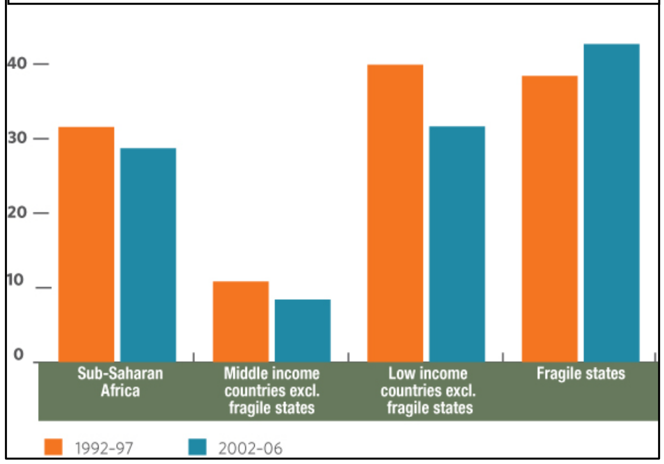
24. In general, African firms face a constrained business environment, low access to finance and high indirect costs. Most small and medium enterprises have problems accessing finance; all firms have problems getting long-term finance to fund productive investments. Only 20 percent of households have bank accounts. Africa's exports are mainly raw materials, which have limited employment-creating potential. Efforts to transform some of these raw materials to finished or even semi-finished goods have met with mixed results. Petroleum refining or mineral beneficiation have faced the same constraints—infrastructure, business environment and skills--as other manufacturing enterprises.

25. Agriculture, which is Africa's largest private sector, faces the same problems as well as some that are distinctive to the sector. Farms, including family-run ones, are businesses, and have similar needs as small enterprises, such as market stability, access to finance and information. Yet, there are a large number of government interventions, such as extension services and fertilizer subsidies, whose effectiveness is under question. Recent experience demonstrates the constraints that African agriculture faces in diversifying. Family enterprises have difficulty taking advantage of higher food prices and expanding domestic market demand. Furthermore, since 93 percent of African agriculture is rain-fed, improving resilience to the harmful effects of climate change (including floods and droughts) will be particularly challenging given, among other things, the limited installed water storage capacity across the region. Improved agricultural water management, transport, and access to cheaper energy are essential conditions to securing access to markets and improving the competitiveness of farming businesses.

26. At the same time, there are opportunities to enable small-scale entrepreneurs in agriculture, manufacturing and services to scale up. Africa is urbanizing rapidly, opening up possibilities for clusters, growth poles and agglomeration externalities. To fast-track such a development path, Africa may benefit from the kind of industrializing policy that has facilitated growth and employment creation

in both advanced and developing countries. Since many of the most important government failures (e.g. poor policies and governance) are industry-specific, the first and least controversial type of industrial policy is to focus reforms and public investments on the industries and locations of highest growth potential. Industrial policy can also be useful in addressing "market failures". While direct government interventions in support of specific sectors ("picking winners") have in the past been ineffective—because they were directed at sectors that were ultimately not viable or undermined by governance issues—more recent research has documented the extent to which industrial policy has been effectively applied in many advanced and developing countries to spur growth in new sectors of the economy.[12]

Table 4: People with insufficient daily nourishment



Source: World Development Indicators, World Bank

27. Government interventions are successful for enterprise and industry development if they are focused at industries and locations with latent competitive advantage and do not create opportunities for rents and capture. Proactive support by government can be justified in the case of large positive externalities (e.g. new infrastructure being built which can be used by other industries) and/or significant market failures (e.g. coordination issues or high entry costs and risks for first movers). A specific example of the success of targeted interventions by government is Kenya's cut flowers and, on a smaller scale, Mali's mangoes. In the case of Kenya's cut flowers, government intervened by providing timely and accurate access to information as well as facilitating technological improvements with attention to environmental stresses linked to water use. Between 1995 and 2002, Kenya's cut flower exports grew by 300 percent. In the case of Mali's mangoes, government intervened through modernization of export infrastructure and practices, and support for quality control and for the value chain organization. As a result, mango exports expanded from 2,867 tons in 2005 to an estimated 12,452 tons in 2010.

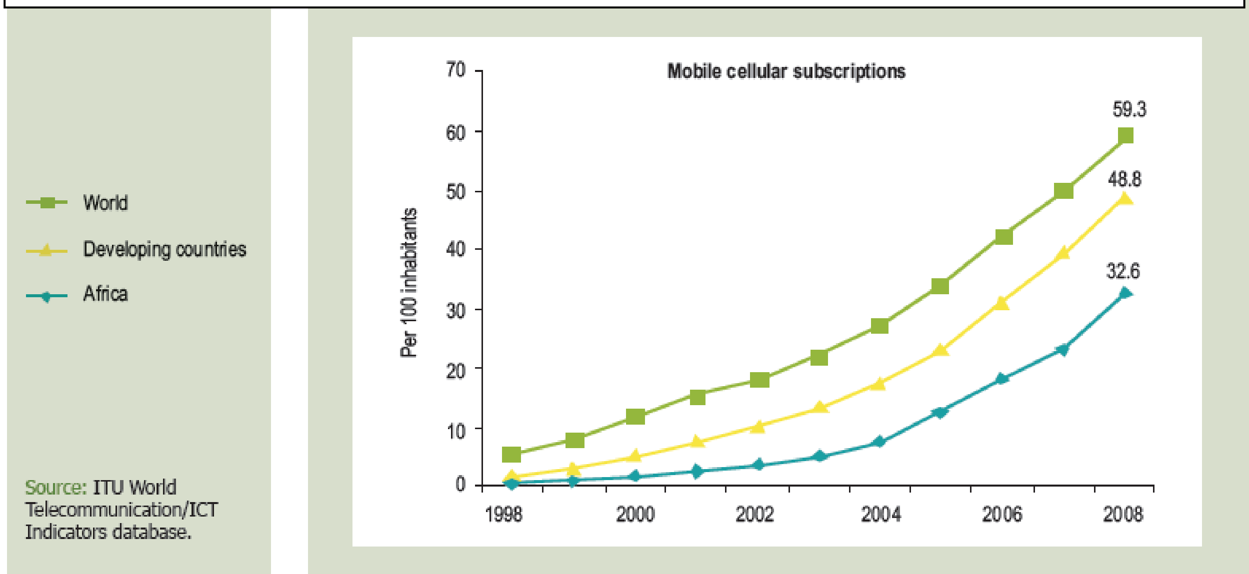
28. The World Bank is developing a new breed of operations-- "the Growth Poles Projects"-- to help African countries deploy a critical mass of reforms, infrastructure investments and skill-building on the industries and locations of highest potential. Such projects are being implemented or prepared in Madagascar, Cameroon, Mozambique, Democratic Republic of Congo and The Gambia. A subset is focused on the key agribusiness industry through a new tripartite partnership between the agriculture and private sector teams of the Africa Region of the World Bank and IFC's Africa Agribusiness team. The initiative was launched in October 2010 with four pilot projects in Senegal, Burkina Faso, Ghana and Malawi.

29. The "Growth Poles" approach will also be used to support urban development in Africa. The continent's management of urbanization over the next decade could end up determining whether it lives up to its long-term economic potential. This approach is complemented by an effort to support Special Enterprise Zones in Africa, drawing on lessons from successes in China and elsewhere. At 4.5 percent a year, Sub-Saharan Africa has the highest urbanization growth rate in the world. As the 2009 World Development Report shows, no developed country has reached its current per capita income without the advantages of urbanization and vibrant cities. Urbanization therefore is not just inevitable; it is also a key

12 Lin and Monga [2010].

factor in economic growth. Density and urbanization are essential to achieving agglomeration economies. The productivity advantage of cities stems from the co-location of many firms and many workers in close proximity, while the spatial distribution across primary cities and smaller cities and towns benefit other sectors such as agriculture through market demand and service provision. Urban development is a space for development that goes beyond individual sectors, providing services and simultaneously creating an environment for innovation, production, trade and investments, and also offering a venue for private sector development. At the same time, poverty is becoming an urban problem in Africa after having been traditionally a rural problem, which requires strong adaptation of our instruments to fight poverty especially with inequality in urban areas growing fast.

Figure 3: Mobile cellular penetration in the world, developing countries and Africa



30. While such strategically targeted interventions could be effective in promoting economic development, they should be complemented by deeper and broader interventions targeted at each of the three main investment climate constraints (infrastructure, business environment and skills). We discuss each of them in turn below.

31. Redressing Africa's $93 billion infrastructure deficit, of which countries are already spending $45 billion - will take concerted efforts on two fronts. The first is to take policy measures to address numerous inefficiencies that together hemorrhage some US$17 billion of infrastructure resources annually. This will require careful attention to policy and institutional reforms including improved utility management, better asset maintenance, greater cost recovery, and enhanced investment selection, budget allocation and execution arrangements. The example of Zambia (see table 3) illustrates how existing resources can be boosted by almost 50 percent if efficiency gains can be captured. Even if the efficiency gap could be eliminated overnight, a funding gap of US$31 billion a year would nonetheless remain continent-wide; the larger part of it relating to power infrastructure. The very policy measures that help to reduce inefficiency should also help to create a more favorable investment climate for infrastructure, improving prospects for private investment and successful public-private partnerships. Recent Bank Group initiatives are supporting innovative PPPs in sectors previously wholly in the public domain, such as shared fiber optic cable systems/backbones, bulk water supply and toll roads. To expand the potential for private investment and PPPs, the Bank and IFC are further integrating support for private infrastructure in an initiative which will focus those resources on a few PPPs with high leveragability potentials.. Nevertheless a substantial share of investment needs remain in sectors (power transmission, rural roads) or countries (fragile states) that are less likely to be strong candidates for private finance. So greater domestic and external public resources will also be needed. Monitoring and evaluation of infrastructure programs can build public support for reforms as well as check on value-for-money and other indicators. In addition to its role as a direct investor, the World Bank will work to address the policy and institutional issues that waste resources and deter investment. Greater emphasis will be placed on improving the overall public finance framework, including infrastructure planning, project screening and project execution (see the section on governance and public sector capacity below).

Figure 4: Maize prices in selected Eastern African markets

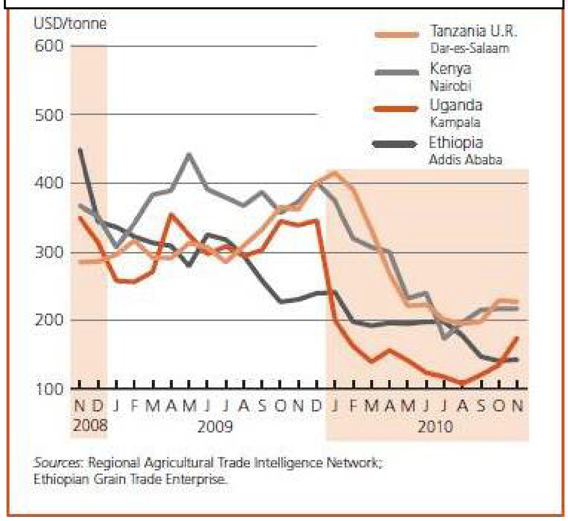
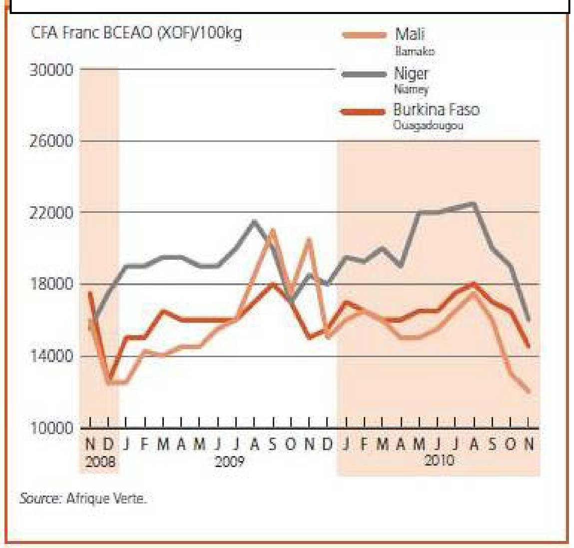


Figure 5: Millet prices in selected Western African markets



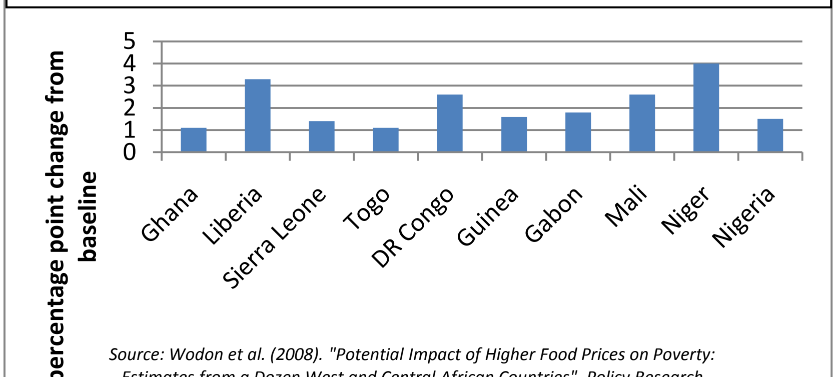
32. Inasmuch as infrastructure investments can have deleterious environmental effects—both globally and locally—the Bank's program in Africa will emphasize sustainable infrastructure. The approach goes beyond simply complying with environmental safeguards. It seeks to help countries develop clean energy strategies that choose the appropriate product mix, technologies and location to promote both infrastructure and the environment.

33. Given the large number of small countries, many infrastructure programs should be regional, to benefit from scale economies. This adds an additional layer of complexity in harmonizing policies

across countries. Nevertheless, the benefits are so huge – some US$2 billion annually for the power sector alone – that it is being, and should be, pursued. African government should go beyond political protocols to execution. In the water basins such as the Niger and Senegal Rivers, regional infrastructure projects are helping with conflict resolution. The World Bank is increasingly focusing on regional infrastructure projects including transport corridors, larger power generation projects, cross-border transmission lines, fiber optic backbone; as well as aviation and maritime transportation[13]. There is growing emphasis on blending investments with institutional, regulatory and administrative reforms that will not only improve infrastructure service delivery but also yield scale economies and increased specialization that can boost productivity. For example, one-stop border posts can substantially reduce transit delays, while trucking deregulation has the potential to halve the costs of surface freight transport.

34. Improving the business environment (policies and institutions that protect property rights while promoting fair competition) is the next priority after improving infrastructure. The potential is enormous because, as one of the participants at a consultation said, "You don't have to pay me to go after a profit opportunity." The regulation of labor (in South Africa, for instance) and land (everywhere) often constrains businesses. Access to finance has been identified as one of the major constraints, especially for small and medium enterprises. Africa still lacks long-term financing instruments. Small and Medium Enterprises (SMEs) are frequently left out of the capital markets. The Bank and IFC are working together to improve this situation. The Bank has focused on policy and institutional development, while IFC has helped ensure banks have sufficient capital, access to long term resources, and risk management to expand their market base, particularly in lending to SMEs, or in innovation through new products.

Figure 6: Poverty increase from baseline due to a 25% increase in food prices (in percentages)



Source: Wodon et al. (2008). "Potential Impact of Higher Food Prices on Poverty: Estimates from a Dozen West and Central African Countries", Policy Research Working Paper 4745.

