


Africa's Future
and the World Bank's Support to It

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Abbreviations and Acronyms

AAP	Africa Action Plan
ACBF	African Capacity Building Foundation
AfDB	African Development Bank
APOC	African Program for Onchocerciasis Control
AU	African Union
CAS	Country Assistance Strategy
CSO	civil society organization
FCS	fragile and conflict-affected state
G-8	Group of Eight
GDP	gross domestic product
IBRD	International Bank for Reconstruction and Development
ICT	information and communication technology
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
LICs	low-income countries
MDG	Millennium Development Goal
MICs	middle-income countries
MIGA	Multilateral Investment Guarantee Agency
PPP	public-private partnership
SMEs	small and medium enterprises
WBG	World Bank Group
WBI	World Bank Institute

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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 had averaged 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 Millennium Development Goals (MDGs) has been sufficiently rapid that several countries (such as Ethiopia, Ghana, and Malawi) 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 continue to face persistent, long-term development challenges. Among them are 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 (Brazil, China, and India) make the time right 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 (AAP) and the recent Independent Evaluation Group (IEG) Evaluation of the AAP.

4. The strategy has two pillars, (a) competitiveness and employment, and (b) 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 International Development Association (IDA) policy framework.

5. Pillar 1 focuses on competitiveness and employment, covering all traded goods and service sectors (for example, light manufacturing, agribusiness, mining, information and communication technology [ICT], and tourism) as well as key domestic sectors that support competitiveness (for example, 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's 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 2, vulnerability and resilience, the strategy will address macroeconomic shocks and 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 and 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 are the foundation of the strategy. Feedback from the Africa Region's consultations identifies governance and leadership as the main challenges underlying Africa's development. Building on the lessons learned, one can 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' voices using instruments of social accountability and to 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, and the World Bank Group (WBG)'s financing instruments. Partnerships will be the first instrument of implementation with African society, the private sector, the African Union Commission, the African Development Bank (AfDB), and other development actors. Internally, the Bank will collaborate and coordinate closely with the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), the Development Economics Vice Presidency, and the World Bank Institute (WBI) in capturing synergies and expertise across the WBG. The second instrument will be knowledge generation and dissemination to nourish evidence-based debate and capacity building. The Bank will promote catalytic mechanisms that leverage its 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 (PPPs). The Bank will accelerate support to fragile states, emphasize regional solutions, and help middle-income countries (MICs) reach the next level through knowledge assistance.

9. 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 creation of subregional 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 these services and systems, the Africa Region will work selectively and focus on results, flexibility, efficient delivery, and innovation while increasing the use of programmatic approaches and maximizing the performance of its 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 multisectoriality in its mode of operations, the Africa Region will concentrate on high-impact operations in key strategic sectors.

10. The strategy takes into account lessons learned from the AAP and the recent IEG evaluation of the AAP and defines a multilayered 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 areas relevant to the strategy and provides an overarching framework demonstrating how linking sector and country-level programs contributes to achieving development outcomes at the regional level. The projections of results will of course be subject to the evolution of country demands for Bank support.

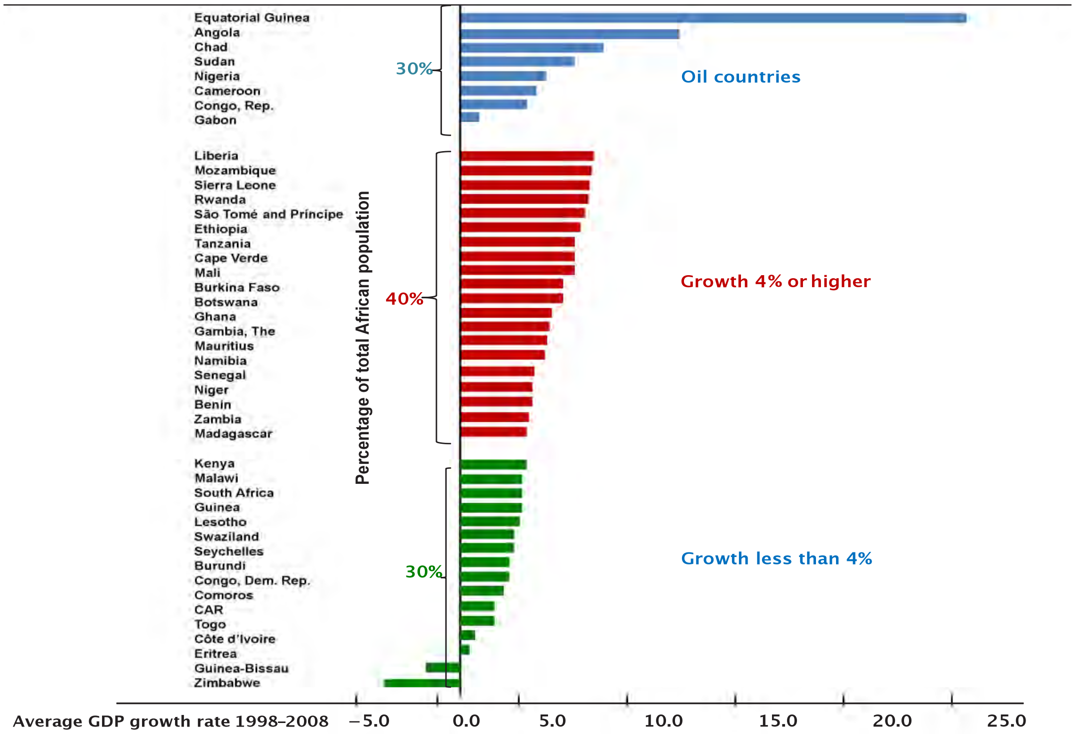
11. Given the Region's heterogeneity and diverse country situations, the monitoring framework emphasizes tracking of progress in the first five years. To foster learning, the Bank will implement impact evaluations. Annual reports and a midterm evaluation will provide critical information for management 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, the possibility of conflict and political violence, and the possibility that 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 that 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, gross domestic product (GDP) growth had been averaging 5 percent a year for a decade, accelerating to over 6 percent in 2006–08. Growth was widespread. Some 22 non-oil-exporting countries, including several countries that have experienced conflict, such as Mozambique, Rwanda, and Uganda, had 4 percent or higher growth from 1998 to 2008 (figure 1).

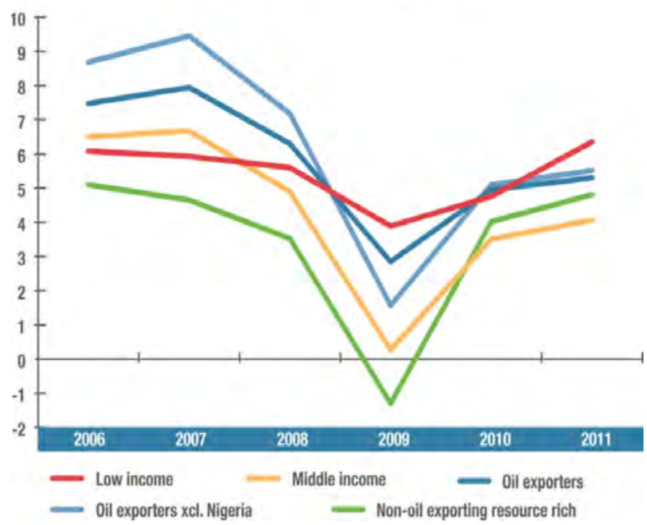
Figure 1: Average GDP growth rates in Sub-Saharan Africa, 1998–2008



Source: World Development Indicators, World Bank.

2. Although 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).

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



Source: World Development Indicators, World Bank.

3. Second, alongside the acceleration in growth, progress on the MDGs has been sufficiently rapid that many countries (such as Cape Verde, Ethiopia, Ghana, and Malawi) are likely to reach most of the goals, if not by 2015 then soon thereafter. Africa's poverty rate was falling at about 1 percentage point a year, from 59 percent in 1995 to 50 percent in 2005[1] (figure 3). Child mortality rates are declining, HIV/AIDS is stabilizing, and primary education completion rates are rising faster in Africa than anywhere else.

1 Others (Sala-i-Martin and Pinkovskiy 2010; Young 2010) estimate that poverty was falling even faster. Note that Africa's rate of poverty decline is faster than India's.

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

Source: Development Prospects Group, World Bank.

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 United States 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 (Boston Consulting Group 2010; Collier and Warnholz 2009; Roxburgh and others 2010). 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 foreign direct investment is higher than in India). China, India, and others are also investing large sums in Africa.

5. Fourth, the climate for market-oriented, pro-poor reforms is proving robust. During the global crisis, the payoffs to economic reforms fell. Yet policy makers 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 (see http://www.uwezo.net), citizen report cards in Ghana, and the various nonstate actors demanding accountability for resource revenues.

6. Putting these factors together, the Bank concludes that Africa could be on the brink of an economic take-off, much like China was 30 years ago, and India 20 years ago.[2]

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 of every 1,000 births die before their fifth birthday. Despite progress in the last 15 years, most African countries will fall short of most of the MDGs, largely because they started from further behind in terms of their capacity to reach these global goals. Weak governance is reflected not just in high levels of corruption—9 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 past five years, more challenges have come into sharper focus:

- Growth has not been accompanied by a sufficient increase in productive formal employment, especially for the 7 million to 10 million young Africans who enter the labor force every year. In light of the recent unrest in North Africa, youth underemployment, if unaddressed, clearly can increase the risk of urban unrest and possible violence.
- The coexistence of a massive infrastructure deficit and the large number of small countries in Africa signal 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 undernourishment.
- 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 indicate that these countries may be stuck in a low-level equilibrium "trap" for which nontraditional solutions must be found.
- Fiscal austerity in developed countries, as well as criticism and political backlash against foreign aid,

2 Unlike China and India, Africa is a diverse continent. Africa's growth is unlikely to be uniform across all countries.

means that official development assistance may be constrained—despite rhetoric to the contrary. Even before the global financial crisis, the 2005 commitment of the Group of Eight (G-8) countries 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 Comprehensive African Agriculture Development Program framework.

9. The combination of the current dynamism and optimism on the continent (which came through loud and clear in the consultations [see box 1]) and the development challenges ahead—not to mention changes in the global economy, in Africa, and in the World Bank—make the time right for a renewal of the World Bank strategy for Africa. The Bank's current strategy has been guided by the 2005 AAP, which was developed at a time when the global economy was buoyant and considerable optimism existed 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 1, 2010. In addition to face-to-face meetings in 31 African countries and 5 European countries, the Bank held online consultations for stakeholders interested in sharing feedback through the Web. The first "listening period" of the consultative process ended on July 31, 2010. The comments and suggestions provided by more than 1,000 face-to-face and 400 online participants during the first phase of consultations (June–September 2010) informed the initial draft of the strategy.

Stakeholders identified (a) the promotion of the private sector as a driver of growth, (b) the capacity of governments to manage resources, and (c) the role of subregional 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 others, these are downstream manifestations of poor governance, ensuring that public goods cannot be provided without pervasive losses caused by poorly allocated budgets, and 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 on 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 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 toward 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.

BOX 2 Accomplishments 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 toward the goals. The G-8 countries had also pledged to double aid to Africa. The resulting AAP 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 IEG evaluation 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 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 hold the promise of a better future.

That said, both the 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 consultation 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. This lesson led the Africa Region to embark on the current strategy including face-to-face discussions with more than 1,000 people in 36 countries and an additional 400 commentators online (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 the 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. A regional strategy has difficulty excluding a particular sector in every country. By contrast, in each country strategy, prioritization is required 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 the quality of project preparation, which has seen steady improvement over the past seven 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 overdetermined. Building on these lessons, the present strategy specifies explicitly the relationship between the regional and country assistance strategies (CASs). 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, because the G-8 countries' 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 the Bank explores all possible sources of finance for Africa's growth and poverty reduction.

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 Brazil, China, and India; the untapped potential of mobilizing domestic resources; and 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 point to the need for new partnerships among governments, development partners including the African Diaspora, and the private sector.[3] Furthermore, Africa is changing. African countries are increasingly relying on the private sector as the engine of growth and confronting governance problems, including corruption, head-on. Political support exists for the role of the state as regulator, facilitator, and agent of redistribution for equity, as

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

shown in success stories[4] such as Malian mangoes (box 3), Kenyan cut flowers or, Rwandan 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 these issues through supply- and demand-side mechanisms, such as results-based financing for health in Rwanda[5] or citizen monitoring (through cell phones) of conflict and disaster management in Kenya's Ushahidi.[6]

Regional organizations, such as the African Union (AU) and the New Partnership for Africa's Development, 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 WBG is changing. The "paradigmatic instability" of the past notwithstanding, the Bank is supporting development models that allow 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. It is promoting South-South knowledge exchange for this purpose. Given the large number of public and private sector players in Africa, the Bank sees 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 assistance with comparable amounts from the 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[7]), economic structure, and political and social environment. Moreover, the strategy will be implemented largely 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 Africa Strategy 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 10).[8] In addition, this regional strategy, because 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, and government and development partners (including the Bank) find their comparative strengths to select the nature of their interventions. Because 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, which would also feed into efforts toward 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.

4 See "Yes Africa Can: Success Stories from a Dynamic Continent" at http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/0,,contentMDK:22549653~pagePK:146736~piPK:146830~theSitePK:258644,00.html.

5 See "Signed, Sealed, Delivered? Evidence from Rwanda on the Impact of Results-Based Financing for Health." http://www.rbfhealth.org/rbfhealth/news/item/188/signed-sealed-delivered-evidence-rwanda-impact-results-based-financing-health.

6 See Ushahidi's website at http://www.ushahidi.com.

7 Burundi and Equatorial Guinea, respectively.

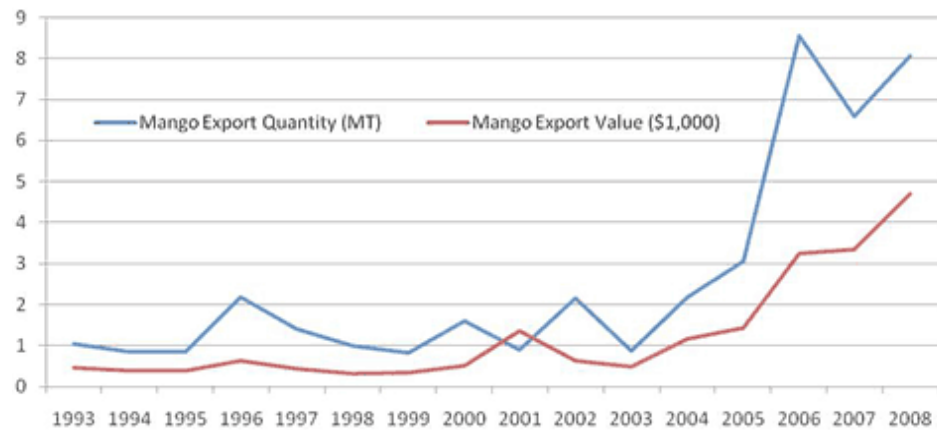
8 The results framework for the regional strategy is different from an aggregation of country strategies. It spells out the logic of the results chain (linking interventions with outcomes). Quantitative indicators to monitor progress are built up from the country level.

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. Although 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 seaports, and weak harvesting and postharvest 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 multimodal (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, phytosanitary improvements were made, certification and traceability programs were implemented, and training in orchard management practices and postharvest handling was offered to Malian agricultural workers. The overarching goal of the strategy, however, was to increase rural incomes.

Most important, 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—CFAF 125 in 2008, up from CFAF 50 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 10-Year Vision

14. The 10-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.[9] Another 20 countries would grow at an average rate of 1–2 percent.[10] The poverty rate would have declined by 12 percentage points. At least five countries will achieve middle-income status.[11] This growth will be achieved with a production mix that is considerably more diversified, with manufacturing and services growing rapidly and ab-

9 A possible list of such countries would include Radelet's (2010) 17 emerging African countries plus Benin, Kenya, and Malawi, all of which averaged approximately 2 percent or higher per capita growth over the last 15 years.

10 The vision could be extended to a 10-year vision of Africa's urban and metropolitan space.

11 The Comoros, Ghana, Kenya, Mauritania, and Zambia are currently on the threshold.

sorbing labor at a rapid clip. Meanwhile, agricultural productivity will increase, with 15 countries—up from the current 8—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[12] 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 of 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.

15. 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 in which subregional drivers of growth—large or integrated countries such as the Democratic Republic of Congo, Ghana, Kenya, Nigeria, and South Africa—not only are the locomotives of their subregions but also promote regional solutions that help Africa overcome the constraints of small states and markets. Africa's 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 (LICs) for both inward and outward investment.

16. 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 consensus exists that a particular ingredient is fundamental, 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 strategy 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 multidimensional approach, including achieving goals in other sectors. Conversely, infrastructure is not a goal in itself, but rather a critical ingredient in 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.

12 Regionally integrated infrastructure is defined as reducing the "missing links" in energy, road, rail, and ICT by 50 percent.

III. Themes of the Strategy

17. 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' strategic thrust on creating opportunities for growth. Africa is poised to seize these opportunities and possibly become the next growth pole. Likewise, the Post-Crisis Directions' focus on the poor and vulnerable is reflected in the Africa Strategy's emphasis on vulnerability and resilience, which is also a main theme of the IDA16 because LICs 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.

18. The strategy has two pillars, (a) competitiveness and employment and (b) vulnerability and resilience, and a foundation—governance and public sector capacity. Both the long-term challenges and the emerging issues already described not only fit within these pillars and foundation but also are consistent with the World Bank's Post-Crisis Directions and the IDA16 policy framework. Table 1 captures these relationships. Addressing them within country strategies will be the catalyst needed to realize the vision.

Table 1: Relationships to global strategies

Africa Strategy	Post-Crisis Directions	IDA16 framework
Competitiveness and employment	Create opportunity for growth	Gender (women's empowerment)
Vulnerability and resilience	Target the poor and vulnerable; manage risk and prepare for crisis	Climate change; crisis response; gender (reproductive health)
Governance and public sector capacity	Strengthen governance; create global public goods	Fragile states; regional integration

19. In presenting the pillars and foundation of the Africa Strategy, this paper first describes the pillars of (a) competitiveness and employment and (b) vulnerability and resilience. In so doing, it points to where governance is the binding constraint to progress on these pillars, thereby setting the stage for the strategy's foundation: governance and public sector capacity.

Pillar 1: Competitiveness and employment

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

21. 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 such growth clearly sustainable. Most African enterprises are small (often employing only household members) and suffer from low productivity. Although productive formal sector jobs are growing at the same rate as GDP in countries such as Uganda, this rate is not enough to absorb new entrants to the labor force. The underlying reason is the legacy of rapid population growth, which is only beginning to decline in some countries in the past decade, combined with a poor investment climate. Africa's ratio of private investment to GDP is half of Asia's.