35. Microfinance, while growing, has huge, untapped potential in Africa. But it is not all about credit: households have a large demand for low-cost payment services (Mpesa in Kenya), savings accounts (Mzansi in South Africa) and insurance (weather insurance in Kenya). In collaboration with the IFC/MIGA and other partners, the Bank will work to improve the present situation by replicating successful models targeted to the poor as part of an overall financial inclusion and innovative financing agenda. On the demand side, financial (and overall business) literacy has come into focus as a key constraint. Since most enterprises are informal (often due to burdensome business registration and operation procedures, high indirect costs, especially energy, and restrictive labor regulations), policies aimed at the informal sector could reap high returns. The reform of the business environment should

[13] The Regional IDA commitments (including matching national IDA contributions) increased from $0.4 billion (IDA 13) to $1.6 billon (IDA 14). IDA 15 commitments are estimated to reach $2.3 billion.

ensure that the playing field is level between foreign and domestic investors, ensuring in the process that indigenous business and investors are not marginalized. These reforms should also highlight the need to strengthen the capacity of the public sector to negotiate PPPs. This is critical to not only sustaining political support for reform, but also mitigating the possible risk that foreign investment will remain isolated with limited domestic spillovers and backward and forward linkages.

36. Reforming labor and land regulations, and relaxing other constraints to business, can be deeply political and may require relying on "second-best" solutions such as reforms limited to certain type of companies (e.g. exporters) or industries and locations (e.g. growth poles). The Bank Group is also deploying new approaches to systematically improve the business environment – these include the regulatory "guillotine" which, combined with regulatory impact assessment, is a way to reduce and improve the stock and flow of the hundreds of business regulations. This approach is halving the 1,365 business licenses in Kenya, where IFC advisory services provided technical support for the effort, while the Bank reinforced the broader reform agenda through an IDA credit. Another important example is the joint Bank-IFC OHADA regional project, where an important milestone was reached in December, 2010 with the passage of reforms to the common legislation governing a range of business regulations and implementing common e-government systems in 17 African countries in one go.

37. In addition to infrastructure and an improved business environment, Africa's competitiveness and employment depends on its having a healthy and skilled workforce. Building on the success with primary education access, countries need to concentrate on improving education quality overall, while increasing access to secondary and tertiary education, and better skills training. This shift involves changing the focus to the quality of education and learning outcomes. It also requires that the skills be oriented towards the knowledge economy, especially science, technology and research. Higher education institutions and centers of excellence need to be supported to fulfill this mandate.

38. Traditional, public-sector-driven vocational training programs often fail in this domain; they need to be replaced by programs actively supported and driven by the private sector. Primary education access should target hard-to-reach populations (such as girls in remote rural areas) to expand the labor pool. Closing the gender gap in girls' education especially at secondary and tertiary levels would contribute to women economic empowerment through increased participation in the labor market and improved reproductive and child health.

39. Two other neglected areas, early childhood development and nutrition (Table 4), could, if scaled up, contribute to better prepared students who are more able to learn and finish school. Adult health challenges (notably HIV/AIDS) also lead to absenteeism and lower productivity in the workplace. In some countries, such as South Africa (where the unemployment rate is 25 percent), more flexibility in the labor market will increase employment. Youth-oriented programs have huge potential, but have yet to realize it. Second-chance programs, especially in post-conflict countries, could reap large benefits; the recent experience in these areas should be carefully studied to learn lessons for future implementation. Programs run by sub-national governments or agencies have a better chance of succeeding. The African Diaspora could play a role in stimulating productive employment by providing their own skills, helping to build the skills of the local population, and also supporting SMEs in agriculture, manufacturing and services. There are initiatives in place to have more industry-relevant technical and vocational training systems. These include public and private partnerships in reforming the TVET system (e.g. in the Nigerian construction sector). There are also initiatives to help develop entrepreneurial skills for both formal and informal micro and small entrepreneurs through a combination of: (1) training, (2) mentoring, (3) matching grants for Business Development Services and, (4) the deployment throughout the region of IFC's SME Management Solutions products.

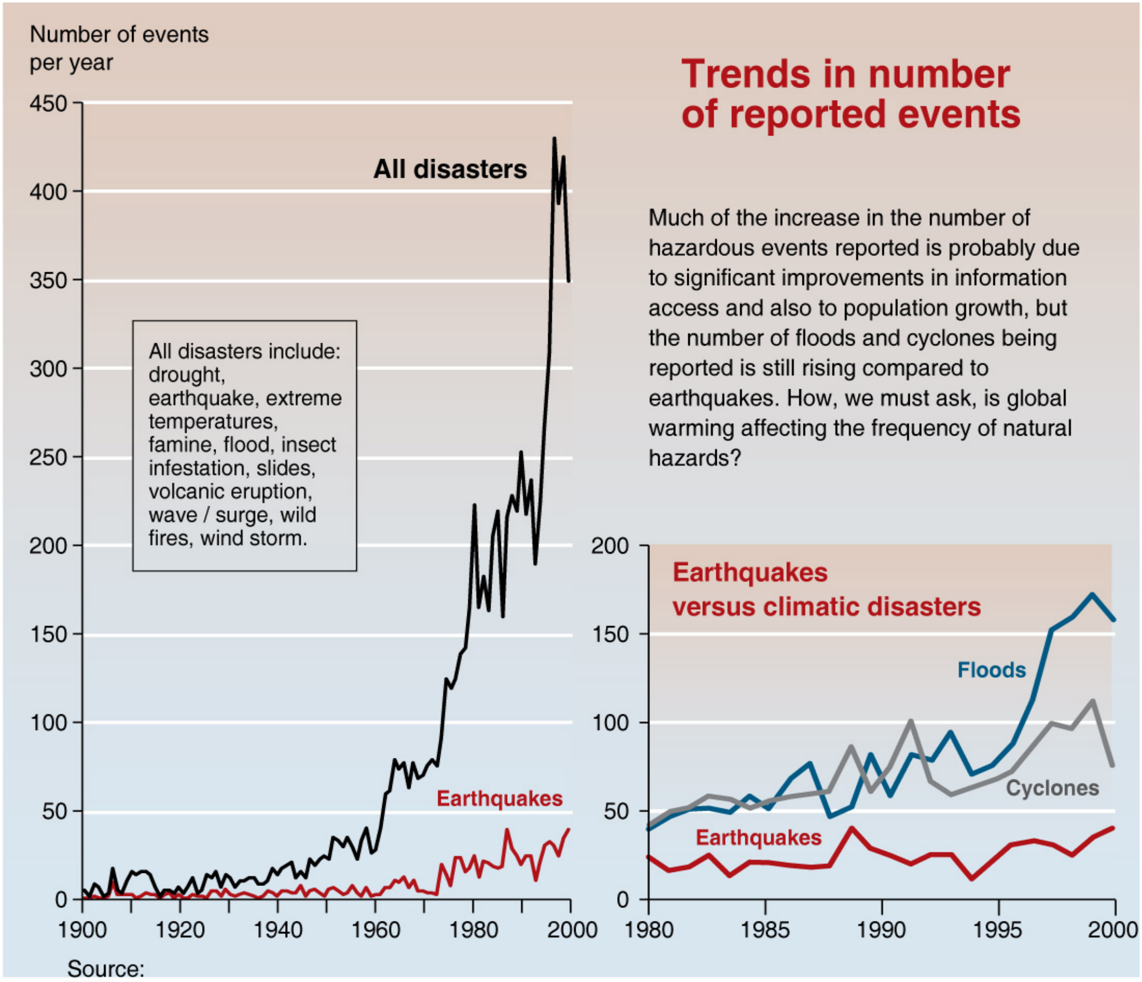
40. Several countries, including some fragile states, have improved their business climate. Rwanda was the world's top reformer in Doing Business 2010, and Cape Verde, Rwanda and Zambia were in the top ten in Doing Business 2011. Mining and tourism have improved their competitiveness. Tourism in particular could have spillover effects in job creation, agriculture, infrastructure services, and possibly regional integration. In some countries, commercial agriculture has been profitable and will become increasingly so in the future. Lessons of success stories, such as Mali's mangoes or Lesotho's textiles, show that it is possible to scale up.

41. Africa's economic development can also benefit from addressing the continent's rapid population growth to create the possibility of a demographic dividend, with the dependency ratio falling. Africa's young population may be able to capitalize on the IT revolution and other employment options. The success of ICT, especially mobile phone technology, could improve access to finance (through mobile banking), good governance and agricultural productivity (through price discovery), and health care (through compliance monitoring). These innovations – successes in their right, can be replicated continent-wide and also serve as Africa's contribution to knowledge exchange. Already, the lessons of the M-PESA mobile banking have been spread in Indonesia; and Ushahidi's crowd-sourced disaster monitoring in Haiti.

42. More generally, mobile phones are becoming the most valuable asset of the poor. The widespread adoption of this technology – largely due to the sound regulatory environment and entrepreneurship – opens the possibility that it could serve as a vehicle for transforming the lives of the poor.

43. The empowerment of women to accelerate economic development—critical because, as one participant at a consultation put it, "the future of Africa is in the hands of African women"— involves many cross-cutting challenges, from poor access to potable water to disadvantaged health and nutrition status. Women in Africa spend a considerable portion of their day fetching water and fuel wood, which leaves little time for family care, education and production. Identification and prioritization of such issues will help women better integrate and contribute to their economies. Education of women will be especially important in expanding the continent's skilled labor base and securing a better education for its youth. Empowerment entails making regulations and other business conditions more conducive to women entrepreneurs. Women farmers in particular would benefit from support and training in marketing products that women produce. Property rights and other protection of women can also yield high benefits.

Figure 7: Trends in natural disasters



Source: Centre for Research on the Epidemiology of Disasters (CRED), http://maps.grida.no/go/graphic/trends-in-natural-disasters

44. e of perceptions, which often lag behind developments on the ground. This is a problem that business climate reforms and infrastructure investment cannot resolve. Given its legacy of poverty, slow growth, conflict and disease, not everybody sees Africa as the emerging frontier. If the mindset can be shifted closer to the current reality, it can create a virtuous cycle of investment and growth. The Bank Group can play a role not just in providing the evidence of the changes on the continent and sharing knowledge with the rest of the world, but also in supporting those, such as the media, who interpret this evidence to the public and thereby shorten the lag between perceptions and reality.

Pillar two: Vulnerability and resilience

45. While Africa faces unprecedented opportunities for transformation and growth, countries in the region and their people are subject to a large number of shocks, such as droughts and floods, food shortages, macroeconomic crises, HIV/AIDS, malaria and other diseases, conflict and climate change. These shocks by themselves have an immediate effect of lowering living standards. Worse, because there are few possibilities to insure against these shocks, poor Africans adopt risk-averse behaviors, such as accumulating livestock even if the returns are low or taking their children out of school in the face of financial shocks, which keep them in poverty now and for future generations. Reducing vulnerability and building resilience to these shocks is therefore the second pillar of our strategy.

46. The important shocks experienced in Africa fall under five categories:

47. Macroeconomic shocks, such as those to terms of trade or financial markets, the impact of which is exacerbated by inappropriate domestic policies[14]. The food, fuel and financial crises of 2008-09 demonstrated that these shocks can have huge impacts on the real economy and on welfare, particularly of the poorest (Figure 6). Analysis from the recent crisis suggests that poverty rates rose on average by 4.2% in Africa, although the impact in rural areas may have been even higher.[15]

48. Idiosyncratic shocks, such as those to individuals' health (AIDS, malaria, maternal mortality, road accidents). The economic impact of malaria, for example, has been estimated to cost Africa $12 billion every year. This includes the costs of health care, working days lost due to sickness, days lost in education, decreased productivity due to brain damage from cerebral malaria, and loss of investment and tourism.

49. Natural disasters, such as droughts in Niger, cyclones in Madagascar and floods in Mozambique, are examples of disasters experienced across the continent and which are part of an increasing global trend (Figure 7). These types of extreme weather events are predicted to increase in the future as the effects of climate change begin to be felt. Climate change is likely to lead not only to increases in variability in weather, but also to slow-onset changes such as warmer temperatures, rising sea levels and desertification, all of which are likely to lead to increased chronic poverty and vulnerability. In particular, since agriculture, the mainstay of most rural livelihoods, is weather-dependent, improving resilience to the negative effects of climate change is both imperative and challenging.

50. Conflict and political violence have a myriad of effects at the national and household levels. According to a 2007 report,[16] between 1990 and 2005 the cost of conflict in Africa was equivalent to the funds granted to the continent in international aid over the same period – both the cost of conflicts and aid from 1990-2005 amounted to $284 billion. Conflicts in Burundi and Rwanda have cost their governments an annual economic loss of 37 and 32 percent of GDP respectively. It has been estimated that a conflict turns the development clock back by 10-15 years. As economic activity falters or grinds to a halt, the country suffers from inflation, debt, and reduced investment, while its people suffer from unemployment, lack of public services, and trauma.

51. The strategy for preventing or mitigating the effects of shocks—for building resilience in other words—has to be tailored to the nature of the shock. For macroeconomic and some of the idiosyncratic shocks, social safety nets can be a powerful remedy. They can both strengthen resiliency (by helping households build assets and undertake higher return, but higher risk activities) as well as smooth consumption once shocks do occur, enabling poor and vulnerable households to both preserve and build the human and physical capital necessary for productively participating in and contributing to growth.. Africa has a host of such programs, including public works programs (Ethiopia [see Box 4] and Liberia, for example), conditional and unconditional cash transfers (Nigeria, Kenya, Tanzania and Malawi), near-cash instruments (food vouchers in Burkina Faso), and food distribution schemes (Niger). In addition, some governments have used generalized price subsidies, but they have a poor track record because they are expensive and not successfully targeted at the poor.

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14 The 13 African countries in the CFA zone that have a fixed exchange rate with the Euro face a distinct challenge insofar as they are subject to terms of trade shocks that are different from those of the Euro-zone countries.

15 Between August and November 2010, world food prices rose by 17%. Adverse weather conditions in major cereal producing countries have contributed to price rises for wheat, maize and rice. While the impact on domestic prices in Africa is generally muted so far, this is an area of concern going forward.

16 Twenty-three African countries were involved in one form of conflict or another during this period. See: Oxfam International, the International Action Network on Small Arms and Saferworld. *Africa's Missing Billions*. October 2007.

52. The choice of safety net program depends on the prevailing political environment. Rwanda's social protection program covers 90 percent of the population because there is strong political backing.

Box 4: Ethiopia: Leveraging safety nets for effective crisis response

In 2008, Ethiopia faced a crisis that was broader, deeper and more complex than the food crisis in almost any other country. Despite a long-spell of strong economic growth, the long-standing problem of pervasive food insecurity and severe vulnerability to shocks had not been overcome. In 2008 the country, under threat from high inflation and a widening trade deficit, suffered failed small season rains. The resulting drought and local food shortages in several parts of the country affected some 12 million people, and exacerbated the rise in food prices already under way due to global, regional and domestic factors. Food price inflation peaked at 91.7 percent for the 12 months ending July 2008, giving Ethiopia one of the highest food price inflation rates in the world.

Given the scale of the shock, the government needed to launch a traditional humanitarian appeal to raise resources to protect the poorest. However the scale of the emergency appeal was much smaller than what was traditionally the case. The Government was able to leverage its existing safety net program, the Productive Safety Nets Program (PSNP), to provide additional resources to the program's existing 7.5 million beneficiaries to protect them until the next harvest. It then expanded the program to an additional 947,000 people. The Government adjusted the program wage rate from 6 to 8 birr and then again to 10 birr in early 2009 to ensure that inflation did not erode the purchasing power of the transfer. It also shifted increasingly to food as the medium of transfer for part of the year to help mitigate the impact of seasonal food prices.