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

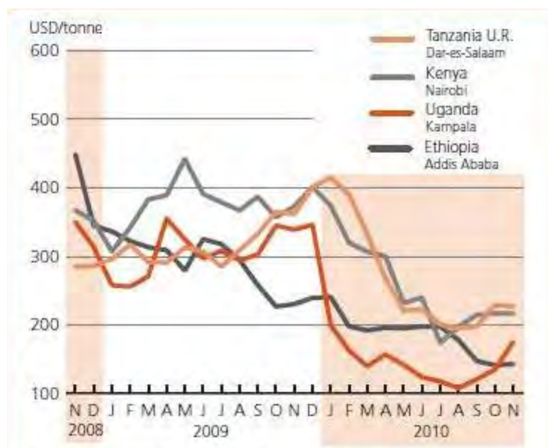
Topic	Economy
Starting a business	Peru
Dealing with construction permits	Congo, Dem. Rep.
Registering property	Samoa
Getting credit	Ghana
Protecting investors	Swaziland
Paying taxes	Tunisia
Trading across borders	Peru
Enforcing contracts	Malawi
Closing a business	Czech Republic

Source: Doing Business database.

22. Africa's weak investment climate is caused by three main factors: (a) poor infrastructure, (b) poor business environment (policies and access to finance), and (c) insufficient technical skills. Africa's infrastructure seriously lags that of other developing regions, and the gap is widening over time. Moreover, because of their 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 factor lies behind the cost disadvantage African exports suffer in world markets and is one of the obstacles to the productive development of rural and urban areas.

23. In general, African firms face a constrained business environment, low access to finance, and high indirect costs. Most small and medium enterprises (SMEs) 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 mixed results. Petroleum refining and mineral beneficiation have faced the same constraints—infrastructure, business environment, and skills—as other manufacturing enterprises.

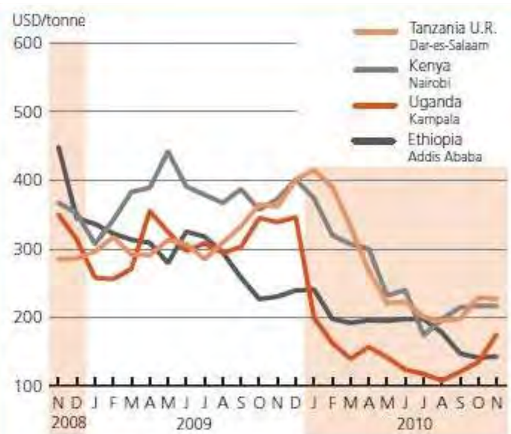
Figure 4: Maize prices in selected eastern African markets



Sources: Regional Agricultural Trade Intelligence Network; Ethiopian Grain Trade Enterprise.

24. 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 needs similar to small enterprises, such as market stability, access to finance, and information. Yet a large number of government interventions exist, such as extension services and fertilizer subsidies, whose effectiveness is being questioned. 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, because 93 percent of African agriculture is rain-fed, improving resilience to the harmful effects of climate change (including floods and droughts) is particularly challenging, given the limited installed water storage capacity across the region, among other things. Improved agricultural water management, better transport, and access to cheaper energy are essential conditions to securing access to markets and improving the competitiveness of farming businesses.

Figure 5: Millet prices in selected western African markets



Source: Afrique Verte.

25. At the same time, opportunities exist 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. Because many of the most important government failures (poor policies and governance, for instance) 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." Although 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 were undermined by governance issues—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 (Lin and Monga 2010).

26. Government interventions are successful for enterprise and industry development if they are focused on 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 (for example, building new infrastructure that can be used by other industries) or significant market failures (for example, coordination issues or high entry costs and risks for first movers). Specific examples of the success of targeted government interventions are 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 by 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.

27. 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 skills building for the industries and locations of highest potential. Such projects are being implemented or prepared in Cameroon, the Democratic Republic of Congo, The Gambia, Madagascar, and Mozambique. A subset focuses 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 the IFC's Africa Agribusiness team. The initiative was launched in October 2010 with four pilot projects in Burkina Faso, Ghana, Malawi, and Senegal.

28. 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 (World Bank 2009). Urbanization therefore is not just inevitable, but it is also a key factor in economic growth. Density and urbanization are essential to achieving agglomeration economies. The productivity advantage of cities stems from the colocation of many firms and many workers in proximity, whereas the spatial distribution across primary cities and smaller cities and towns benefits other sectors, such as agriculture, through market demand and service provision. Urban development is a space for development that goes beyond individual sectors; it provides services and simultaneously creates an environment for innovation, production, trade, and investments, and it offers 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 the existing instruments to fight poverty, especially with inequality in urban areas growing fast.

29. Although 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). This paper discusses each of them in turn below.

30. 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 $17 billion of infrastructure resources annually. This step 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 $31 billion a year would nonetheless remain continent-wide, the larger part of it relating to power infrastructure. The very policy measures that help reduce inefficiency should also help create a more favorable investment climate for infrastructure, improving prospects for private investment and successful PPPs. Recent WBG initiatives are supporting innovative PPPs in sectors previously wholly in the public domain, such as shared fiber-optic cable systems or backbones, bulk water supply, and toll roads. To expand the potential for private investment and PPPs, the Bank and the IFC are further integrating support for private infrastructure in an initiative that will focus those resources on a few PPPs with high potential for leverage. Nevertheless, a substantial share of investment needs to remain in sectors (power transmission, rural roads) or countries (fragile states) that are less likely to be strong candidates for private finance. Therefore, 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).

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

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

Source: Briceño-Garmendia, Smits, and Foster 2008.
Note: n.a. = not applicable.

31. Because 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.

32. Given the large number of small countries, many infrastructure programs should be regional to benefit from scale economies. This need adds an additional layer of complexity in harmonizing policies across countries. Nevertheless, the benefits are so huge—some $2 billion annually for the power sector alone—that it is being and should be pursued. African governments 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, and aviation and maritime transportation.[13] Emphasis is growing 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.

13 The regional IDA commitments (including matching national IDA contributions) increased from $0.4 billion (IDA13) to $1.6 billion (IDA14). IDA15 commitments are estimated to reach $2.3 billion.

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.

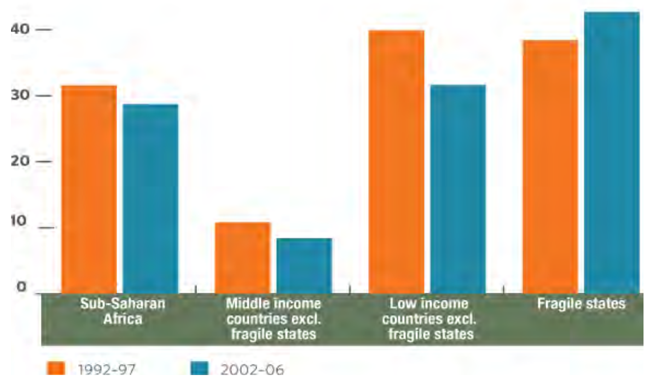
33. Improving the business environment (policies and institutions that protect property rights while promoting fair competition) is the next priority after improving infrastructure. The potential is enormous because, as one of the participants at a consultation said, "You don't have to pay me to go after 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 SMEs. Africa still lacks long-term financing instruments, and SMEs are frequently left out of the capital markets. The Bank and the IFC are working together to improve this situation. The Bank has focused on policy and institutional development, whereas the 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.

34. Microfinance, while growing, has huge, untapped potential in Africa. It is not all about credit, however: 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. Because 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 ensure that the playing field is level between foreign and domestic investors, in the process making sure 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, which is critical not only to sustaining political support for reform, but also to mitigating the possible risk that foreign investment will remain isolated with limited domestic spillovers and backward and forward links.

35. 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 types of companies (exporters) or industries and locations (growth poles). The WBG is also deploying new approaches to improve systematically 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 Organization for the Harmonization of Business Law in Africa regional project, which reached an important milestone 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.

36. In addition to infrastructure and an improved business environment, Africa's competitiveness and employment depend on having a healthy and skilled workforce. Building on the success with access to primary education, 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 skills be oriented toward the knowledge economy, especially science, technology, and research. Higher-education institutions and centers of excellence need to be supported to fulfill this mandate.

Figure 6: People with insufficient daily nourishment



Source: World Development Indicators, World Bank

37. 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's economic empowerment through increased participation in the labor market and improved reproductive and child health.

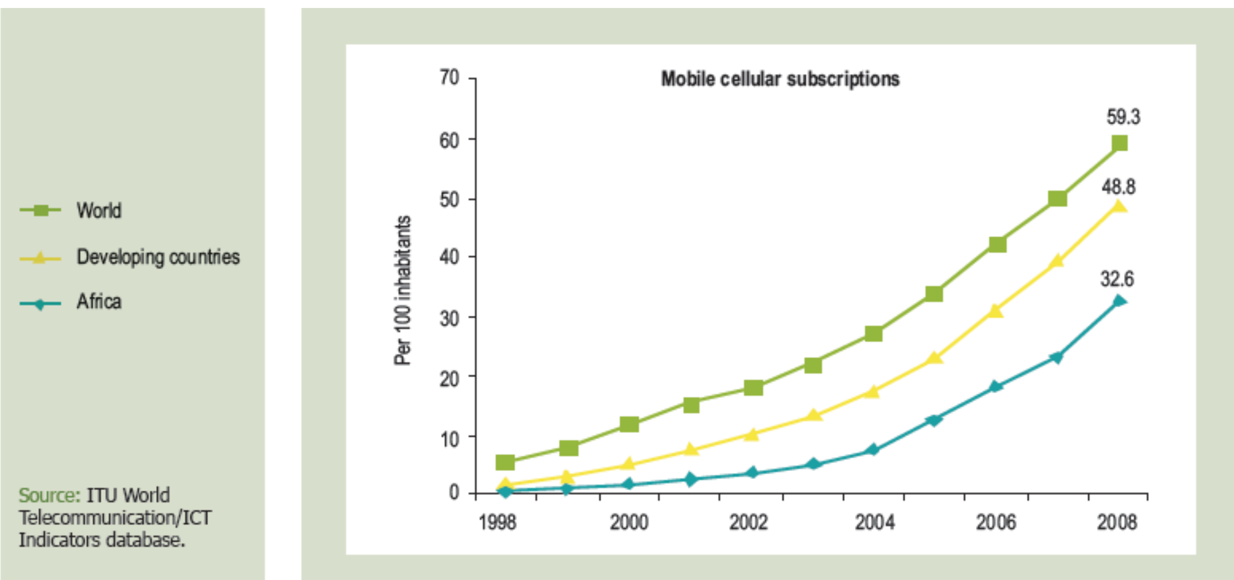
38. Two other neglected areas, early childhood development and nutrition (figure 6), could, if scaled up, contribute to better prepared students who are more able to learn and finish school. Adult health challenges (notably HIV/AIDS) lead to absenteeism and lower productivity in the workplace. In some 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 postconflict countries, could reap large benefits; the recent experience in these areas should be carefully studied to learn lessons for future implementation. Programs run by subnational governments or agencies have a better chance of succeeding. People forming part of the African Diaspora could play a role in stimulating productive employment by providing their own skills, helping build the skills of the local population, and supporting SMEs in agriculture, manufacturing, and services. Initiatives are in place to have more industry-relevant technical and vocational training systems. These include PPPs in reforming the technical and vocational education and training system (for example, in the Nigerian construction sector). Initiatives also exist to help develop entrepreneurial skills for both formal and informal micro and small entrepreneurs through a combination of training, mentoring, matching grants for business development services, and deployment throughout the region of IFC's SME Management Solutions products.

39. 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 10 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 scaling up is possible.

40. 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 information technology 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 own right—can be replicated continent-wide and serve as Africa's contribution to knowledge exchange. Already, the lessons of M-PESA mobile banking have been spread in Indonesia as has Ushahidi's crowd-sourced disaster monitoring in Haiti.

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

Figure 7: Mobile cellular penetration in the world, developing countries, and Africa



Source: ITU World Telecommunication/ICT Indicators database.

42. The empowerment of women to accelerate economic development—critical because, as one participant at a consultation put it, "[T]he 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 fuelwood, 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.

43. Finally, in the promotion of competitiveness and employment in Africa, the issue arises of perceptions, which often lag behind developments on the ground. Business climate reforms and infrastructure investment cannot resolve this problem. 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 WBG can play a role not only 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 2: Vulnerability and resilience

44. Although 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 few possibilities exist 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 the Bank's strategy.

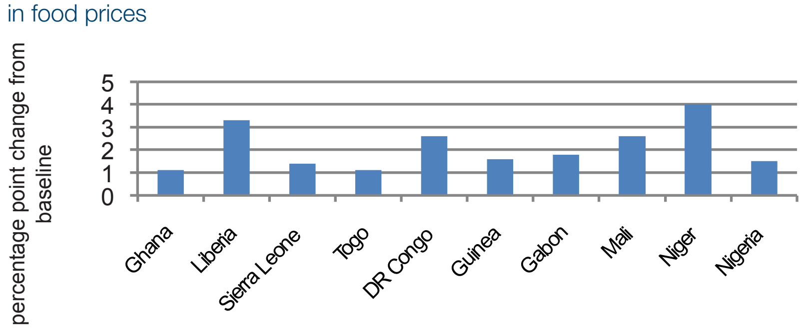
45. The important shocks experienced in Africa fall into five categories.

46. The first category is 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 effects on the real economy and on welfare, particularly of the poorest (figure 8). Analysis from the recent crisis suggests that poverty rates rose on average by 4.2 percent in Africa, although the impact in rural areas may have been even higher.[15]

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 Area countries.

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

Figure 8: Poverty increase from baseline caused by a 25 percent increase in food prices



Source: Wodon and others 2008.

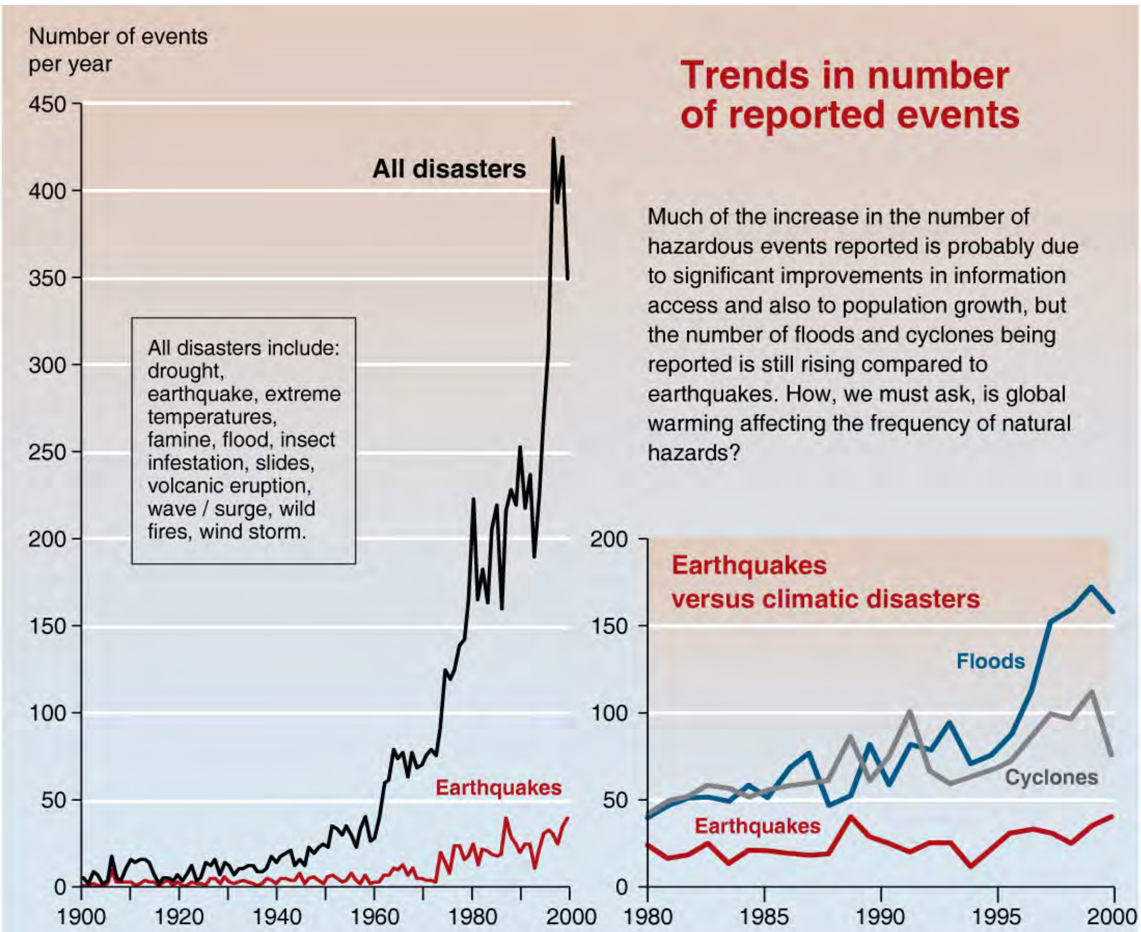
47. Idiosyncratic shocks, such as those to individuals' health (HIV/AIDS, malaria, maternal mortality), constitute the second category. The economic impact of malaria, for example, has been estimated to cost Africa $12 billion every year, including the costs of health care, working days lost, days lost in education, decreased productivity because of brain damage from cerebral malaria, and loss of investment and tourism.

48. Natural disasters, such as droughts in Niger, cyclones in Madagascar, and floods in Mozambique, are examples of disasters experienced across the continent and that are part of an increasing global trend (figure 9). 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, because agriculture, the mainstay of most rural livelihoods, is weather-dependent, improving resilience to the negative effects of climate change is both imperative and challenging.

49. 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 to 2005 amounted to $284 billion. Conflicts in Burundi and Rwanda have cost their governments an annual economic loss of 37 percent and 32 percent of GDP, respectively. A conflict is estimated to turn 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.

16 Twenty-three African countries were involved in one form of conflict or another during this period. See the work of International Action Network on Small Arms, Oxfam International, and Saferworld (2007).

Figure 9: Trends in natural disasters



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

50. 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) and smooth consumption after 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 uncon-

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 because of 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 Productive Safety Nets Programme 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. Therefore, the program was able to respond quickly. In sum, the Productive Safety Nets Programme was seen as an indispensable part of Ethiopia's efforts to mitigate the shocks' effect on the rural poor.

ditional cash transfers (Kenya, Malawi, Nigeria, and Tanzania), near-cash instruments (food vouchers in Burkina Faso), and food distribution schemes (Niger). In addition, some governments have used generalized price subsidies, but these have a poor track record because they are expensive and not successfully targeted at the poor.