Most of the additional resources required for these responses were already held in the program in the form of contingency budgets and contingent resources from donors, particularly IDA, which could be drawn on at short notice. This meant that the program was able to respond quickly. In sum, the PSNP was seen as indispensible part of Ethiopia's efforts to mitigate the shocks' impact on the rural poor.

53. Decentralization can help in the delivery of these programs. In addition to protecting the poor and their assets from adverse shocks, social transfers may be necessary for the chronic poor—those who would otherwise be left behind by growth. Safety nets and transfers can have important multiplier effects on local economies through the steady injection of cash from poor families receiving transfers, the use of part of the transfers to buy productive assets, and other links to productive activities. In sum, building permanent safety net systems that support the chronic poor but can also be scaled up quickly and effectively in response to shocks is important for building resiliency.

54. Health shocks require a combination of interventions. Public health interventions such as immunizations and better water and sanitation help to prevent these shocks. Insurance, or insurance-like mechanisms, help mitigate the health and financial effects of a shock once it has occurred. Ghana, Nigeria and Rwanda have introduced insurance for large swaths of the population. These programs have enabled the private sector to play a more active role in the provision of health services: through the Health in Africa program IFC is working with several other countries – as is the case with Lesotho's Likotsi Primary Care Clinic - to introduce insurance systems, and to support the emergence of private health care service providers needed to boost delivery capacity and efficiency[17]. In the absence of insurance mechanisms, Africa's health services suffer from many problems, including high out-of-pocket costs, poor delivery and distorted incentives—highlighting the need to focus on improving health care delivery systems encompassing better incentives and accountability for individual providers, upgraded management and more effective delivery mechanisms. Even with insurance, and especially

without, certain vulnerable groups such as disabled or people living with HIV/AIDS suffer doubly—both from the ailment and from stigmatization.

55. An important case is female reproductive health. Maternal mortality is the "neglected MDG", with Africa accounting for 47 percent of global incidence. Having access to skilled health professionals and affordable health service certainly helps. But in the case of complications, it is equally important to have access to high quality and affordable emergency obstetric care. Good infrastructure including communication technology and a transport system by which mothers with complications can be quickly transferred to a hospital is needed. This is an insurance-like mechanism (high cost, low probability event). We should not forget, though, that cultural, social and political factors intervene. There is evidence that in some countries husbands do not let their wives seek high-end care[18].

56. Responses to the adverse impact of future climate change are diverse, and start with enhancing the ability of African countries to cope with current variability. This includes better hydro-meteorological services, establishment of early warning systems, adoption of preparedness and emergency response plans, upgrading and enforcing building codes (as is being done in Madagascar to enhance resilience to cyclones), testing or scaling up risk-sharing or risk-pooling mechanisms (including insurance, contingent financing, catastrophe-related bonds), and ensuring that safety nets are tied into early warning systems and can scale up when needed in a timely manner. Five of the most cost-effective and important measures for climate change adaptation do not involve the construction of new assets, but the sustainable management of existing ones such as fresh water, forests and wetlands, grazing lands, fisheries and biodiversity.

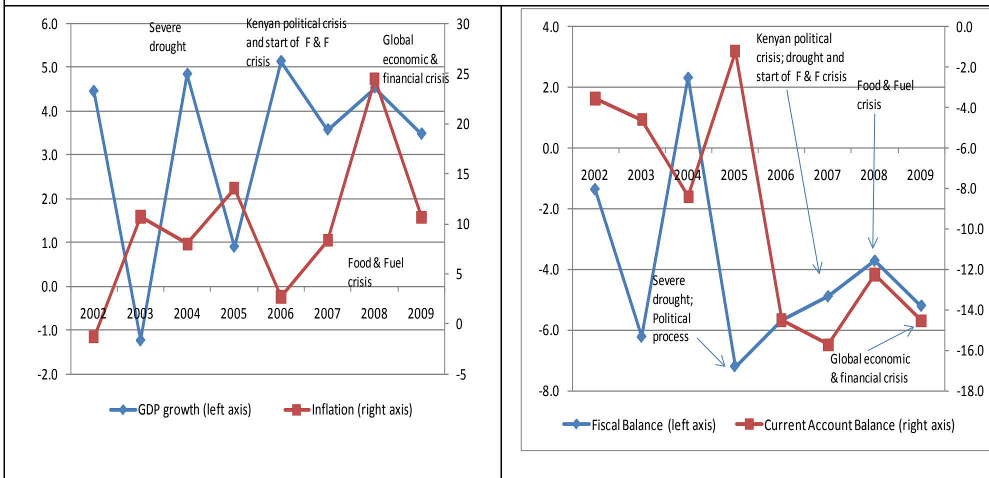
57. In the longer term, more pronounced shifts of climatic patterns might have implications for example for infrastructure expansion and for diversification of development across space and sectors. Infrastructure might need to be built to withstand the 1 in 100 years' flood rather than the 1 in 50 years' event; economic development might need to be reoriented and diversified away from the most vulnerable coastal areas or the least resilient sectors such as rain-fed agriculture.

58. Wide margins of uncertainty still constrain the ability of climate models to determine the likelihood of a drier or a wetter future, and therefore the ability to deliver firm policy recommendations. But "no regret" options are beginning to emerge that can be pursued to enhance Africa's climate resilience. Recent research in Ethiopia suggests that more stringent norms for road building might be adopted relatively cheaply, while avoiding the larger cost of repair, and more importantly, the heavily damaging disruption in supply chains and access to health and education services that more frequent floods of the future will bring about.

[18] Taiwo O Lawoyin, Olusheyi O C Lawoyin and David A Adewole, "Men's Perceptions of Maternal Mortality in Nigeria," *Journal of Public Health Policy* (2007) **28,** 299–318.

Box 5: Burundi's vulnerability and resilience to external shocks

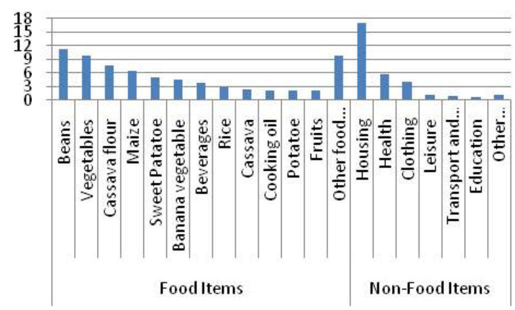
Macroeconomic vulnerability – selected macroeconomic indicators



Source: IMF

Burundi's economic structure and geographic location make the country vulnerable to various economic, political and climatic shocks. First, economic growth depends mainly on the performance of the agricultural sector, which is very sensitive to weather shocks. Second, since Burundi is a net food importer and heavily dependent on fuel imports, it is very susceptible to shocks in international markets. For instance, between 2007 and 2008, inflation rose by 16 percentage points due to the increase in international food and fuel prices. Third, the recurrent episodes of conflict have been a huge drag on growth in the past decades. Given Burundi's landlocked position, political problems in neighboring countries could also have large negative consequences.

Burundian household expenditures (percent)



Source: Burundi CWIQ Survey (2006)

These shocks, especially when they are cumulative, can have large welfare consequences. For instance, since households spend a large share of their income on food (see Figure 2), an increase in food prices worsens poverty. Internal and external conflicts drive prices even higher or delay the delivery of food and magnify the size of welfare losses. Moreover, lack of adequate safety nets reduces the country's ability to protect its population from these shocks.

Burundi could reduce the impact of future shocks by replicating previously successful policies, such as well-targeted tax exemptions on items mostly consumed by poor households, fertilizers distribution and facilitation, investments in improving food production, and improving the effectiveness of existing safety nets (e.g. School feeding program).

59. But some investment decisions are more sensitive to climate outcomes, and therefore less clear-cut. For example, there might be significant opportunity cost of capital invested in long-lived hydraulic infrastructure in the presence of large enough declines in precipitation patterns. If water becomes scarcer, difficult trade-offs will need to be made among competing uses, such as irrigation and hydropower. In these more challenging situations, new, robust decision-making paradigms will need to be adopted. Some projects might prove to be resilient under a wide range of climate outcomes; for others, scalable and phased approaches should be considered, to integrate new climate information into the decision-making process as it becomes available, thereby avoiding the locking-in of large capital stocks into climate-vulnerable infrastructure.

60. While possibly the biggest threat to Africa because of its potential impact, climate change could also be an opportunity. Adaptation will have to address sustainable water management, including immediate and future needs for storage, while improving irrigation practices as well as developing better seeds. This adaptation response to climate change could spur development-oriented interventions. Furthermore, regional opportunities for collective action on hydropower and integrated water-basin management, hitherto constrained by national concerns, may become much more attractive, generating opportunities for local employment. Climate-triggered collective action could also improve soil and coastal management which, according to one estimate[19], could be worth about $1.47 billion a year. Africa and its institutions fully understand these risks and opportunities. As a Bank, we will work with the continent and other partners to develop risk finance products to these evolving needs. We will also work with the AU, the AfDB and other partners to support the continent to better leverage these opportunities through the COP 17 platform.

61. Africa has a very small carbon footprint (4 percent of global greenhouse gas emissions) and only Africa's large and richer countries, such as South Africa, and countries with large remaining areas of forests and woodland, can meaningfully contribute to mitigating climate change. However, African economic development does not have to follow the same carbon-intensive growth path of the developed world. Africa's solar, wind, water, and geo-thermal resources are so abundant, that it has the potential to not only to leapfrog over a carbon-intensive development path but also seize the opportunity to address energy deficits critical to transformational growth in the region. The Bank's role in creating specially formulated instruments[20] to support this strategy, such as the Low Carbon Development Fund, can be scaled up.

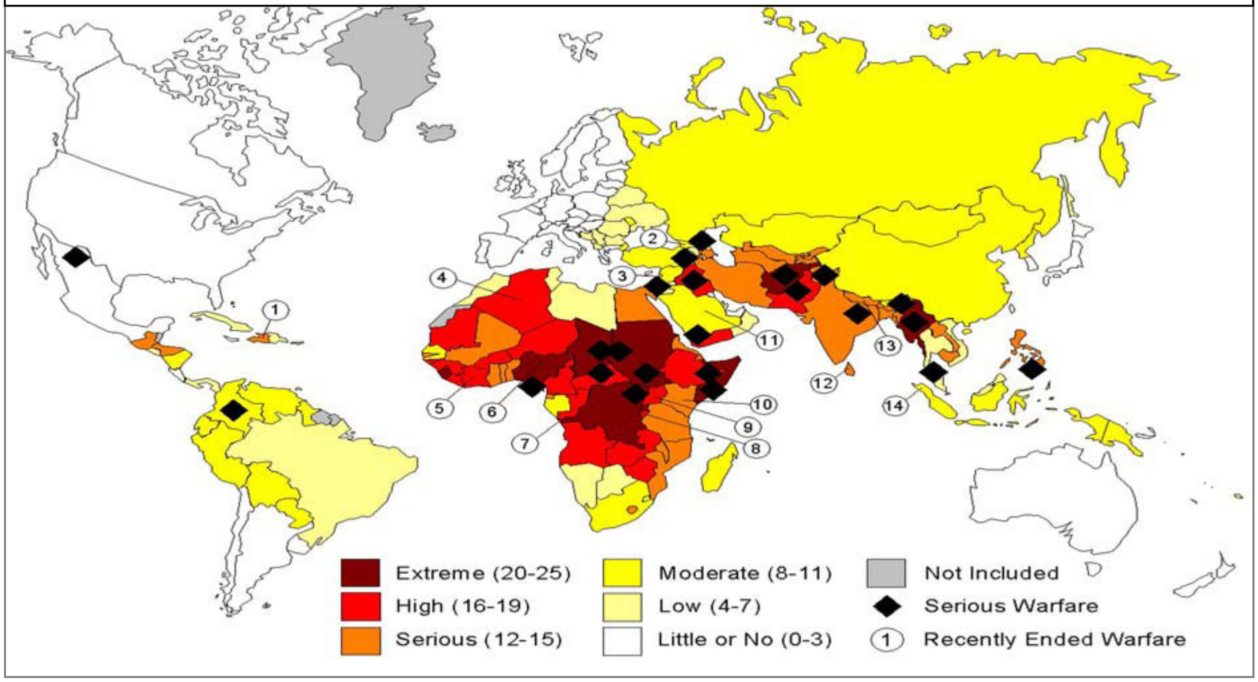
62. Preventing conflict and political violence and building institutions for inclusive growth while mitigating these shocks require peace-building mechanisms. More generally, preventing shocks and being better prepared for them will involve a mix of capacity-strengthening and institution-building. Examples include sound macroeconomic management, regulation of the financial sector, and adaptation to climate change.

63. The World Bank's comparative advantage in helping to build resilience lies in three areas: (i) addressing the cumulative effects of these shocks, as in Burundi (see Box 5); (ii) providing finance, knowledge, global experience and technical assistance in designing, monitoring and evaluating safety net reforms, health system strengthening as well as in smoothing the effects of macroeconomic shocks (as in the recent global crisis); and (iii) providing knowledge, finance, advocacy and convening power in helping countries adapt to climate change.

[19] Aziz Bouzaher, Shantayanan Devarajan and Brian T. Ngo (2008), "Is Climate Change a Threat or an Opportunity for Africa?"

[20] These include such specialized funds as the Global Environment Fund, Clean Technology Fund – aimed at demonstrating transformation at scale in MICs – as well as the Renewable Energy Program of which 3 of the 6 pilot countries are in Africa (Ethiopia, Kenya and Mali).

Figure 8: State fragility and warfare in the global system, 2009

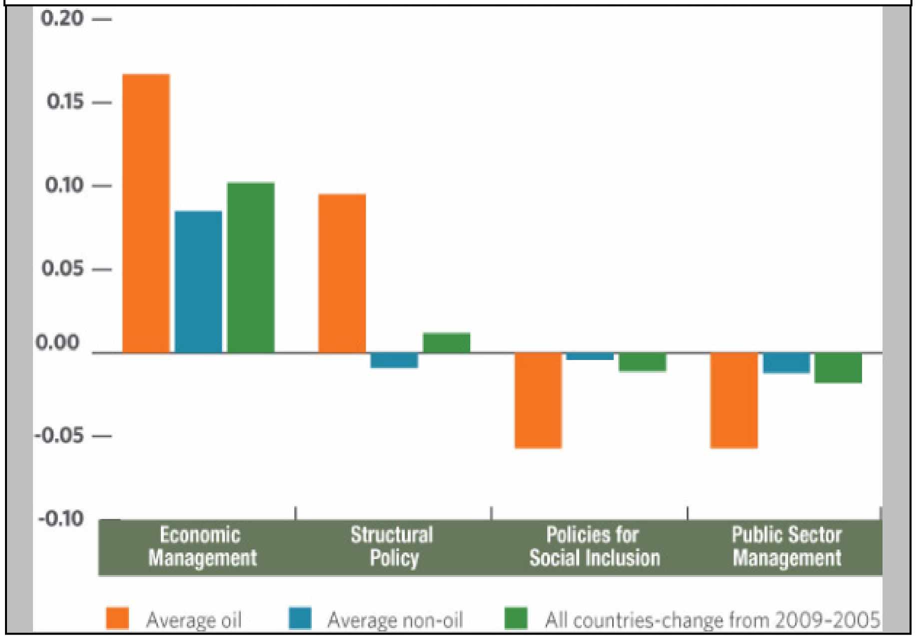


64. The Bank's role goes beyond assisting when shocks have happened to supporting policies and capacity development for shock prevention and crisis preparedness. Macro-economic management capacity, strengthening regulatory capacity to enhance financial stability, and climate change adaption are important examples. So are insurance mechanisms and safety net programs that can immediately scale up when crises hit. While crises cannot be prevented, reducing their frequency and improving response management will help reduce their costs.