51. The choice of safety-net program depends on the prevailing political environment. Rwanda's social protection program covers 90 percent of the population because it has strong political backing.

52. 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 that can also be scaled up quickly and effectively in response to shocks is important for building resiliency.

53. Health shocks require a combination of interventions. Public health interventions, such as immunizations and better water and sanitation, help prevent these shocks. Insurance, or insurancelike 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, the IFC is working with several other countries (for example, 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. 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 the disabled or people living with HIV/AIDS, suffer doubly—both from the ailment and from stigmatization.

54. 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, access to high-quality and affordable emergency obstetric care is equally important. 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 insurancelike mechanism (high-cost, low-probability event). One should not forget, however, that cultural, social, and political factors intervene.

Evidence in some countries indicates that husbands do not let their wives seek high-end care (Lawoyin, Lawoyin, and Adewole 2007).

55. 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 response includes providing better hydro-meteorological services, establishing early warning systems, adopting 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, and 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 involve not the construction of new assets but the sustainable management of existing ones, such as fresh water, forests and wetlands, grazing lands, fisheries, and biodiversity.

56. 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-year flood rather than the 1-in-50-year event; economic development might need to be reoriented and diversified away from the most vulnerable coastal areas or the least resilient sectors, such as rainfed agriculture.

57. 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 important, the heavily damaging disruption in supply chains and access to health and education services that more frequent floods of the future will bring about.

58. Some investment decisions are more sensitive to climate outcomes, however, and therefore less clear-cut. For example, opportunity cost of capital invested in long-lived hydraulic infrastructure might be significant 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.

59. Although 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 (Bouzaher, Devarajan, and Ngo 2008), could be worth about $1.47 billion a year. Africa and its institutions fully understand these risks and opportunities. The Bank will work with the continent and other partners to develop risk finance products for these evolving needs. It will also work with the AU, the AfDB, and other partners to support the continent to better leverage these opportunities through the Community of Practice 17 platform.

60. 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 geothermal resources are so abundant that it has the potential not only to leapfrog over a carbon-intensive development path but also to seize the opportunity to address energy deficits critical to transformational growth in the region. The Bank's role in creating specially formulated instruments[17] to support this strategy, such as the Low Carbon Development Fund, can be scaled up.

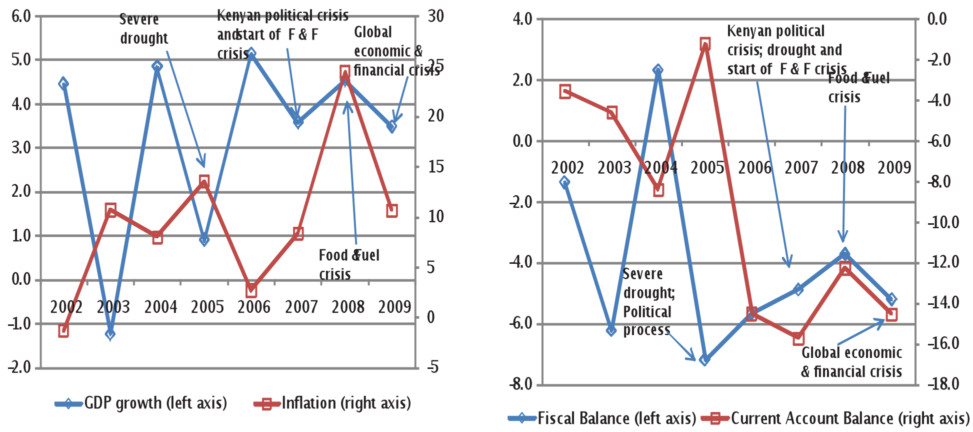
61. Preventing conflict and political violence and building institutions for inclusive growth while mitigating these shocks require peace-building mechanisms. More generally, preventing shocks and being better prepared for them will involve a mix of capacity strengthening and institution building. Examples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

17 These instruments include such specialized funds as the Global Environment Fund, the Clean Technology Fund (aimed at demonstrating transformation at scale in MICs), and the Renewable Energy Program, three of whose six pilot countries are in Africa (Ethiopia, Kenya, and Mali).

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

BOX 5 Burundi's Vulnerability and Resilience to External Shocks

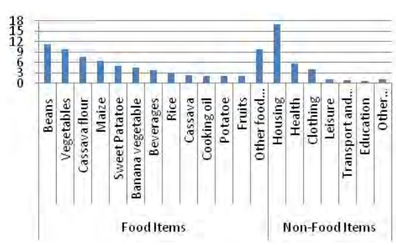
Macroeconomic vulnerability, selected macroeconomic indicators



Source: International Monetary Fund.

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, because Burundi is a net food importer and depends heavily on fuel imports, it is very susceptible to shocks in international markets. For instance, between 2007 and 2008, inflation rose by 16 percentage points because of the increase in international food and fuel prices. Third, 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.

Burundi household expenditures
percent



Source: Burundi CWIQ Survey (2006).

These shocks, especially when they are cumulative, can have large welfare consequences. For instance, because households spend a large share of their income on food (see figure at right), 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 effect of future shocks by replicating previously successful policies, such as well-targeted tax exemptions on items mostly consumed by poor households, distribution and facilitation of fertilizers, investments in improving food production, and improving the effectiveness of existing safety nets (for example, the school feeding program).

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

Foundation: Governance and public sector capacity

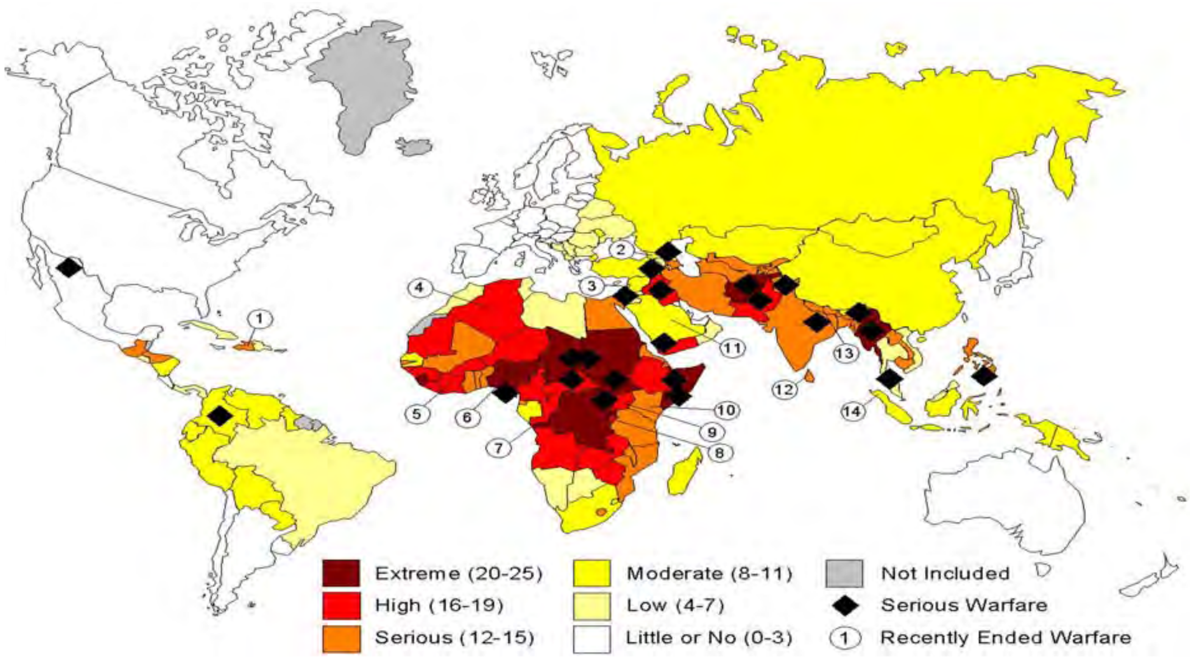
64. As the preceding discussion and feedback from consultations show, underlying Africa's many development problems is the challenge of governance and political leadership. Competitiveness is constrained by restrictive business regulations that are difficult to remove because of vested interests. Infrastructure—often considered another binding constraint—is itself impeded by poor public investment choices, weak budget management, corrupt or lethargic procurement practices, inefficient public utilities, and 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, and leakage of public funds—is the result of failures in accountability of civil servants and politicians to the public.

65. But these problems are found in other developing regions.[18] 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 (FCSs). 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 10).[19] The problem of fragility is exacerbated by the exceptionally weak capacity of the public sector in these countries.

18 The teacher absence rate in public primary schools in India is 25 percent; no city in South Asia has 24-hour access to water.

19 The measure assesses a country's effectiveness and legitimacy along four dimensions: security, political, economic, and social performance. See http://www.systemicpeace.org.