Foundation: Governance and public sector capacity

65. As the preceding discussion and feedback from our consultation show, underlying Africa's many development problems is the challenge of governance and political leadership. Competitiveness is constrained by restrictive business regulations that are difficult to remove because of vested interests. Infrastructure - often considered another binding constraint - is itself impeded by poor public investment choices, weak budget management, and corrupt or lethargic procurement practices, inefficient public utilities, as well as regulations that prohibit entry into the trucking industry or keep electricity tariffs below sustainable levels. The poor quality of public services - reflected in absent doctors and teachers, leakage of public funds - is the result of failures in accountability of civil servants and politicians to the public.

Figure 9: Change of CPIA scores (2005-2009) within clusters for oil and non oil countries



66. But these problems are found in other developing regions too[21]. The governance challenge in Africa is particularly acute for three reasons. The first is the large number of fragile states—20 of the world's 33 using the World Bank's definition of fragile and conflict affected states (FCS). The Center for Systemic Peace classifies 23 African countries as "extreme" or "high" in terms of state fragility, with another 13 in the "serious" classification (Figure 8).[22] The problem of fragility is exacerbated by the fact that the capacity of the public sector in these countries is exceptionally weak.

67. Secondly, political instability continues to bedevil many countries. Contested elections are followed by post-electoral crises and ethnic/political conflict, as in Zimbabwe, Kenya and, most recently, Côte d'Ivoire. Coups d'état and non-democratic transfers of power occur with disturbing frequency, as in Mauritania, Guinea, Niger, and Madagascar in 2008-9. Third, Africa's resource-rich countries have experienced especially severe governance problems, including widespread corruption and civil conflict, giving rise to the term "resource curse." The trend in governance indicators in oil exporters, as measured by the World Bank's CPIA, is not encouraging (Figure 9).

68. To be sure, the World Bank has been addressing Africa's governance problems for some time, with the pace accelerating over the past three years as part of the Bank-wide Governance and Anti-Corruption (GAC) Strategy. The GAC strategy has delivered some important gains and encouraged Bank country teams to invest in more knowledge about the underlying political economy of poor governance and corruption and to promote approaches that enhance transparency and build coalitions for positive change. Bank teams are engaged in supporting high level dialogue on governance and accountability in the DRC, catalytic reforms in Cameroon's customs directorate, advising on transparent oil and gas revenue legislation in Ghana, promoting Freedom of Information legislation in Zambia, and an annual report on supporting diagnostic analysis of corruption in Uganda, with the Inspector-General. Natural resource management issues are now a key focus of attention. Analytical and advisory work on

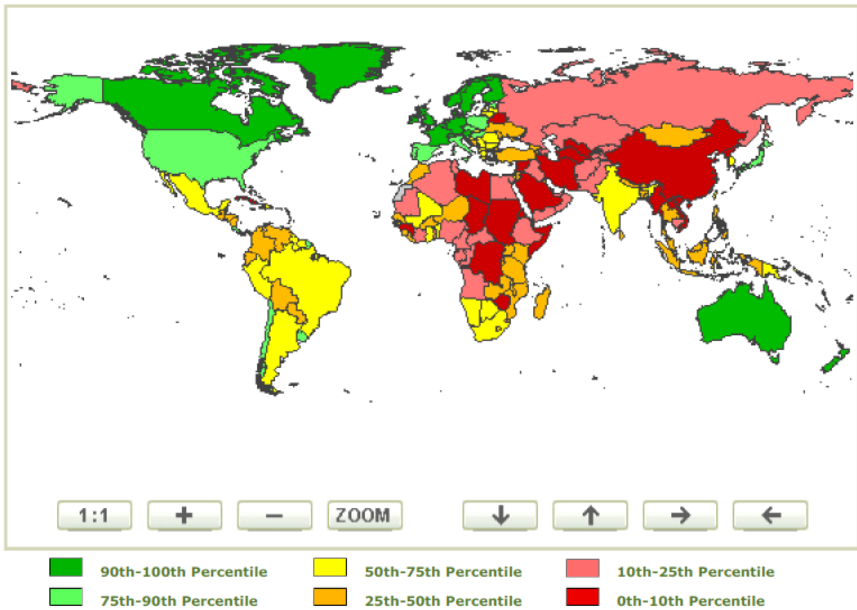
[21] The teacher absence rate in public primary schools in India is 25 percent; no city in South Asia has 24x7 water.

[22] The measure assesses a country's effectiveness and legitimacy along four dimensions – security, political, economic , and social performance. See www.systemicpeace.org.

the value chain of extractive industries has been expanded and is now influencing our policy dialogue with resource rich governments in Angola, DRC, Ghana, Niger and Nigeria. Nevertheless, the overall state of governance in Africa remains weak. The Mo Ibrahim index of governance quality gives the continent an average of 49 on a scale of 100, with 8 for Somalia, 83 for Mauritius; as a sub-region, Central Africa scores lowest with 38. Africa also does poorly on the World Governance Indicators' Voice and Accountability measures (Figure 10).

69. The experience with implementing the GAC strategy has taught us several lessons, the three most important being: (i) governance reforms are deeply political; attempts to treat them as technical solutions are bound to fail; (ii) there is an intimate relationship between weak governance and low public sector capacity in Africa, with many countries (especially fragile states) caught in a low-level equilibrium trap of both; and (iii) the Bank's traditional instruments of finance and knowledge assistance, usually delivered through individual sectors, may not be conducive to fostering change in such politically-charged issues as governance.

Figure 10: Voice and accountability (2009)



Source: Kaufmann D., A. Kraay, and M. Mastruzzi (2010), The Worldwide Governance Indicators: Methodology and Analytical Issues

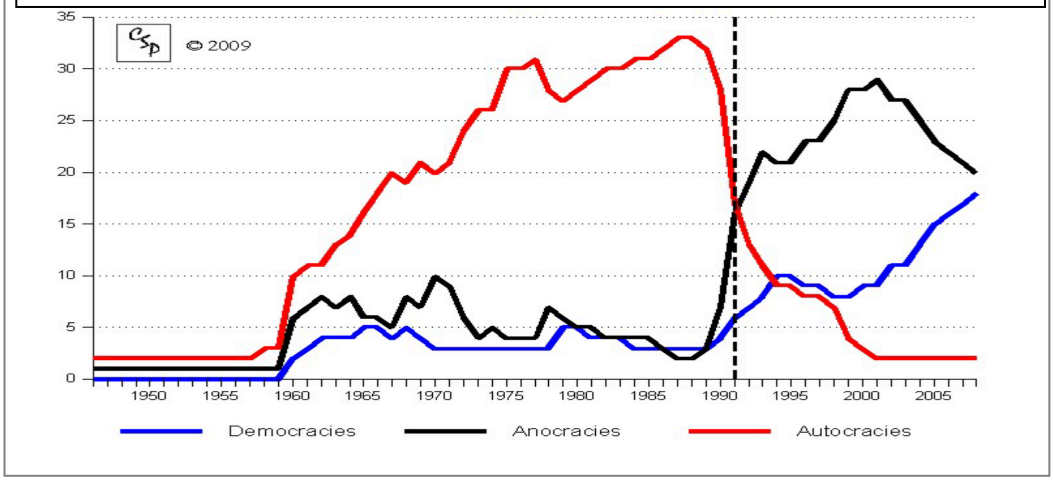
70. Moreover, a clear message from our consultations for this strategy—from African civil society, private sector and government officials alike—was that governance and leadership were the most important factors driving Africa's future development. Several participants argued that accountability—defined by one as "ensuring that politicians and civil servants do what they say they will do"—is the central governance challenge. There is also greater openness in Africa today, not just through elections, but also through the growing voice of civil society, the African Peer Review Mechanism, and the number of countries' passing Freedom of Information Acts.

71. Putting these factors together, we conclude that governance and public sector capacity, instead of being another pillar, should be the foundation of our strategy for Africa.

72. In broad terms, and building on the lessons learned, we will approach governance and public sector capacity from both the demand and supply sides. A reasonable question to ask is why, when so many African countries are electoral democracies, is it necessary to work on the demand for good governance. Why isn't accountability of politicians to citizens addressed at the ballot box? The answer is that most African countries are making an uneven political and institutional transition towards more open democratic political systems. In 1988, sub-Saharan Africa had more than 30 dictatorships; these have declined sharply since 1989 to less than a handful. However, because democracies require a complex set of institutions to develop and be functional, the decline of dictatorships has not seen a

commensurate increase in the number of democracies but a growth in intermediate systems, termed "anocracies" which have some features of democratic systems and others reminiscent of dictatorships (Figure 11). Anocracies lack some of the institutional capabilities to manage conflict. They are typically more vulnerable to mis-governance, armed societal conflict and political instability. The relatively large number of anocracies in sub-Saharan Africa is thus a relevant factor in understanding the governance challenge posed by political instability.

Figure 11: Sub-Saharan Africa: Regimes by type, 1946-2008



Source: Monty G. Marshall, Benjamin R. Cole. 2009. "Global Report 2009, Conflict, Governance, and State Fragility." Center for Systemic Peace, Severn, Maryland.

73. Furthermore, electoral competition has often intensified "political market failures" as those in power seek to retain their hold on power by dispensing money and access to resources rather than delivering public goods and services. Parliaments and court systems have often not been able to provide the checks and balances that are necessary to restrain such mis-governance.

Box 6: Service delivery indicators in Africa

The African Economic Research Consortium, in collaboration with the World Bank and Hewlett Foundation, has piloted a survey based measurement of key service delivery indicators in the health and education sectors in Senegal (see table below with selected data). When expanded across all 47 countries in sub-Saharan Africa, this information will provide a major instrument for governments to monitor their performance and to identify the constraints to improvement. At the same time, it will enable citizen watchdog groups and members of parliament to challenge poor governance in these sectors. As such it will provide a strong basis for evidence-based dialogue between the government and its citizens.

SENEGAL SERVICE DELIVERY INDICATORS

Education		Health	
At the School		*At the Clinic*	
16%	Schools with electricity, water, and sanitation	***36%***	Clinics with electricity, water, and sanitation
34	Children per classroom		
29:1	Student-teacher ratio		
2.5	Textbooks per student	***53%***	Clinics with basic equipment[1]
Teachers		*Medical Personnel*	
18%	Teachers absent on a given day	***20%***	Medical personnel absent on a given day
3h, 15m	Time children are in school being taught per day	***39m***	Time spent counseling patients per day, per clinician
29%	Teachers with minimum knowledge – language	***34%***	Cases diagnosed accurately by clinicians[2]
75%	Teachers with minimum knowledge - math		
Funding		*Funding*	
$154	Expenditures reaching primary schools per student	***$1.78***	Expenditures reaching primary clinics per capita
0%	Teachers experience a 2-month+ delay in salary	***5%***	Medical personnel experience a 2-month+ delay in salary

74. In this setting, part of the Bank's strategy in the Region is to strengthen citizens' voice using instruments of social accountability. Doing so will involve gaining a better understanding of the social and political forces at play through, for instance, political-economy analysis. A number of specific initiatives are advancing the Region's operational work with non-state actors, including: (i) the External Implementation Status and Results Reports Plus initiative (E-ISR Plus) which has gained ground as a way to systematically engage non-state actors (including civil society organizations, professional associations, and media) and maximize the impact of their feedback on project performance as a way to improve project implementation. This work, which is also linked with the WBI Mapping for Results initiative is being carried out in 40 projects in the Region in FY11; (ii) the Contract Watch is another innovative social accountability initiative currently being taken forward in twelve countries in the region (Liberia, Rwanda, Sierra Leone, Ghana, Malawi, Uganda, Zambia, Kenya, Senegal, Burkina, Mozambique, and Nigeria). Supporting contract monitoring, including in procurement and extractive industries, can serve an effective oversight function in controlling fraud and corruption in public contracting. The Region is deepening this work in the 12 countries by facilitating peer learning and capacity building of multi-stakeholder coalitions engaged in this work.

Box 7: A New Approach to Capacity Development:

The Capacity Development Management Action Plan (CDMAP) under the AAP was essentially a tool to monitor the World Bank's funded programs in Africa targeted towards the development of capacity at the country and regional levels. It set targets for 20 actions and asked sectors to provide feedback on how the Bank was performing on them. Since project and program evaluations (ICRs) already capture this information, the approach was high in transaction costs and low in value-added.

Capacity development, especially public sector capacity development, and governance, is central to the new Africa Strategy and a key ingredient to the attainment of the strategic pillars of competiveness and employment; and vulnerability and resilience. The new approach links capacity development to the growth and poverty reduction agenda, emphasizing solving capacity bottlenecks in value chains and in service delivery chains. It also focuses on the demand-side (through capacity diagnostics; needs assessment) and supply –side aspects (solutions to capacity through strengthening: tertiary institutions, centers of excellence, Diaspora networks, professional networks, local contracting industries, and tackling incentives and capacity retention risks, etc.). Fundamental to the new approach is partnering and leveraging the capabilities of the WBI and the Africa Capacity Building Foundation (ACBF) to move away from retail provision of training courses to wholesaling knowledge and experience by strengthening local or regional centers of excellence.

Under the new Capacity Development approach, the Bank we will mainstream capacity issues in CASs, and monitor progress on the basis of agreed benchmarks. We will work with WBI to link local needs to regional and global solutions. The new approach also adopts a broader focus, to include strengthening institutions of accountability and non-executive branches of government (legislatures/parliaments and judiciary), as well as engagement with non-state actors and the private sector. We will also promote South-South knowledge sharing in this regard, both within and between Africa and other developing countries. Distance learning technologies, such as GDLN, will also be developed and utilized for just-in-time knowledge sharing. The approach goes beyond static monitoring of training activities to live engagement with dynamic African economies, including convening peer learning networks among African leaders.

75. Our work on social accountability will also involve increasing citizens' access to information through the use of citizen report cards, public expenditure tracking surveys and project monitoring by non-State actors. Much of this information uses statistics—making the case for building statistical capacity that much stronger. Impact evaluations and other evidence on performance provide robust results that not only guide policy, but provide information with which citizens can hold governments accountable. The media are important for disseminating this information, so greater engagement with the media during the implementation of the strategy will be equally necessary. Given the sensitive nature of such interventions, we expect to draw significantly from experiences elsewhere, especially through South-South learning which could be extremely powerful. The Region is also leading an effort to establish a Civil Society Fund – with dedicated financial resources to support civil society organizations (CSOs) in designing and implementing activities that enhance government transparency and accountability to citizens. This Fund, among other things, would provide grants to strengthen the capacity of these CSOs.With enhanced mobile penetration, the use of geo-referenced data, such as Ushahidi, amplify social accountability. More generally, there is immense potential to use ICT to enable citizen-centered governance. The new generation of Africans (the "cheetah generation" as described by George Ayittey) has adopted mobile technology rapidly and is therefore well prepared to use this potential to engage on governance and provide feedback to government.

76. Turning to the supply side, foremost is building the capacity of a new generation of African political leaders and reform champions, since they set the tone and provide the climate under which good governance and capacity development are nurtured. The strategy will explore what institutions are conducive to developing good leaders by, for instance, supporting leadership training schools and convening leadership peer learning networks. Presidential advisory panels have had limited success. In

collaboration with the WBI, the Bank will explore pursue bolder measures through special top leadership seminars, and engaging successful leaders such as Brazil's Lula or Singapore's Lee Kwan Yew, in South-South experience sharing and peer learning.

77. With regard to public management reform, one of the critical and often costly lessons that have been learned is that these reforms involve complex institutional change and can only succeed if there is a supportive authorizing or governance environment[23].

78. Many reform programs have not achieved their objectives because it was realized, usually only after many futile years of effort to "push" the reform, that there was no "political will" to implement the reform. This suggests that there was a misreading of the political context and a failure to understand the authorizing environment. Alternatively, it suggests that the reform was not customized to the political constraints, that "off-the-shelf" reforms were attempted that were beyond the technical and political capacity of the country to implement. This prognosis opens up a window of opportunity for better understanding of the political incentives; and advocates for complementary approaches working with demand-side actors such as CSOs, think tanks and others.

79. As one deputy minister of finance commented, "The reforms you want us to do, we cannot implement, while the reforms we could do, you will not finance". That comment underlines the need for more careful and customized design of public management reforms and the need to eschew institutionally demanding best-practice reforms in low-capacity environments. Where the reform space is limited because the political or bureaucratic conditions are not supportive, the Bank will attempt to work with reform champions on small-scale, catalytic reforms designed to change mindsets and enlarge the reform space.

80. An ongoing example in Cameroon provides a striking controlled experiment. A conventionally designed Public Finance Management project is making little progress because of political and bureaucratic resistance. Meanwhile, a much smaller pilot project in the Customs Directorate had had the effect of empowering a reform champion, changing mindsets in the bureaucracy, and offering the chance to enlarge the space for reform.

81. The strategy will continue to build the capacity of different actors in the public sector so that they can be accountable, as well as hold others accountable. Priority areas will continue to be building public expenditure management systems and strengthening incentives within the civil service. The former will emphasize public investment management, an area that has been neglected recently. Yet, this is where the execution deficit—when budgeted resources don't get spent—is largest. As countries, after debt relief, take on non-concessional debt, the need for sound public investment decision-making becomes all the more critical.

82. The quality of public administration and management systems depends ultimately on the skills and motivation of its public servants and the public sector managers. Yet the public service in most countries has declined in its capabilities. Attempts at reforming the civil service have, to put it mildly, yielded mixed results. The challenge is even more difficult in post-conflict countries where the civil service had collapsed and attempts to restore core functions has to contend with very limited skills and capacities.

83. Because this is a critical ingredient for an effective state, the Bank will seek innovative ways of restoring capacity, learning the lessons from past failures. One lesson is to focus first on making

[23] The IEG evaluation of the Africa Action Plan notes that, in countries where there was government ownership of the reform program, the Bank's governance interventions were successful, and conversely, the failures were in those countries where there was no ownership.

effective use of existing capacity and skills. Most governments have capable staff that are misallocated because of political interference. Addressing this distortion will provide a quick boost to capacity and encourage more staff to function effectively. A second lesson is to keep the goals simple and achievable so that civil servants can, with minimal training, achieve the goal and gain confidence to set and achieve higher goals for themselves and develop the institution in ways that can be sustained. Donor efforts that set ambitious best-practice goals (MTEFs, IFMIS, program budgeting etc.) and then seek to achieve them with high-priced, expatriate technical consultants undermine long-term capacity building. The message here is that there are no short cuts to building capacity and strengthening institutions. A corollary message for fragile states should be to undertake heavy investment in basic skills of accounting, budgeting, procurement, and service delivery so that the premium on wages for skills declines and the effects of turnover of staff to donor agencies is minimized.

84. Under the thrust of the Bank's approach to capacity development in Africa and working in partnership with the WBI, AfDB, ACBF, AERC and other agencies, the strategy will also support capacity development of non-executive branches of governments (legislatures or parliaments and the judiciary). Strengthening legislatures and the judiciary can enable them to exercise the requisite oversight on budget priority-setting and execution, and on timely resolution of commercial disputes. It may also support the modernization of antiquated laws on land, labor, and capital that impede the growing commercial dynamism of African economies. We will leverage South-South platforms for experience-sharing and practical knowledge transfer in these areas. We will try to scale up the experience with, for example, results-based financing in Rwanda, output-based assistance in Mauritius, and implementation by non-state actors. The use of CSOs upstream in monitoring government processes will be promoted and evaluated.

85. Supreme Audit Institutions (SAIs), Public Accounts Committees, national Anti-Corruption Bureaus, and other institutions of accountability will continue to be strengthened and their independence supported. We will in partnership with the AUC, AfDB and others support the development of statistical capacity, which is critical to building country monitoring and evaluation capabilities. In countries where gains have already started to be made in these areas (Tanzania, Burkina Faso, Mozambique), Africa-to-Africa learning will be encouraged.

86. Another area for engagement on governance and public management is provided by the growing urbanization of Africa and the need for government to develop systems of local governance and public infrastructure that are responsive to the needs of urban populations. A major area of engagement for the World Bank will be to support the development of fiscal, administrative and urban planning capacities in metropolitan cities and towns across Africa. The strategy will revisit and refocus on the building of country systems at both the national and sub-national government levels, and perhaps identify a set of country pilots to benchmark progress towards targeted exits from donor-imposed fiduciary safeguards.

87. Where there is a possible market failure, we will intervene to build the capacity of the private sector as well. Public-private partnerships will be explored to promote indigenous skill building through enterprise-level training programs and learning- by- doing. The capacity of civil society will be built to enhance their legitimacy and accountability. The strategy will reposition GDLN and other distance learning platforms as potentially effective tools to encourage peer learning among CSO groups, South-South private sector experience sharing among doers, and generally to broker global content to meet local capacity development needs.

88. Finally, the issue of natural resources and its impact on governance and development deserves special mention, since it poses specific governance and public management challenges. Natural resource wealth creates strong incentives for governments to ignore citizens since the need to rely on tax revenues diminishes while strong vested interests, both domestic and foreign, are drawn by the large rents,

especially during boom periods. Competition over access to resource rents can lead to sustained conflict, with devastating consequences for development. With new discoveries in Mali, Niger, Uganda and still many untapped, it has been argued that Africa's commodity exports will be around 5 times their present level[24] – and can become either an opportunity or a challenge. The Africa region will deepen the EITI ++ approach which considers the value chain of natural resource management from initial discovery through transparent contracting for extraction, to transparency in revenue reporting and management, to effective public expenditure and investment management and beneficiation of communities in the resource-rich areas. IFC direct involvement can reinforce this approach from the private side through helping ensure local communities benefit from extractive industries, and social/environmental performance standards protect community interests. Both analytical work and technical expertise will be made available to governments to ensure extraction of finite natural resources is offset by significant above-ground public and human capital to strengthen a sustainable development process.

IV. Implementing the strategy

89. A strategy is only as good as its implementation. While this strategy, like its predecessors, will be implemented using the Bank's Group traditional instruments—finance, knowledge and partnerships—we will reverse the order to encourage greater selectivity and to better leverage policy and institutional reforms.

Partnerships

90. The main instrument of implementation will be partnerships—with African society, governments, the private sector, universities, policy research institutions, and other development actors. We will deepen cooperation with a wider range of partners at the national, regional and global levels, stepping back where others have comparative advantage and leading where we are well placed to do so. For example, in the health sector, the Bank is playing to its strength in helping to build and sustain health systems, while others provide financing for vertical programs such as anti-retroviral therapy and tuberculosis control. We will focus on partnerships where our catalytic and convening power will be transformative -- such as the Comprehensive Africa Agricultural Development Program, the Infrastructure Consortium for Africa, the Education for All – Fast Track Initiative, the IFC Health in Africa initiative, and the African Program for Onchocerciasis Control (Box 8.) Mobilizing partners to deepen and accelerate support for Africa will be a top priority in order to relax the financing constraint to reach the MDGs and leverage public investment to crowd-in private resources to Africa. This will require closer partnerships with non-conventional development actors, including China, Brazil, and India, as well as global funds, Arab Funds, and private foundations.

91. Within the World Bank Group, we will continue to deepen collaborative and joint initiatives with the IFC and MIGA. The recently established Asset Management Company of IFC is an example of leveraging IFC equity investments to mobilize new sources of investment from non-traditional sources. Joint Bank Group initiatives are currently being piloted in agribusiness and infrastructure, and those in SME finance and business environment reform are being extended to new countries. New areas of effective joint action are emerging in fragile states and climate change mitigation/adaptation strategies. We will also use all possible partnership platforms to promote the idea of "Africa as an investment proposition"—a promising investment opportunity for both public and private actors. And we will facilitate and support partnerships with the private sector, ensuring that there is a level playing field for African initiatives to thrive. MIGA's collaboration with the WBG looks set to continue to deepen. MIGA will continue to harness IDA's specialist knowledge resources to better understand both risk and

[24] Paul Collier [2010], McKinsey Quarterly, The Case for Investing in Africa.

development impact at a project level, as well as to maintain consistency with WBG goals. In addition to this, MIGA will also look to build on recent positive experience with both IFC and IDA on deal origination (shown most concretely in the new cooperation arrangement with IFC, agreed in FY10, and already responsible for the delivery of several closed deals).

92. We will use our convening power to amplify the voice of Africa in the world. We will work closely with the AU, G-20 and other fora to support the formulation of Africa's policy response to global issues, such as international financial regulations and climate change, because speaking with one voice is more likely to have impact. We will leverage the considerable resources of the African Diaspora (who remit about $20 billion a year already) including exploring the use of Diaspora Bonds and a Facilitation Fund. We will help African governments improve their domestic resource mobilization. We will leverage South-South relationships both for learning opportunities as well as for innovative financing (see discussion below on Middle Income Countries).

Box 8: African program for onchocerciasis control (APOC):
Among the most successful and longest running public-private partnerships for health in Africa

Onchocerciasis or river blindness is transmitted by the bite of riverine black flies, causing life-long intense itching, stigmatizing skin disfiguration and loss of vision. In 1974 a vertical approach to vector control (the Onchocerciasis Control Program, OCP) was launched in West Africa, followed in 1996 by a continent-wide partnership program (APOC).

APOC is unique in the involvement of a broad range of financial, scientific and operational partners, with crucial roles played by a private sector drug donation and by a network of 15 NGOs. Strong representative governance is maintained through a Board led by the 19 African countries benefitting from the program. The program is implemented by the World Health Organization and financed through a trust fund managed by the World Bank, supported by more than 20 donors that include national governments, foundations and the private sector. Since 1996 donors have contributed US$185.6 million.

River blindness is a disease of isolated communities beyond the reach of traditional health systems, and so APOC has helped countries create a community-directed treatment strategy (CDTi) involving 261,000 community-directed distributors, extending and strengthening health systems and providing an avenue for concomitant management of other diseases.

In 2009, APOC provided nearly 70 million people in 146,000 local communities with treatment for river blindness. All treatments since the start of the program – more than half a billion doses - have been donated free by the U.S.-based pharmaceutical company Merck through the MECTIZAN Donation Program. Ministries of Health have created National Task Forces for Onchocerciasis Control to drive the treatment programs, and these have been supported since the beginning by APOC's regional network of 15 Non-Governmental Development Organizations which contribute an estimated 25% of national-level resources while assisting in capacity building and implementation.

Through this work, 600,000 cases of blindness have been prevented and 500,000 DALYs per year averted, which at US $ 7 per DALY is a remarkably cost effective return. But river blindness control is not only important for health: removing the threat of the disease has reclaimed at least 25 million hectares of abandoned arable land for settlement and agricultural production, capable of feeding 17 million people annually. And these changes may be permanent: in July, 2009, the World Health Organization announced evidence that elimination is possible: areas of Senegal and Mali that have had infection brought to near zero by regular treatment, have then remained free of infection more than 3 years after treatment was stopped.

The success of APOC in controlling river blindness is due to the partnership approach to organization, in which countries, civil society, the private sector, donors and UN agencies all play key roles, and to the community approach to implementation, which places the program in the hands of its beneficiaries.

93. The Bank will continue to support and work with the African Capacity Building Foundation (ACBF) and its network of African policy research and public administration institutions and universities. Over the past 15 years ACBF has played an important role in strengthening capacity in

ministries of finance and planning for macroeconomic policy management and poverty reduction strategy development, having supported over 3000 graduates of post-graduate programs at four African universities as well as establishing well-regarded independent policy think tanks such as the African Economic Research Consortium (AERC). ACBF's strategic thrust, and its commitment to provide "patient capital" in support of the long term goal of strengthening African institutions of governance and accountability, is broadly aligned with the Bank's own approach to governance and public sector capacity so this provides a good basis for partnership and deepening African ownership of the capacity and governance agenda.

94. As we did during the consultations leading up to this strategy, our partnership with African society will be based on mutual learning and listening. We are committed to ensuring the development of a robust debate in the public sphere in Africa, which we will facilitate by working with a broader range of partners, including African parliamentarians, civil society organizations, think tanks and media. And we will scale up the use of new information and communication technologies to build civil society feedback loops in our work and enhance accountability for results in Bank-financed programs.

Knowledge

95. The second most important instrument for implementing the strategy is the generation and dissemination of knowledge. We will strengthen the Bank's role as a global connector of knowledge, and continue to focus on generating new development ideas, building coalitions and networks with other sources of development knowledge from both North and South, and capturing and transferring knowledge from the Bank's global work quickly and effectively to our clients and partners.

96. Since the constraint to policy and institutional reform is often political, neither finance alone nor externally driven solutions can bring about lasting change. Meanwhile, knowledge, by helping to nourish an evidence-based debate and empowering stakeholders across societies to participate in that debate, can contribute to a domestic political consensus, paving the way for more robust reform, increased financing and faster development. Our knowledge work on political economy, already bearing fruit in a number of countries, will help identify entry points and modes of engagement for policy reform.

97. We will therefore improve the impact and effectiveness of our knowledge portfolio, and ensure that country analytic and advisory activities contribute evidence to the public debate on pressing policy issues. Such a reorientation will require changing incentives that are currently geared towards producing stand-alone reports aimed at specialist audiences. We will use a variety of approaches and platforms to bring the best possible knowledge to bear on the problems of African development, among other things to facilitate local professionals' research and knowledge about their own economies. We will enable countries to access high-level skills, such as those needed to negotiate oil contracts. The Diaspora could play a greater role here. In partnership with the WBI, we will explore synergies in these areas including approaches to knowledge exchange, innovation, structured learning and coalition building.

98. The knowledge function cannot be divorced from the capacity-building function. Experience with business councils, public-private dialogue fora, and reform teams shows that the Bank Group can play a useful role in supporting government's role as facilitator, and ensuring that the private sector and other parties participate effectively. Our knowledge should not just stimulate debate, but also help individuals; institutions and sectors better implement their development programs.

Finance

99. Lastly, of course, we will use our traditional instrument of financing, whose effectiveness is determined by what we do on partnerships and knowledge. This is particularly important given the limited IDA resources. For instance, during the life of the strategy, no more than $25 billion - that is, 50 percent of IDA 16 resources – will flow to the continent. Supporting Africa to address its many development challenges will mean that these resources serve only as catalyst for greater leveraging. In the strategy, the goal will be to leverage the Bank's financing to crowd-in other sources of financing, with greater focus on high-impact operations in key strategic sectors. Foremost among these other sources is the country's own resources—already the dominant source, and one with a likely potential to grow. This will imply greater linkage to country and sector budgets in our interventions. It will also imply leveraging local currency financing. We accelerate support to fragile states, including implementing partnership agreements and Trust Funds more effectively.