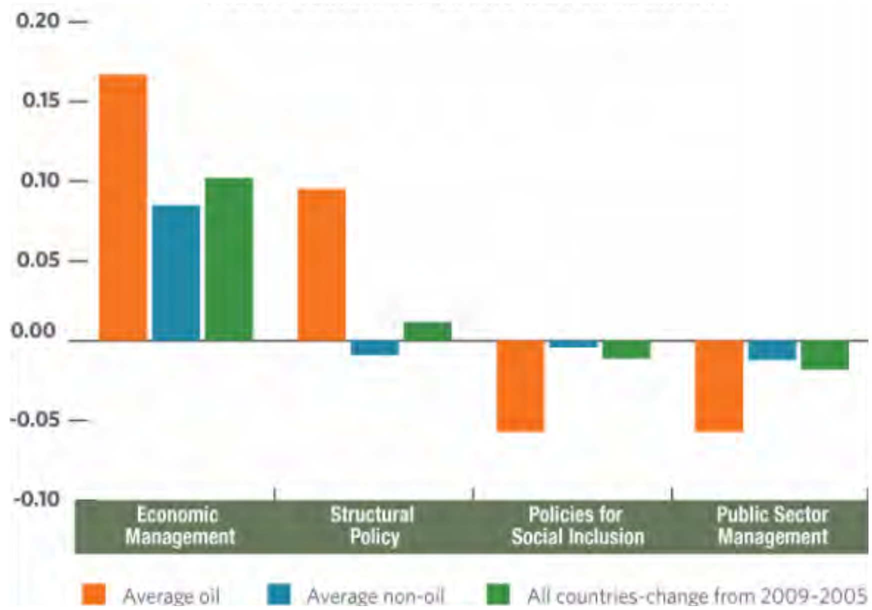
Figure 10: State fragility and warfare in the global system



Source: Marshall and Cole 2009.

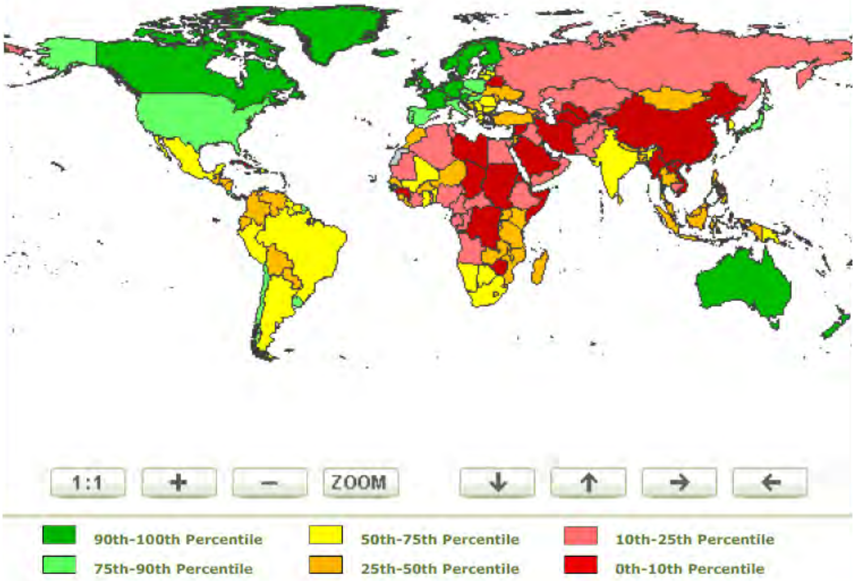
66. Second, political instability continues to bedevil many countries. Contested elections are followed by postelectoral crises and ethnic or political conflict, as in Kenya, Zimbabwe, and most recently, Côte d'Ivoire. Coups and nondemocratic transfers of power occur with disturbing frequency, as in Guinea, Mauritania, Niger, and Madagascar in 2008–09. 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 Country Policy and Institutional Assessment, is not encouraging (figure 11).

Figure 11: Change of Country Policy and Institutional Assessment scores within clusters for oil-exporting and non-oil-exporting countries, 2005–09



67. 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 Anticorruption Strategy. That 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 Democratic Republic of Congo, assisting with 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 preparing 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 the value chain of extractive industries has been expanded and is now influencing the Bank's policy dialogue with resource-rich governments in Angola, the Democratic Republic of Congo, Ghana, Niger, and Nigeria. Nevertheless, the overall state of governance in Africa remains weak. The Mo Ibrahim Foundation's 2010 Index of African Governance gives the continent an average overall score of 49 on a scale of 100, ranging from 8 for Somalia to 83 for Mauritius; as a subregion, Central Africa scores lowest with 38. Africa also does poorly on the Bank's Worldwide Governance Indicators' voice and accountability measures (figure 12).

Figure 12: Voice and accountability, 2009



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

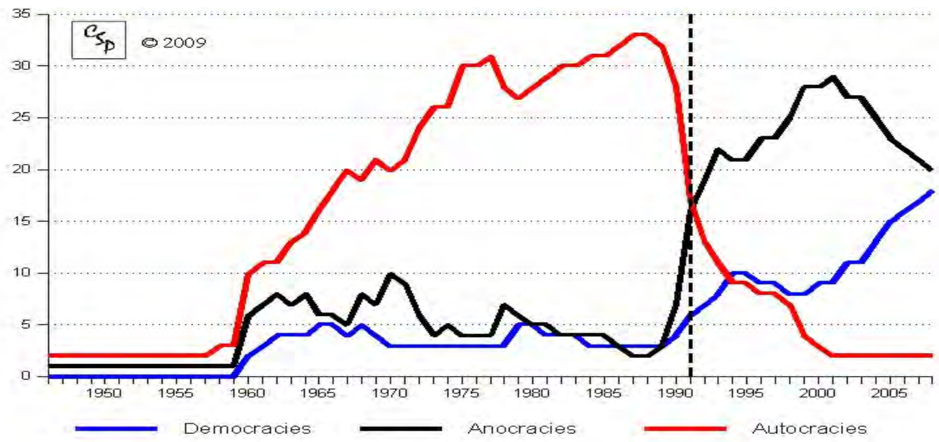
68. The experience with implementing the Governance and Anticorruption Strategy has taught several lessons, of which the three most important follow: (a) governance reforms are deeply political, and attempts to treat them as technical solutions are bound to fail; (b) an intimate relationship exists between 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 (c) the Bank's traditional instruments of finance and knowledge assistance, usually delivered through individual sectors, may not be conducive to fostering change for such politically charged issues as governance.

69. Moreover, a clear message from the consultations for this Africa 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. Greater openness exists 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 legislation.

70. Putting these factors together, the Bank concludes that governance and public sector capacity, instead of being another pillar, should be the foundation of its strategy for Africa.

71. In broad terms, and building on the lessons learned, the Bank 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, it is necessary to work on the demand for good governance. Why is accountability of politicians to citizens not addressed at the ballot box? The answer is that most African countries are making an uneven political and institutional transition toward 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 in some have features of democratic systems and in others are reminiscent of dictatorships (figure 13). Anocracies lack some of the institutional capabilities to manage conflict. They are typically more vulnerable to misgovernance, 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 13: 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.

72. 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 misgovernance.

73. In this setting, part of the Bank's strategy in the Region is to strengthen citizens' voices by 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 nonstate actors, including the following:

- The External Implementation Status and Results Reports Plus Initiative, which has gained ground as a way to systematically engage nonstate actors (including civil society organizations [CSOs], 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 fiscal year 2011.
- Contract Watch, which is another innovative social accountability initiative being taken forward in 12 countries in the region (Burkina Faso, Ghana, Kenya, Liberia, Malawi, Mozambique, Nigeria, Rwanda, Senegal, Sierra Leone, Uganda, and Zambia). Supporting contract monitoring, including in procurement and extractive industries, can serve as 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 multistakeholder coalitions engaged in this work.

74. The Bank's 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 nonstate 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 also 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 necessary. Given the sensitive nature of such interventions, the Bank expects 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 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 phone penetration, the use of georeferenced data, such as Ushahidi, amplifies social accountability. More generally, the use of ICT to enable citizen-centered governance has immense potential. 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 its potential to engage on governance and provide feedback to government.

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 following table with selected data). When expanded across all 47 countries in Sub-Saharan Africa, this information will become 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

75. Turning to the supply side, foremost is building the capacity of a new generation of African political leaders and reform champions, because they set the tone and provide the climate in 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 bolder measures through special seminars for top leadership, engaging successful leaders such as Brazil's Lula or Singapore's Lee Kwan Yew in South-South experience sharing and peer learning.

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

77. Many reform programs have not achieved their objectives because no "political will" existed to implement the reform, a realization that usually occurred after many futile years of effort to push the reform. This experience suggests that the political context was misread and the authorizing environment was misunderstood. 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.

78. 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.

BOX 7 A New Approach to Capacity Development

The Capacity Development Management Action Plan under the AAP was essentially a tool to monitor World Bank–funded programs in Africa targeted toward 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. Because project and program evaluations (Implementation Completion Reports) 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 are central to the new Africa Strategy and a key ingredient to the attainment of the strategic pillars of (a) competitiveness and employment and (b) 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 and needs assessment) and supply-side aspects (solutions to capacity through strengthening the following: tertiary institutions, centers of excellence, diaspora networks, professional networks, and local contracting industries and by tackling incentives and capacity retention risks). Fundamental to the new approach is partnering and leveraging the capabilities of the WBI and the African Capacity Building Foundation 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 will mainstream capacity issues in CASs and monitor progress on the basis of agreed benchmarks. It will work with the 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 nonexecutive branches of government (legislatures or parliaments and the judiciary), as well as engaging with nonstate actors and the private sector. The Bank will promote South-South knowledge sharing in this regard, both within and between Africa and other developing countries. Distance-learning technologies, such as the Global Development Learning Network, will also be developed and used 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.

79. 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 has had the effect of empowering a reform champion, changing mindsets in the bureaucracy, and offering the chance to enlarge the space for reform.