100. A large driver of our recent success in the southern African MICs in particular has been our ability to expand the use of innovative financial solutions (e.g. Partial Credit Guarantees, Debt Drawdown Options, possible local currency lending, etc.). These products have provided a framework for the crowding-in of large amounts of financing from other sources. Given the scale of the financing challenge that Africa faces, especially in infrastructure, the strategy will explore to what extent we can do this more with IBRD, and also with IDA. In addition, we will seek through the strategy to maximize the impact of other capabilities of our Treasury (e.g. weather insurance intermediation, commodity price hedging, debt management etc.). Our ability to be flexible and innovative financially is a true comparative advantage of the World Bank compared to other institutions. While we have improved our communication to clients and staff regarding treasury products, much more can be done for both the MICs and LICs.

101. We will promote catalytic mechanisms that take limited IDA funding and generate large amounts of private investments (through guarantees, for example). We will explore innovative risk-management instruments to support Public-Private Partnerships. IFC will continue to deepen mobilization initiatives to leverage further direct IFC funding, bringing in new partners and facilitating new products. MIGA will also continue to support and catalyze investment with its traditional political risk guarantee product and will look to continue to innovate new product lines which will better support investment and support changing market environments and demands. We will provide capacity support and advice to clients on risk-sharing instruments. Our focus on results will be enhanced through ongoing efforts with results-based financing. In addition, we will prepare IDA countries for the transition to IBRD by, for example, enclave IBRD projects and strengthening public management reforms. Among low-income countries, we will reconsider the resource-allocation formula for small, fragile states. Finally, we will selectively mobilize trust funds that have strong strategic alignment, leverage our capacity and development knowledge, and complement IDA and IBRD financing at the regional and national levels. Mainstreaming of trust funds into IDA and IBRD operations will strengthen strategic integration while emphasizing clear development objectives, tangible outputs and results, and effective risk mitigation strategies. We will only accept funds for which the Bank has a comparative advantage, while being mindful of the accountability and responsibility associated with mobilizing trust funds.

Country types

102. In implementing the strategy, the three instruments will be deployed differently depending on country circumstances. Two distinct groups of countries are the fragile states and middle-income countries. But more important than these is the case when the instruments are deployed beyond countries—to obtain regional solutions.

Regional integration and cooperation

103. Many of Africa's challenges can best be addressed through cooperation and integration at the regional level. Such an approach offers the prospect of larger scale and lower unit costs in the provision of key infrastructure, more efficient risk-sharing mechanisms, bigger and more competitive markets, and enhanced regulatory coherence, effectiveness and credibility. Across the continent, there is now renewed momentum to expand internal markets and to work together on a regional basis to address common problems such as climate change, water resource management, food security, and peace and security. There is also increased recognition of the role of the private sector as both financier and operator of regional/transformational projects.

104. Responding to this momentum, we will continue to be guided by the Africa Regional Integration Assistance Strategy to invest in regional infrastructure, economic integration, and regional public goods. Going forward, and reflecting our recent implementation experience, the Bank will:

105. Be more selective and invest in a smaller number of highly transformative projects in terms of potential outcomes and impacts within each sub-region;

106. Scale up partner collaboration and harmonization to mobilize increased resources and reduce transaction costs for regional investments, building on the Program for Infrastructure Development in Africa being developed under the leadership of the African Union Commission -- the North South Corridor model of a large umbrella framework based on joint analysis illustrates our new approach to harmonized regional infrastructure development;

Box 9: Regional approaches as game changers

African countries are increasingly recognizing that collaborative actions and regional approaches are critical to stimulating trade by connecting markets; and developing cost effective economic infrastructure that would not only spur faster growth but also the competitiveness required to participate in the global economy. They are particularly important to overcome the physical disadvantages for 15 land-locked countries whose trade performance relies on collaboration with coastal countries; managing shared natural resources (water, fisheries); and resolving such challenges infection diseases which recognize no boundaries and in tertiary education and research where economies of scale can be achieved in developing regional centers of excellence.

Since 2007, the World Bank has scaled-up its support to regional integration, doubling its commitments from US$1.8 billion to the current US$ 3.6 billion. Key sectors include transport, power, trans-boundary water infrastructure, and ICT accounting for 78 percent of these commitments. This distribution clearly reflects the Bank's focus on supporting the continent in bridging the infrastructure deficit – crucial for growth, competitiveness and employment and vital for poverty reduction.

The results of this support are already showing. In Kenya and Malawi, the price of broadband capacity has dropped by over 80% in part, due to their connected to international, undersea broadband cables. These are two of 7 Eastern and Southern African countries benefiting from Bank support. Also the construction and rehabilitation of 840 km of roads along critical commercial transport corridors in West, Central Africa and East Africa is expected to reduce the transit time by 20% at Mombassa-Kigali, Tema-Ougadougou-Bamako, Douala-Nd'jamena, and Douala-Bangui corridors; significantly cutting down on "beyond the factory" cost of doing business.

In agriculture, common regulations for the registration of genetic materials and pesticides have been adopted by the Economic Community of West African States (ECOWAS). This is incentivizing the development of agricultural technologies tailored to the specific climatic and geographic needs of West Africa by enlarging the target market and easing dissemination across borders. Furthermore, five productivity enhancing agricultural technologies have been developed at new regional centers of excellence and disseminated across West Africa, the result of which is a new technology that allows for the addition of 15 percent local cereal flour in bread production has resulted in a 30 percent reduction in the price of bread.

107. Work more closely with the private sector in helping to deliver world-class PPP solutions leveraging the best talent across the WBG and drawing upon new as well as traditional financial partners;

108. Mainstream regional integration in country assistance strategies and work programs, with a focus on addressing policy and institutional barriers that impede economic integration, and ensuring stronger alignment between national policies and regional trade and economic agreements;

109. Expand support for capacity building of regional institutions, and strengthening civic engagement and social accountability in the regional integration process;

110. Strengthen knowledge work on regional economic issues and collaboration with regional institutions in delivering such work. This strengthened knowledge base will be leveraged to raise awareness of the benefits of, and build consensus around, regional solutions to address national development challenges. Implementing regional projects takes time and the challenges are many. The Bank will ensure project designs are pragmatic and responsive to political economy constraints that experience demonstrates can bedevil smooth execution of regional projects.

Fragile states

111. Since they are distinct along many dimensions (political, economic, security), fragile states merit differentiated treatment. The same issues—infrastructure, business climate, employment, governance—

play out differently in fragile states. Infrastructure development may require "quick wins" and employing demobilized soldiers, even if it is at a higher cost. The usual problems of corruption and weak governance are exacerbated by the need for enhanced security. Lack of jobs, especially for youth, could have disastrous consequences if these youth take up guns again. Moreover, as highlighted in a recent review of the Bank's performance in fragile and conflict states (FCS)[25], strategic partnerships between the Bank and global institutions (e.g., the UN's Department of Peacekeeping Operations), Regional bodies (e.g., African Union, ECOWAS, the AfDB, the European Union), as well as the broader relief/NGO community are not only desirable, but essential in post-conflict and other fragile settings.

112. In this light, the Bank's approach will be different in these states. There will be greater risk appetite by staff and greater flexibility in procedures. While remaining faithful to the Bank's Articles of Agreement, staff may have to become more engaged with political actors as a hands-on approach to developing capacity. Incentives for working on fragile states will be different. The diversity in fragility itself (from protracted, low-intensity, localized violence within Nigeria to all-out civil war in Somalia) calls for varied solutions. Protracted instability can often be internalized in existing country strategies and addressed through existing projects. A surge effort in the aftermath of war is instead better addressed through the mobilization of a "SWAT team", operating under a time-bound but highly discretionary mandate.

113. As an operating principle, we should view the Bank's primary reputational risk in fragile and conflict situations as the risk of operational inefficacy, that is, of not achieving results in peace consolidation and early development. The fiduciary risks associated with procurement and operations management in an unstable environment should be assessed soberly and declared up-front, and they should not undermine managers' willingness to take reasonable risks on the ground.

114. The establishment of the Bank's fragile states hub in Nairobi, serving primarily African countries, can reinforce this strategy. The greater management authority, urgency-based modus operandi and geographic consolidation of sector skills in Nairobi should ground our action, allowing us to operate pragmatically, launching simple, "good-enough" operations in the immediate aftermath of a crisis, and incrementally developing more complex operations, on a "correct-as-you go" basis. IFC's Conflict-Affected States in Africa program provides comparable support for country engagements, with decentralized management and dedicated funding to improve responsiveness and facilitate greater risk-taking. MIGA's new post-conflict facility (currently under development) should also facilitate greater risk-taking and investment in this key area.

Middle-income countries

115. At the other end of the spectrum are Africa's middle-income countries, some of whom like Botswana and Mauritius are the continent's most successful economies. These countries provide important lessons and serve as a catalyst for growth and development to the rest of Africa. With the possibility that a few sub-Saharan African countries will soon emerge as MICs, the Bank will need to be prepared to support them with both innovative products and efficient services. Critical to this support will be to provide assistance needed to reach the next level (and avoid the "middle-income trap"), while learning from their experience for other countries.

116. At the same time, most MICs still face development challenges. In fact, sub-Saharan African MICs, especially the small states, are often indistinguishable from much poorer IDA countries in many respects: unequal income distribution; deep and widespread poverty; unsustainable and non-

[25] Fragility and Conflict: Effective World Bank Engagement in Fragile and Conflict-Affected Situations, Draft Concept Note (January 2011) - OPCFC

employment generating growth. In addition, the HIV/AIDS pandemic presents a formidable threat to development

117. It is for these reasons amongst others that strengthening of the World Bank's engagement and development role in middle income countries (MICs) is a key priority for the World Bank Group. Through the African MIC Action Plan, we will build on Bank-wide efforts at adopting a different way of doing business with the MICs. Our approach would be to lead with our knowledge assistance supported by South-South cooperation, with MICs in other regions, but also with LICs in Africa, for which they are ideally suited.

V. Organizing for results

118. In order to implement this strategy successfully and cement a more client-driven focus on development and results, the Africa region is undertaking several management and organizational changes. Through these changes, the Bank will be closer to clients and partners, respond quickly to the needs of our diverse clients and changing business needs, improve operational effectiveness, and better coordinate with important stakeholders on the ground and meet such corporate commitments as those contained in the IDA 16 policy framework. In updating our services and systems, we will focus on flexibility, delivery, innovation and results, or more colloquially, we will work "faster, smarter, and cheaper." The most important aspect of managing for results is our approach to strategic selectivity (Box 10).

119. Decentralization continues to be a key instrument in the Africa Region strategy focused on improving and scaling up results on the ground, particularly in fragile and post-conflict states. The Region will continue to strengthen and maintain its field presence, a trend that began with the initiation of this strategy in FY07. Our goal is to ensure that the benefits of decentralization outweigh its costs. The Region has made steady progress in devolving work and task-management responsibilities to country office staff (Figure 12). Using our experience in post-conflict and fragile states as indication, not only are country-based task team leaders four times more likely to manage projects with satisfactory outcomes, which are more likely to occur with greater attention to these projects during the first year. We have also been receiving consistent positive feedback from clients, including during both the Spring and Annual Meetings, regarding our ability to deliver more client-driven results where our presence on the ground is strong, strategic and sustained. Such feedback has also been echoed by AFR staff, both at HQ and those who are field-based, in the Staff Survey. To date we have decentralized over 60 percent of our staff to country offices and will continue to devolve task management to the field. All country directors are based in-country and we are expanding the number of country management units from 11 to 15. This will increase field-based leadership and reduce the large span of control of country directors. In parallel fashion, IFC has also largely decentralized operations, which is being strengthened further under the new organization with the establishment of Regional Industry Departments led by field-based Managers. However, challenges remain in recruiting staff to some of the difficult locations, staff mobility, and managing the high incremental costs of decentralization in a flat budget environment.

120. Given our emphasis on knowledge, increased support to fragile countries and the scarcity of high-level technical skills, and to mitigate some of the decentralization challenges, we are creating technical and knowledge hubs for better utilization and deployment of scarce technical resources and to build more effective knowledge and learning connections. A pilot Global Hub to support our enhanced work in FCSs has been launched in Nairobi and two practice groups are in place for the health sector (the latter being a partnership with AfDB, DfID and WHO). An Implementation Hub, to serve FCSs not easily reachable from Nairobi will serve other FCSs and other clients in the Region. The sub-regional Hubs will have cutting-edge technical skills, share global and regional knowledge, and develop strong familiarity with the clients. The Hubs will be supported with appropriate technology and other services

Box 10: Selectivity and the Africa strategy

With its two pillars and foundation covering the gamut of sectors, it would appear that the Africa Strategy is not very selective, that is, it does not specify what the Bank will *not* do. However, in a country-based model such as the World Bank, it is very difficult for a regional strategy to exclude a particular sector for all countries in the region. Rather, the Africa Strategy is designed to facilitate selectivity at the country level, where it is both desirable given the large number of partners involved, and necessary in light of resource constraints. Specifically, the regional strategy will promote selectivity across sectors, instruments and partners using at least three approaches.

- *Partnerships*: In some cases, the Bank will play its role as convener only, allowing others to intervene on finance and knowledge. A good example is the recent Rwanda Investors Forum, where the Bank and the Government of Rwanda brought together private investors and Rwandese public and private officials to develop investment opportunities in the field of agribusiness. In other cases, such as with the Partnership for Infrastructure Development in Africa (PIDA) or the Education for All Fast Track Initiative (EFA-FTI), the Bank will follow the lead of others such as the Africa Union and the AfDB, providing supplementary financing and knowledge assistance where needed. Related is the Bank's shift to secondary and tertiary education, while following the lead of other partners in primary education. The Bank will also use limited IDA funds to leverage other financing, as it has done to the tune of 40 percent in Mozambique, and 80 percent in small, fragile states such as Liberia and Sierra Leone.

- *Programmatic approach*: Another way of being selective is to invest more in building and strengthening country systems rather than in stand-alone, ring-fenced investment projects. Not only does this apply to fiduciary management—where improving a country's procurement system even a little bit can have profound implications for the country's overall public expenditure—but also in health and education, where improvements in incentives and accountability of service providers can have huge payoffs. Likewise, the Bank will be selective across instruments, including in some cases, providing just stand-alone knowledge products that are potentially transformational. An example is the Africa Infrastructure Country Diagnostic, a pure knowledge product that has since provided a framework for crowding-in infrastructure finance and projects to the continent.

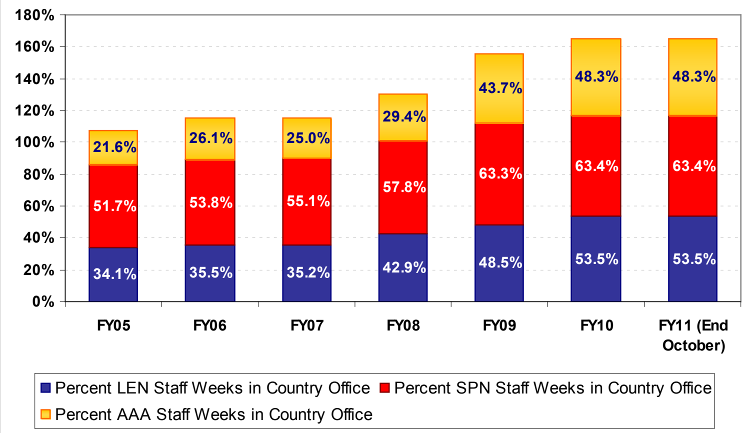
- *Management:* In addition to strategic directions such as partnerships and a programmatic approach, the Bank will continue to practice selectivity by taking certain decisions at the management level. One specific example is the decision to locate technical staff in a fragile states hub in Nairobi, rather than posting them in a number of fragile states. More generally, the Africa Region's management, partly in response to the IEG evaluation's findings about the quality of the portfolio, has been trying to streamline its operations and knowledge products to maximize effectiveness. Specifically, the region has a program to reduce the number of operations in the portfolio by 15 percent; and to focus all its knowledge products on outcomes (and avoid "supply-driven" AAA). These decisions are then monitored during quarterly business reviews. We are also exploring ways of rewarding managers more for exercising selectivity.

to ensure connectivity with country and global levels. In pursuit of increasing impact and expanding use of country systems to lower transaction costs, we are updating our operational policies, increasing the efficiency and effectiveness of existing instruments, developing new instruments, and streamlining our internal procedures. A new instrument mix—especially the new Program for Results--will enable us to align better with government programs and priorities, be a better partner to donors including the AfDB and other multilateral and bilateral partners in the region. The investment lending reforms will shift the focus from inputs and internal procedures to outcomes, development effectiveness, programmatic approach, implementation support, risk management and accountability. We are streamlining and rationalizing portfolio management and improving our own "execution deficit".

121. To improve our internal effectiveness, we are investing in strengthening and updating our internal systems in human resources, Information, Management and Technology (IMT), and budget processes. Implementing this strategy will require us to have a flexible, mobile and a highly talented workforce. We are reviewing our skills mix with the aim of attracting new and diverse talent, and retaining and appropriately deploying the right talent to better address the needs of our diverse clients. Through our new global Human Resource framework, we will continue to promote diversity at all levels including management, effective staff mobility, while fostering recruitment efficiency to respond to business

needs. Particular attention will be paid to nationally recruited staff—who are among the region's greatest assets—to provide them with appropriate opportunities for career development. More generally, we will continue to focus on managing for high performance and realizing the potential of our staff through investment in their learning and career development.

Figure 12: Devolution of Work



Source: CFR Quarterly Business Reports Data Tables

122. With the focus on results, we are refining our performance management and using our (Integrated Planning System (IPS)) to integrate external funds and align budget allocations with strategy priorities, staff planning and results. A greater share of our budget is now allocated to the frontlines, although this may have reached its limits. We are updating and aligning our IMT with other systems updates and reforms to improve connectivity, knowledge sharing, improve our transparency in the implementation of the new Access to Information policy, and promote efficiency by standardizing data, technology and business processes. Maintaining fiduciary standards and quality will be critical to achieving the results of this strategy. In addition, measuring results, self-evaluation, transparency, and risk management with strong internal checks and balances are key requirements to achieving our business objectives and contributing to the achievement of this strategy.

123. Finally, we will work closely with our clients and other stakeholders to improve performance measurement and strengthen statistical and monitoring and evaluation capacity. Through results- based Country Assistance Strategies, we will reinforce the results reporting framework to report on output and outcome core indicators including the IDA 16 policy commitments and ensure that it is used to inform decision-making. To foster accountability and improve learning from our work, impact evaluations, and research will be conducted in collaboration with DEC to get a better understanding of what works and what does not.

124. We will continue to focus on implementing the key pillars of the Accra Agenda for Action and tracking our performance against the Paris Declaration commitments. At the country level, we will provide strong leadership to promote aid coordination, especially in fragile states This will involve a pragmatic balancing of the tensions faced on the ground, such as meeting the need for flexibility and speed (particularly in the face of crises), with the well-defined structures of joint financing arrangements.

125. Many elements of the strategy will increase the Bank's ability to promote country ownership and build country capacity. For example, by creating a culture of implementation support as part of investment lending reform, we will increase country ownership of projects and their implementation process, and will help strengthen countries' own systems. We will continue to minimize the use of Project Implementation Units, even in fragile states. We will fine-tune our development policy lending to make it more effective at strengthening the country's institutions and systems. We will continue the effort initiated over the latest few years to maximize results from our portfolio, including leveraging of decentralization to better support implementation, notably in fragile countries, accelerated restructuring of non performing projects, and strengthening of monitoring and evaluation.

126. As stated above, broad partnership engagement lies at the heart of the strategy. In recognition that the traditional OECD-DAC architecture is no longer aligned with the reality on the ground, we are focusing on new and emerging partners, South-South cooperation, and the development role of civil society organizations. We will be more selective based on what other partners are doing and continue supporting country-level efforts to reduce aid fragmentation, including division of labor exercises and joint budget support groups. We will reduce the costs of aid harmonization by promoting aid information standards, as in the International Aid Transparency Initiative.

VI. Risks to the strategy

127. In light of the experience with the Africa Action Plan, and the current global environment, the Africa Strategy faces three categories of risk. First, there is the possibility that the global economy will experience significant volatility (as it did in 2008-9) and—even worse—a period of economic stagnation and decline. While Africa, being a relatively small part of the world economy, can do little to avoid such a contingency, the present strategy is designed to help African economies weather these circumstances better than before. Specifically, the competitiveness and employment pillar is aimed at supporting the diversification of African economies so that a decline in commodity prices, for instance, will not require the extreme measures that previous declines have. For instance, the focus on agriculture production and productivity will serve to manage the risks inherent in food insecurity. Furthermore, the focus of the governance and public sector capacity foundation of the strategy is on strengthening institutions for resilience—using both demand- and supply-side mechanisms—so that societies are better able to reach consensus on sharing the burden in the event of a terms-of-trade loss.

128. Second, as Africa's history has shown, political violence and conflict can undermine a country's progress in poverty reduction. The current strategy is designed to reduce this risk by emphasizing demand-side accountability measures, decentralization and participation, all of which help promote inclusion. In addition, the effort to use our knowledge assistance to help with political consensus-building would, in turn, reduce confrontational politics that have in the past turned violent. Finally, should conflict break out, we will use the full array of partnerships, including those with the U.N., the Africa Union, and other peace-building agencies, to provide assistance that is consistent with the Bank's mandate to reduce the intensity, duration and probability of recurrence of conflict.

129. The third risk is that the resources available to deliver on this ambitious strategy will be inadequate. As mentioned earlier, the Gleneagles pledge of doubling aid to Africa, which underpinned the Africa Action Plan, was not fulfilled, and similar commitments made recently, such as the L'Aquila fund for agriculture and food security are having difficulty in delivery. While the results-focus of the present strategy should increase the chances that official donors will meet their commitments, the strategy is also designed to leverage the World Bank's resources crowd-in resources from other partners, including African governments' own resources, the private sector and non-traditional development partners.

VII. Africa strategy monitoring framework

130. The new Strategy for Africa has taken into account lessons learned from previous strategies and defines a three-tier results monitoring framework that follows a logical "results chain": This framework is an accountability tool for strategic management. It provides a dynamic integrated monitoring

approach to track progress on selected indicators of broad development results. However, the Africa Strategy monitoring framework should not be mistaken as a tool for comprehensive reporting of sector or country level outcomes. Rather, it includes a set of indicators to selectively monitor progress in results areas relevant to the Africa Strategy. It does not replace results monitoring of sector and country programs. It provides the overarching framework demonstrating how combinations of sector and country-level programs contribute to achieving development outcomes at the *regional* level.

131. The new Strategy for Africa lays out the vision for the next ten years of supporting the development process in the region. Given the heterogeneity and diverse political economies across the region, the strategy cannot provide a detailed program of engagement. The results and monitoring framework reflects this strategic approach. It focuses on the first five years of implementation. Annual progress reports, but most importantly the mid-term report from this monitoring framework, will provide critical information to management for revision and refining of the indicators, course correction, as well as re-focusing or intensifying certain areas during the second half of implementation period

The three tier approach

132. The results framework draws on sector and country strategy monitoring and uses a three-tier approach. It is aligned to the IDA 16 results measurement system and the Global Score Card currently under development at the corporate level.

Table 6: Africa Strategy Three Tier Monitoring Framework

133. ***Tier 1 - "Regional Progress on Key Development Outcomes****":* The main instrument of implementing the strategy will be partnerships and collaborative efforts within a harmonized donor framework. In addition, the World Bank will deliver results through its other traditional instruments of finance and knowledge to inform policy dialogue and leverage other domestic resources. Therefore, development outcomes at the regional level, cannot be solely attributed to the work undertaken by the World Bank. Not only is specific attribution difficult, but many aspects of the transformational agenda related to policy reforms, clients national systems strengthening, institutional development and governance improvements are by nature long term, unpredictable and difficult to quantify or measure. Critical qualitative aspects on this transformational agenda will be captured in various country and sector reports. Therefore, Tier 1 indicators measure regional development outcomes where our work contributes and have impact on, but concrete attribution cannot be identified. These Tier 1 indicators are largely aligned with the World Bank's corporate scorecard under development as well as the Tier 1 measurements for the IDA16 Results Monitoring System. They heavily rely on data from the World Development Indicators (WDI) and Africa Development Indicators (ADI).

134. ***Tier 2 - "Outputs and outcomes indicators supported by Bank Operations****":* This tier measures the Bank's contributions to results achieved at country level. The framework draws on measurable indicators from sector operations and country programs. Tier 2 indicators take into account core sector indicators, whose results are reported through Implementation Status and Results Reports (ISR) of

operations. The Bank's support in other transformative areas such as institutional support, knowledge and policy work will be assessed through tools such as the Country Program and Results Monitoring Tool (CPRT). The CPRT mainly reports on Country Assistance Strategy (CAS) results, but also includes a holistic assessment of development progress at the country level to complement the results assessment undertaken with measurable indicators. In addition the region will also use impact evaluations, as appropriate**.**

135. ***Tier 3 - Tier 3 - "Operational Effectiveness":*** This tier monitors focuses on the effectiveness of the Bank's products and services to ensure that these are able to achieve the intended outputs and outcomes. For example, indicators in this tier monitor quality and implementation performance.

Cross cutting areas

136. While results from cross cutting areas are monitored within the three-tier system, a specific set of indicators looks at certain aspects of the effectiveness and process of delivering these results. Cross cutting areas are regional integration, engagement in MICS and FCS, Aid and internal, organizational effectiveness as well as crisis response.

Operationalizing the Africa strategy monitoring framework

137. The Monitoring Framework for the Africa Strategy builds on existing systems and will enable automated data updates to the extent possible. Most prominently it will leverage the Africa Results Monitoring System (A-RMS) which was put in place in conjunction with the Africa Action Plan. The A-RMS will be further improved by developing an automated reporting system to the extent possible, including linkages to IDA16, the corporate score card and the Bank-wide Core Sector Indicators.

138. Compared to the AAP and the associated A-RMS, this monitoring framework has the advantage of being able to build on a much further developed corporate results platform with standardized core sector indicators rolled out for eight sectors by end of FY10.

139. Building and strengthening statistical and M&E capacity in the Africa Region is a priority which will be reinforced through this Strategy. However, it is a long-term undertaking and the Africa region continues to face significant challenges in terms of data availability and reliability. In order to reduce transaction costs, the monitoring framework takes a pragmatic approach and includes only indicators where a baseline could be established and where the frequency of data collection is appropriate.

140. **Reporting**: The Quarterly Business Review Mechanism may be used to track and review progress on strategy implementation and alignment of country and sector strategies and programs. The Region's annual strategy update to the Board will include progress in implementing the strategy as well as adjustments that may be required. In addition, a full annual progress reports will be disclosed to general public through various channels, including the World Bank/Africa website or other appropriate electronic interactive means, such as specific blogs and meetings with civil society groups

141. The annual exercise of "IDA at Work" results stories will show a strong linkage to the areas of the new Africa strategy to complement numeric results with tangible tales of results on the ground. IDA at Work Results Stories are freely accessible in the public domain.

Annex 1 - A Renewed Africa Region Strategy: Mid-Term Monitoring Framework 2011–2015

Strategic Outcome	Regional Progress on Key Development Outcomes (Tier 1)[1]	Outputs and Outcomes Indicators Supported by Bank Operations (Tier 2)[2]
Overarching Regional Development Outcomes[3]		
Accelerated Growth and strengthened Inclusiveness **Improved Human Development**	• *GDP per capita (constant 2000 US$). baseline 2009: projected 2015: 900 Source: ADI &World Economic Outlook* • *Gross Fixed Capital Formation, private sector (% of GDP). Baseline: 13% in 2009. projected 2015: 17% Source: World Bank Development Data Platform* • *Poverty headcount (PPP, % of population under US$ 1.25). Baseline 2005: 50.9% projected 2015: <45% . Source: ADI* • *Labor Force Participation Rate, adult, total (% ages 15-64). Baseline 2010: 70.9% . projected: under development Source: ADI* • *Labor Force Participation Rate, adult, female (% ages 15-64). Baseline 2010:61.2%. projected: under development Source ADI* • *Labor Force Participation Rate, youth, total (% ages 15-24). Baseline 2010: 63.7. projected: under development Source: ADI* • *Under 5 mortality rate (# per 1000 people) (IDA 16 Tier 1). Baseline 2009: 129. Projected 2015: 93 Source: ADI* • *Maternal Mortality rate (# per 100,000 live births) (IDA 16 Tier 1). Baseline 2008: 650 projected 2015:<500 Source: ADI* • *HIV prevalence rate (%, ages 15- 24) baseline 2008: 1.1 males; 3.3 females. Projected 2015: males<0.6, females: <1.7 Source: UNGASS* • *Gender Parity Index (GPI) (IDA16]: ratio of girls to boys in primary and secondary education Gross Enrolment Ratio (%). Baseline 2008:0.88 projected 2015: 0.91 (Source: UIS)*	
Thematic Area 1: Competitiveness and Employment		
Improved Business Environment and Access to Finance	***Registering Property***: • *Time to register property (days). baseline 2010: 68 projected 2015: 38 Source: Doing Business/ ADI.* ***Starting a Business***: • *Time required for business start-up (average number of days) [[IDA16 Tier1] baseline 2010: 45 projected 2015: 20*	• *Number of procedures it takes to start a business in projected countries (number/ country) baseline 2010: 9 projected 2015:7 Source: Doing Business* • *Number of current FSAPs available baseline 2010: 24 projected 2015: 30 initial assessments and 4 Updates Source: FPD* • *Outreach: Number of active loan accounts in supported institutions [**CSI**] baseline and projected under development. Source: ISRs*

[1] *Tier 1 indicators measure regional development outcomes achieved by client countries with the support of the entire donor community. The World Bank contributes to these result, including through partnerships and coordination with other development partners.. Progress will be monitored although no direct attribution can be made.* ***Targets are indicative***.