80. The strategy will continue to build the capacity of different actors in the public sector so 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 do not get spent—is largest. As countries, after debt relief, take on nonconcessional debt, the need for sound public investment decision making becomes all the more critical.

81. 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 postconflict countries where the civil service has collapsed and attempts to restore core functions have to contend with very limited skills and capacities.

82. Because this ingredient is critical 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 effective use of existing capacity and skills. Most governments have capable staff persons who 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 (midterm expenditure frameworks, integrated financial management system, and program budgeting) and then seek to achieve them with high-priced, expatriate technical consultants undermine long-term capacity building. The message here is that no shortcuts exist 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 the premium on wages for skills declines and the effects of turnover of staff to donor agencies is minimized.

83. Under the thrust of the Bank's approach to capacity development in Africa and working in partnership with the WBI, the AfDB, the African Capacity Building Foundation (ACBF), the African Economic Research Consortium, and other agencies, the strategy will support capacity development of nonexecutive branches of governments (legislatures or parliaments and the judiciary). Strengthening legislatures and the judiciary can enable them 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. The Bank will leverage South-South platforms for experience sharing and practical knowledge transfer in these areas. The Bank will try to scale up the experience with, for example, results-based financing in Rwanda, output-based assistance in Mauritius, and implementation by nonstate actors. The use of CSOs upstream in monitoring government processes will be promoted and evaluated.

84. Supreme audit institutions, public accounts committees, national anticorruption bureaus, and other institutions of accountability will continue to be strengthened and their independence supported. The Bank will partner with the African Union Commission, the AfDB, and others to 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 (Burkina Faso, Mozambique, and Tanzania), Africa-to-Africa learning will be encouraged.

85. Another area for engagement on governance and public management is provided by the growing urbanization of Africa and the government's need to develop systems of local governance and public infrastructure that are responsive to 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 subnational government levels and perhaps identify a set of country pilots to benchmark progress toward targeted exits from donor-imposed fiduciary safeguards.

86. If a market failure is possible, the Bank will intervene to build the capacity of the private sector as well. PPPs 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 its legitimacy and accountability. The strategy will reposition the Global Development Learning Network and other distance-learning platforms as potentially effective tools to encourage peer learning among CSO groups, to promote South-South private sector experience sharing among doers, and generally to broker global content to meet local capacity development needs.

87. Finally, the issue of natural resources and their effect on governance and development deserves special mention because it poses specific governance and public management challenges. Natural resource wealth creates strong incentives for governments to ignore citizens by diminishing the need to rely on tax revenues as well as drawing strong vested interests, both domestic and foreign, by the large rents available, 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, and Uganda and many still untapped, some have argued that Africa's commodity exports will increase to about five times their present level (Collier 2010) and can become either an opportunity or a challenge. The Africa Region will deepen the Extractive Industries Transparency Initiative approach, which considers the value chain of natural resource management from (a) initial discovery through (b) transparent contracting for extraction to (c) transparency in revenue reporting and management to (d) 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 by helping ensure local communities benefit from extractive industries and social or 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 aboveground public and human capital to strengthen a sustainable development process.

IV. Implementing the Strategy

88. A strategy is only as good as its implementation. Although this strategy, like its predecessors, will be implemented using the WBG's traditional instruments—finance, knowledge, and partnerships—the Bank will reverse the order in which it applies those instruments to encourage greater selectivity and to better leverage policy and institutional reforms.

Partnerships

89. The main instrument of implementation will be partnerships—with African society, governments, the private sector, universities, policy research institutions, and other development actors. The Bank 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 the Bank is well placed to do so. For example, in the health sector, the Bank is playing to its strength in helping build and sustain health systems, while others provide financing for vertical programs such as antiretroviral therapy and tuberculosis control. The Bank will focus on partnerships where its catalytic and convening power will be transformative, such as the Comprehensive African Agriculture 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 (APOC; box 8). Mobilizing partners to deepen and accelerate support for Africa will be a top priority 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 nonconventional development actors, including Brazil, China, and India, as well as global funds, Arab funds, and private foundations.

BOX 8 African Program for Onchocerciasis Control Among the Most Successful and Longest-Running PPPs for Health in Africa

Onchocerciasis, or river blindness, is transmitted by the bite of riverine black flies, causing lifelong intense itching, stigmatizing skin disfiguration, and loss of vision. In 1974, a vertical approach to vector control (the Onchocerciasis Control Program) 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; in addition, a private sector drug donation and a network of 15 nongovernmental organizations play crucial roles. Strong representative governance is maintained through a board led by the 19 African countries benefiting from the program. Implemented by the World Health Organization and financed through a trust fund managed by the World Bank, APOC is supported by more than 20 donors that include national governments, foundations, and the private sector. Since 1996, donors have contributed $185.6 million.

Because river blindness is a disease of isolated communities beyond the reach of traditional health systems, APOC has helped countries (a) create a community-directed treatment strategy with ivermectin involving 261,000 community-directed distributors, (b) extend and strengthen health systems, and (c) provide 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 nongovernmental development organizations, which contribute an estimated 25 percent 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 disability-adjusted life years per year averted, which at $7 per disability-adjusted life year is a remarkably cost-effective return. River blindness control is not only important for health, however; 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 three years after treatment was stopped.

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

90. Within the WBG, the Bank will continue to deepen collaborative and joint initiatives with the IFC and MIGA. The recently established Asset Management Company of the IFC is an example of leveraging IFC equity investments to mobilize new sources of investment from nontraditional sources. Joint WBG initiatives are 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 or adaptation strategies. The Bank 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. The Bank will facilitate and support partnerships with the private sector, ensuring a level playing field for African initiatives to thrive. MIGA's collaboration with the WBG should continue to deepen. MIGA will continue to harness the IDA's specialist knowledge resources to better understand both risk and development effects at a project level, as well as to maintain consistency with WBG goals. In addition, MIGA will look to build on recent positive experience with both the IFC and the IDA on deal origination (shown most concretely in the new cooperation arrangement with the IFC, agreed in fiscal year 2010 and already responsible for the delivery of several closed deals).

91. The Bank will use its convening power to amplify the voice of Africa in the world. It will work closely with the AU, the Group of 20, and other forums 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. The Bank 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. The Bank will help African governments improve their domestic resource mobilization. It will leverage South-South relationships both for learning opportunities as well as for innovative financing (see discussion below on MICs).

92. The Bank will continue to support and work with the ACBF and its network of African policy research and public administration institutions and universities. Over the past 15 years, the ACBF has played an important role in strengthening capacity in ministries of finance and planning for macroeconomic policy management and poverty reduction strategy development by supporting more than 3,000 graduates of postgraduate programs at four African universities as well as establishing well-regarded independent policy think tanks, such as the African Economic Research Consortium. The 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 are broadly aligned with the Bank's own approach to governance and public sector capacity, which provides a good basis for partnership and deepening African ownership of the capacity and governance agenda.

93. As was the case during the consultations leading up to this strategy, the Bank's partnership with African society will be based on mutual learning and listening. The Bank is committed to ensuring the development of a robust debate in the public sphere in Africa, which it will facilitate by working with a broader range of partners, including African parliamentarians, CSOs, think tanks, and media. Moreover, the Bank will scale up the use of new ICTs to build civil society feedback loops in its work and enhance accountability for results in Bank-financed programs.

Knowledge

94. The second most important instrument for implementing the strategy is the generation and dissemination of knowledge. The Bank will strengthen its 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 its clients and partners.

95. Because 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. The Bank's 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.

96. The Bank will therefore improve the impact and effectiveness of its 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 toward producing stand-alone reports aimed at specialist audiences. The Bank 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. It 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, the Bank will explore synergies in these areas, including approaches to knowledge exchange, innovation, structured learning, and coalition building.

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

Finance

98. Finally, of course, the Bank will use its traditional instrument of financing, whose effectiveness is determined by what the Bank does on partnerships and knowledge. This synergy 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 IDA16 resources—will flow to the continent. Supporting Africa to address its many development challenges will mean that these resources serve only as a 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 are the country's own resources—already the dominant source, and one with a likely potential to grow—which will imply greater linkage to country and sector budgets in the Bank's interventions. It also implies leveraging local currency financing. The Bank will accelerate support to fragile states, including implementing partnership agreements and trust funds more effectively.

99. A large driver of the Bank's recent success in the southern African MICs in particular has been its ability to expand the use of innovative financial solutions (for example, partial credit guarantees, debt drawdown options, and possible local currency lending). 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 the Bank can make more use of innovative financial solutions with the International Bank for Reconstruction and Development (IBRD) and the IDA. In addition, it will seek through the strategy to maximize the impact of other capabilities of its treasury (weather insurance intermediation, commodity price hedging, and debt management, for example). The Bank's ability to be flexible and innovative financially is a true advantage compared to other institutions. Although the Bank has improved its communication to clients and staff regarding treasury products, much more can be done for both MICs and LICs.

100. The Bank will promote catalytic mechanisms that take limited IDA funding and generate large amounts of private investment (through guarantees, for example). The Bank will explore innovative risk-management instruments to support PPPs. The 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 continue to innovate new product lines that will better support investment and support changing market environments and demands. The Bank will provide capacity support and advice to clients on risk-sharing instruments. Its focus on results will be enhanced through ongoing efforts with results-based financing. In addition, its will prepare IDA countries for the transition to IBRD by, for example, instituting enclave IBRD projects and strengthening public management reforms. Among LICs, the Bank will reconsider the resource-allocation formula for small, fragile states. Finally, it will selectively mobilize trust funds that have strong strategic alignment, leverage its 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. The Bank will accept only funds for which it has a comparative advantage, while being mindful of the accountability and responsibility associated with mobilizing trust funds.