[2] *The outputs and outcomes are tentative and assumed continued and/or increased country demand for World Bank support for interventions that will result in these outputs*

[3] *Overarching goals for the region; indicators will be monitored although these outcomes cannot be directly attributed to select areas, programs or operations.*

	Source: Doing Business/ ADI. • *Cost to start a business (% of income per capita per country).* *baseline 2010: 97 projected 2015:* *Source: Doing Business / ADI* ***Access to Finance**:* • *Finance for Growth: Domestic Credit to Private Sector, Percent of GDP.* *Baseline 2010:22%. projected 2015:30%* *Source: Source FPD data* *- Sub-Saharan LICS (median):* *baseline 2010: 16% projected 2015: 25%* *Source: Source FPD data* *- Sub-Saharan MICS (median): …[Source FPD data]* *baseline 2010: 24% projected 2015: 32%* *Source: Source FPD data*	• *Percentage of active loan accounts to women in supported institutions [**CSI**] baseline and projected under development. Source: ISRs* • *Number of countries with readily accessible retail electronic payment systems 2010:14; projected 2015: 18. Source: Source FPD data*
Improved Critical Infrastructure Services, including Strategic Cross-Border Services	***Energy:*** • *Household Electrification rate (%)) [[IDA16 Tier1]* *baseline 2010: 30% projected 2015: 35%* *Source: Africa Energy Strategy Update January 2011*	• Additional people provided with access to electricity under projects by household connections (number) *[**CSI**]* [4] *From AFTEG Energy Strategy Update projected 2015: 40 million. Source ISRs* • Additional generation capacity of Conventional / Renewable constructed/ rehabilitated [***CSI***] *projected 2015: 8 GW. Source: ISRs* • Additional Transmission lines constructed/ rehabilitated [***CSI***] *Source: ISRs. Projected under development* • New interconnections of national grids. projected 2010: additional 4 (*West Africa Coastal Transmission Backbone (Cote d'Ivoire-Ghana-Togo-Benin-Nigeria; Interconnection between DRC and Zambia; Interconnection between Sudan and Ethiopia; Tanzania Transmission Backbone)*
	Transport & Trade Logistics: • *Rural Access Index (percentage of rural population within 2km of an all season road* • *Baseline 2010:35%, projected 2015:38%* • *Source:AFTTR*	• Additional Roads constructed or rehabilitated: - rural/ -non-rural (km) [CSI, IDA16 Tier2] • projected 2015: 5K kilometers. Source: ISRs • Port dwell time is reduced in at least 3 major ports. Baseline 2010, projected 2015: Port of Douala: from 14 days to 11 days; Port of Mombasa: 13days to 10 days; Port of Tema: 12to 10 days. Source: ISRs

[4] *CSI denotes Core Sector Indicator. As of December 2010, CSIs were developed for seven sectors. Relevant CSIs have to be included in all World Bank investment operations and data is reported through the "Implementation Status and Results Report" (ISR).*

	• *Cost of exporting a 20 foot ten ton container in dollars Baseline: $1961 in 2010. Projected: $1500 in 2015 (like South Asia in 2010). Source: Doing Business Database*	
	Water, Sanitation and Water Resources: • Access to an improved water source (% of population) [*IDA16 Tier1*] *baseline 2008: 60%* Source: ADI • Access to improved sanitation (% of population) [*IDA16 Tier1*] *baseline 2008: 31%* Source: ADI	• Additional People provided with access to "Improved Water Sources" (number) ***[CSI,*** [*IDA16 Tier2*] *projected 2015: 10.7 m. Source: ISRs* - in urban areas : *projected 2015: 7.3 m* - in rural areas: *projected 2015: 3.7m* • Additional People in urban areas provided with access to "Improved Sanitation" (number) ***[CSI,*** [*IDA16 Tier2*]. *projected 2015: 3.1m. Source: ISRs* • People in urban areas provided with access to regular solid waste collection (number) ***[CSI]****. projected 2015: 5.0m. Source: ISRs* • New piped household water connections (number) ***[CSI]****. projected 2015:600,000. Source: ISRs* • Additional improved community water points constructed or rehabilitated (number) ***[CSI]****. projected 2015:1666. Source: ISRs* • Number of common river basin, lake basin or aquifer management plans agreed by and signed by the riparian nations. *baseline 2010:4 projected 2015: 6 additional. Source: AFTWR records*
	ICT • *Mobile phone subscribers (per 100 people)* – *Number of countries reaching 50 and above baseline (end 2009):15, projected 2015: 25* • *Number* of countries reaching 25 and above baseline (end 2009): 32, projected 2015: 42. *Source: International Telecommunication Union and Wireless Intelligence* • *Internet users (per 100 people)* – *Number of countries reaching 20 and above baseline (end 2009): 3, projected 2015: 6* – *Number of countries reaching 5 and above baseline (end 2009): 19, projected 2015:27*	Impact on Telecom sector of World Bank Technical Assistance (Composite score 1-low impact to 5-high impact). Baselineunder development, projected 2015: 3 Source: TWICT ISRs Number countries where projects support the implementation of principles of open access to international gateways and regional infrastructures. Baseline 2010: 10 countries; Projected 2015: 16 countries

	– *Number of countries reaching 1.5 and above baseline (end 2009): 35, projected 2015:40* *Source: International Telecommunication Union and Wireless Intelligence*	
Increased Agricultural Productivity and Diversification	Annual growth (percentage) in agricultural value added [5 year moving average] *baseline 2010: 3.6%. projected 4% Source: ADI* Cereal crop yield (kg/ha, 5 year moving average) *baseline 2010:1.27%. projected 2% Source: ADI*	Additional area provided with irrigation and/or drainage services (ha), new/improved [***CSI***] *Projected under development. Source: ISRs* Additional number of farmers benefitting from access to advice, new varieties, and/or better inputs in projected countries. *Projected under development. Source: ISRs*
***Increased Learning for All*: Increased Completion and Improved Quality of Basic Education and Market-Orientation of Post-Basic Education Systems.**	Primary completion rate (PCR) (MDG2) [CSI, IDA16] baseline 2008: 64.6% (Source: UIS) projected 2015: 74.2%	Number of additional classrooms built or rehabilitated at the primary level *[**CSI**]. projected 2015: 44,986 Source: ISRs* Number of additional qualified primary teachers (Tier 2) *[**CSI**]. Projected 2015: 88,562. Source: ISRs* Number of additional textbooks purchased and distributed (AFR Core). Projected *2015: 187 million. Source: ISRs*
Thematic Area 2: Vulnerability and Resilience		
Increased Safety Nets Coverage	•	New Beneficiaries from social safety net programs Projected 2015:7 million. Source: ISRs
Improved Maternal and Child Health Care	Births (deliveries) attended by skilled health personnel (%) [IDA 16 Tier1]. Baseline	• Additional Children immunized (number) [***CSI***, IDA16 Tier2]. Projected under development. *Source: ISRs*

Services and Malaria and HIV Prevention	2003-08: 46projected 2015: 57. Source: ADI/ DHS Prevalence of underweight children under age 5 (weight for age). Baseline 2003-08: 25%; projected: < 20%. *Source:* ADI/ DHS Children under-5 years sleeping under an insecticide treated bed-net the preceding night (%). baseline 2003-08: 16; projected: 37. *Source: ADI, Country based Malaria Indicator Surveys* Use of modern contraceptives by women age 15-49. Baseline 2003-08:23%; projected: 33%. *Source: ADI/ DHS*	• Additional Pregnant women receiving antenatal care during a visit to a health provider (number) [CSI, IDA16 Tier2]. Projected under development. *Source: ISRs* • People with access to a basic package of health, nutrition, or population services (percent increase) [IDA16 Tier2] (CSI). Projected under development. *Source: ISRs* • Additional Insecticide-treated bed-nets purchased and/or distributed (number) [***CSI***. Projected under development. *Source: ISRs* • Additional Health facilities constructed, renovated, and/or equipped (number) [***CSI***]. Projected under development. *Source: ISRs*
Improved resilience of economies to climate change risks	Countries adopting Policy Documents or Sector Development Strategies including provisions to enhance resilience to climate variability and change (in areas such as food/agriculture, green infrastructure, water supply, disaster risk management); Baseline 2010: 2 projected 2015: 5; Source: AFTEN	• Number of countries with REDD+ measures as envisaged by the Cancun Agreement (e.g. national strategies action plans, national or sub-national reference levels, monitoring plans, safeguards measures for indigenous people, etc). B*aseline 2010:0 Projected 2015: 8. Source: AFTEN* • Number of countries with improved early warning systems. B*aseline 2010: 7 projected 2015: 16* *Source: AFTWR*

Foundation: Governance and Public Sector Capacity		
Strengthened Governance Systems and Capacity for Social Accountability [5]	Mo Ibrahim index of Governance Quality in Africa; Sub-regional scores for overall indicator: *baseline 2008/09 : SSA: 49; Fragile:38; MICs:56;* Southern Africa: 57; West Africa: 50; East Africa: 45; Central Africa: 38 Mo Ibrahim index of Participation and Human Rights. *Sub-regional scores:* Baseline 2008/09: SSA: 47; Southern Africa: 56; West Africa: 52; East Africa: 41; Central Africa: 33; # of countries with freedom of information laws adopted. Baseline 2010: under development. Source: Global Integrity Report Governance & Natural Resource Management # of EITI candidate/ compliant countries. B*aseline 2010*: 19/2 source: http://eiti.org/implementingcountries Transparency in revenue collection and reporting: Number of countries improving Revenue Watch Index. Baseline 2010: 'scant': 4 ; 'partial': 10; 'comprehensive': 0 Source:	# of countries using social accountability tools (service charters, citizen report cards, etc.). Baseline and projecteds under development. Source: AFTPR Assessment *Governance & Natural Resource Management* • Countries with improved fisheries licensing system. Baseline. B*aseline 2010:1 projected 2015:6. Source: ISR* • Countries with sustainable forest management programs. Baseline and projected under development. Number of countries with natural resources governance programs (fisheries, forestry; baseline 2010:10 projected 2015: 20. Source: ISR Public Sector Management and Capacity Improved CPIA indicators (number of countries above 3):

[5] Most governance indicators cannot be meaningfully aggregated at the regional level and will be monitored at country level.

	http://www.revenuewatch.org/rwindex2010/index.html?q=rwindex Public Sector Management and Capacity Mo Ibrahim Index: Public Management, *Sub-regional scores:* *Baseline 2010: SSA – 59;* Southern Africa: 63; West Africa: 60; East Africa: 52; Central Africa: 55 *Source*: http://www.moibrahimfoundation.org/en/section/the-ibrahim-index/methodology/index-indicators?id=3 Open budget initiative (but not available for all countries). *Baseline 2010:* Scant or no information: 11 countries; Minimal information: 5 countries; Some information: 7 countries; Significant information: 0 countries; Extensive information: 1 country Source: http://www.internationalbudget.org/files/2010_Rankings.pdf	CPIA A: Economic Management. Baseline 2010: 25; Projected 2015: 28 CPIA B: Public Sector Management and Institutions. Baseline 2010: 17; Projected 2015: 20
Monitoring Cross Cutting Areas[6]		
Increased engagement in	*Reporting on country Outcomes for Fragile States is mainstreamed in the earlier sections of the RMF with*	*Reporting on Outputs and outcome indicators for Fragile States is mainstreamed in the earlier sections of the RMF with the following indicators capturing specific aspects of engagement in*

[6] This section monitors progress in terms of process in MICS and FCS. Results are reflected in sector and country specific outcomes and outputs and where useful, indicators will breakdown data by MICS and FCS.

Fragile States	*the following indicators capturing specific aspects of engagement in Fragile States:* Reduction in number of conflicts (All Types) as defined by Uppsala. Baseline 2009 : 14 Source: Uppsala Conflict Data Program UCDP Database: http://www.ucdp.uu.se/database Mo Ibrahim: Safety and rule of law. Sub-regional scores Baseline 2008/09: SSA: 55; Southern Africa: 66; West Africa: 57; East Africa: 48; Central Africa: 43. Source: http://www.moibrahimfoundation.org/en/media/get/20101108_eng-table-iiag2010-revised.pdf	*Fragile States:* Fragile States Hub established in Nairobi by end FY11. Source: AFTCS Number of internationally recruited staff based in FCS and the Hub. Baseline and projected under development. Source: AFTCS calculation Decentralization of task management to staff in the field working on Fragile Situations (%) [IDA 16 Tier 4] Baseline and projected under development. Source: AFTCS
Increased Engagement in Regional Integration	*Reporting on country outcomes is mainstreamed in the earlier sections of the RMF.*	*Reporting on Outputs and outcome indicators for Regional Integration is mainstreamed in the earlier sections of the RMF with the following indicators capturing specific regional aspects:* *Projecteds 2015:* *Power:* • 1060 MW additional generation capacity of conventional / renewable constructed/ rehabilitated [CSI] • 3 interconnections constructed/ rehabilitated [CSI] *Transport and Trade:* • Transit time at projecteded transport corridors reduced by 20 %. [Source: RI ISRs] (*Douala-bangui: from 10 days to 8 days; Douala-Njamena: from 15-12 days; Mombasa-Kigali: to from 19 to 13.3 days; Tema-Ouagadougou: from 7 to 5.6 days; Tema-Bamako: from 15 to 12 days)* • 840 kms new roads constructed: non-rural (km) [CSI, IDA16 Tier2] • Port dwell time is reduced in at least 3 major ports (*Port of Douala, Port of Mombasa; Port of Tema). Baseline under devlopment* *ICT:* • 20 countries where projects support the implementation of principles of open access to international gateways and regional infrastructures

		Education • Number of higher education institutions (in SSA) with internationally recognized graduate programs. Baseline and targets: under development
Increased Engagement in Middle Income Countries (MIC)	Reporting on country outcomes is mainstreamed in the earlier sections of the RMF.	Reporting on Outcomes and Outputs for increased engagement in MICs is mainstreamed in the earlier sections of the RMF with the following indicators capturing increased engagement in MICs Lending Volume to Middle Income Countries (US$). Baseline 2010: $4015.4m; projected: Under development Support for AAA in Middle Income Countries (US$) Baseline 2010: 4.7m; projected: Under development Number of South-South Cooperation set up (MICS to MICS). Baseline 2010: 3 projected: 6 Source: AFCS1
Improved Aid Effectiveness, Country Systems and Work in Partnerships		*Strengthening country systems:* • *# of CAS that address statistical capacity building baseline 2010: 5. Projected under development. Source: AFR Chief Economist's Office.* • *# of operations/TA to support statistical capacity building or national/ sector M&E capacity building. Baseline and projected under development.* *Strengthening aid effectiveness and ownership:* • *Share of newly approved projects with parallel project implementation unit (PIUs) (%) [Paris Declaration Indicator].* *Baseline 2007: 45%, projected under development. Source: Sector Management Units, OPCAE*

		• *Share of overall lending envelope delivered as DPO (%). Baseline 2010: 20 . Projected under development. Source: AFTDE* *Strengthening Work in Partnership:* *% of AAA carried out in collaboration with Government and Partners) [Paris Declaration Indicator 10b, IDA16 Tier3]* *Baseline 2007: 42% . Projected under development. Source: OPCAE*
Improved Organizational and Development Effectiveness (Tier 3)		
Operational Quality: Disbursement ratio for Investment lending projects in AFR portfolio [IDA16 Tier3] (break-down by IDA, MICS, FCS, Sectors) baseline 2010: Region 24, IDA 23.4, IBRD 3.2, FCS 26.3…… projected 2015:Region 20+, IDA, 25 IBRD 12 , FCS 20 .Source: AFTDE Investment Lending Operations [] that have appropriate results frameworks (%)[IDA16 Tier3] baseline 2010: …89.3%… projected 2015: 90% Source: AFTDE annual M&E review First ISRs [] with adequate baselines for all PDO indicators (%)[similar to IDA16 Tier3] baseline 2010: 85%, projected 2015: 88% Source: AFTDE Annual M&E Review % of projects with satisfactory outcome rating by IEG baseline 2009: 65%, projected 2015: 70% % of projects with satisfactory outcome rating based on the ICR baseline 2009: 82%, projected 2015: 82% Client Orientation: Decentralization of higher level staff (GF+) to the field (%) [IDA 16 Tier 4]. Baseline 2010: 39%, projected 2015: 42% Source: AFRM Decentralization of task management to staff in the field working on Non-Fragile Situations (%) [IDA 16 Tier 4] baseline 2010: 33.8% projected 2015: 65% Source: AFRM		