Country types

101. 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 MICs. More important than these instances, however, is deploying the instruments beyond countries to obtain regional solutions.

Regional integration and cooperation

102. 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, momentum has renewed 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. Increased recognition also exists of the role of the private sector as both financier and operator of regional and transformational projects.

103. Responding to this momentum, the Bank 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 its recent implementation experience, the Bank will pursue the following objectives:

- Be more selective and invest in a smaller number of highly transformative projects in terms of potential outcomes and impacts within each subregion.
- 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 the Bank's new approach to harmonized regional infrastructure development.
- Work more closely with the private sector in helping deliver world-class PPP solutions leveraging the best talent across the WBG and drawing upon new and traditional financial partners.
- Mainstream regional integration in CASs 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.
- Expand support for capacity building of regional institutions and strengthen civic engagement and social accountability in the regional integration process.
- 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.

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 can spur not only faster growth but also the competitiveness required to participate in the global economy. Particularly important to overcome are the physical disadvantages for 15 landlocked countries whose trade performance relies on collaborating with coastal countries; managing shared natural resources such as water and fisheries; and resolving such challenges as infectious diseases, which recognize no boundaries, and tertiary education and research, where economies of scale can be achieved by developing regional centers of excellence.

Since 2007, the World Bank has scaled up its support to regional integration, doubling its commitments from $1.8 billion to $3.6 billion. Key sectors accounting for 78 percent of these commitments include transport, power, transboundary water infrastructure, and ICT. This distribution clearly reflects the Bank's focus on supporting the continent in bridging the infrastructure deficit, which is 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 percent, in part because of their connection to international, undersea broadband cables. These are two of seven Eastern and Southern African countries benefiting from Bank support. Also, the construction and rehabilitation of 840 kilometers of roads along critical commercial transport corridors in West Africa, Central Africa, and East Africa is expected to reduce the transit time by 20 percent in the Mombasa-Kigali, Tema-Ougadougou-Bamako, Douala-Nd'jamena, and Douala-Bangui corridors, significantly cutting down on beyond-the-factory costs 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. This program 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 the addition of 15 percent local cereal flour in bread production, which has resulted in a 30 percent reduction in the price of bread.

Fragile states

104. Because they are distinct along many dimensions (political, economic, and security), fragile states merit differentiated treatment. The same issues—infrastructure, business climate, and employment, governance—play out differently in fragile states. Infrastructure development may require obtaining "quick wins" and employing demobilized soldiers, even if the cost is higher. 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 FCSs (World Bank 2011), strategic partnerships between the Bank and global institutions (for example, the United Nations Department of Peacekeeping Operations), regional bodies (the AU, the Economic Commission for West Africa States, the AfDB, the European Union) as well as the broader relief and nongovernmental organization community are not only desirable but essential in postconflict and other fragile settings.

105. In this light, the Bank's approach will be different in these states. Staff will demonstrate greater risk appetite 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 in 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.

106. As an operating principle, the Bank's primary reputational risk in fragile and conflict situations should be viewed 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.

107. The establishment of a fragile states hub as a global center of excellence in Nairobi can reinforce this strategy. The greater management authority, urgency-based modus operandi, and geographic consolidation of sector skills in Nairobi should ground the Bank's action, allowing it 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. The 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 postconflict facility (currently under development) should also facilitate greater risk taking and investment in this key area.

Middle-income countries

108. At the other end of the spectrum are Africa's MICs, some of which, 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.

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

110. For these reasons, among others, strengthening the World Bank's engagement and development role in MICs is a key priority for the WBG. Through the African MIC Action Plan, the Bank will build on Bank-wide efforts at adopting a different way of doing business with the MICs. Its approach will be to lead with knowledge assistance supported by South-South cooperation not only with MICs in other regions but also with LICs in Africa, for which they are ideally suited.

V. Organizing for Results

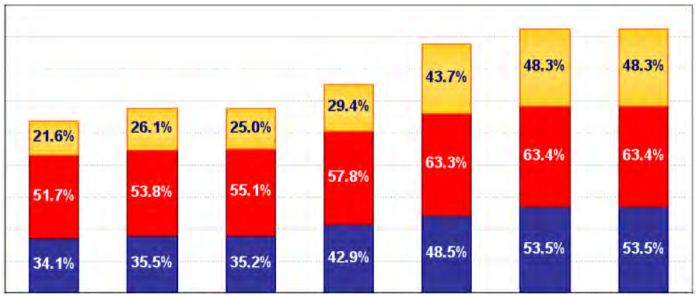
111. To implement this strategy successfully and cement a more client-driven focus on development and results, the Africa Region is undertaking several management and organizational changes. Through these changes, the Bank will be closer to clients and partners, respond quickly to the needs of its diverse clients and changing business needs, improve operational effectiveness, better coordinate with important stakeholders on the ground, and meet such corporate commitments as those contained in the IDA16 policy framework. In updating its services and systems, the Bank will focus on flexibility, delivery, innovation, and results, or more colloquially, it will work "faster, smarter, and cheaper." The most important aspect of managing for results is the Bank's approach to strategic selectivity (box 10).

BOX 10 Selectivity and the Africa Strategy

With its two pillars and foundation covering the gamut of sectors, the Africa Strategy might appear to be unselective; that is, it does not specify what the Bank will not do. However, in a country-based model such as the World Bank, excluding a particular sector for all countries in the Region is very difficult to do in a regional strategy. 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 the following 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 agribusiness field. In other cases, such as the Partnership for Infrastructure Development in Africa or the Education for All Fast Track Initiative, the Bank will follow the lead of others, such as the AU and the AfDB, providing supplementary financing and knowledge assistance where needed. Related to this example 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 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. This approach applies not only 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, 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 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 making 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 analytic and advisory services). These decisions are then monitored during quarterly business reviews. The Bank is also exploring ways of rewarding managers more for exercising selectivity.

Figure 14: Devolution of work



Source: CFR Quarterly Business Reports data tables.

112. 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 postconflict states. The Region will continue to strengthen and maintain its field presence, a trend that began with the initiation of this strategy in fiscal year 2007. The 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 14). The Bank's experience in postconflict and fragile states indicates that country-based task team leaders are 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. The Bank has also been receiving consistent positive feedback from clients, including during both the spring and annual meetings, regarding its ability to deliver more client-driven results where its presence on the ground is strong, strategic, and sustained. Such feedback has also been echoed in the staff survey by Africa Region staff both at headquarters and in the field. To date the Bank has decentralized over 60 percent of its staff to country offices and will continue to devolve task management to the field. All country directors are based in-country, and the Bank is 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, the IFC has largely decentralized operations; this activity 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, reducing staff mobility, and managing the high incremental costs of decentralization in a flat budget environment.

113. Given the Bank's emphasis on knowledge, its increased support to fragile countries, and the scarcity of high-level technical skills in those countries and to mitigate some of the decentralization challenges, the Bank is creating technical and knowledge hubs for better use and deployment of scarce technical resources and to build more effective knowledge and learning connections. A pilot global hub to support enhanced work in FCSs in Africa and beyond has been launched in Nairobi, and two practice groups are in place for the health sector (the latter is a partnership with AfDB, the United Kingdom's Department for International Development, and the World Health Organization). An implementation hub in West Africa will accommodate implementation skills in areas such as procurement and contract management. The hubs will be supported with appropriate technology and other services to ensure connectivity with country and global levels. In pursuit of increasing effect and expanding use of country systems to lower transaction costs, the Bank is updating its operational policies, increasing the efficiency and effectiveness of existing instruments, developing new instruments, and streamlining its internal procedures. A new instrument mix—especially the new Program for Results—will enable the Bank to align better with government programs and priorities and to 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. The Bank is streamlining and rationalizing portfolio management and improving its own execution deficit.

114. To improve the Bank's internal effectiveness, it is investing in strengthening and updating its internal systems in human resources; information, management, and technology; and budget processes. Implementing this strategy will require the Bank to have a flexible, mobile, and highly talented workforce. The Bank is reviewing its 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 its diverse clients. Through its new global human resources framework, the Bank will continue to promote diversity at all levels, including management, and 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, the Bank will continue to focus on managing for high performance and realizing the potential of its staff through investment in their learning and career development.

115. With the focus on results, the Bank is refining its performance management and using its Integrated Planning System to integrate external funds and align budget allocations with strategy priorities, staff planning, and results. A greater share of the Bank's budget is now allocated to the front lines, although this allocation may have reached its limits. The Bank is updating and aligning its information, management, and technology with other systems updates and reforms to improve connectivity, knowledge sharing, and transparency in the implementation of the new Access to Information policy and to 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 the Bank's business objectives and contributing to the achievement of this strategy.

116. Finally, the Bank will work closely with its clients and other stakeholders to improve performance measurement and strengthen statistical and monitoring and evaluation capacity. Through results-based CASs, the Bank will reinforce the results reporting framework to report on output and outcome core indicators, including the IDA16 policy commitments, and to ensure that the framework is used to inform decision making. To foster accountability and improve learning from the Bank's work, impact evaluations and research will be conducted in collaboration with the Development Economics Vice Presidency to get a better understanding of what works and what does not.

117. The Bank will continue to focus on implementing the key pillars of the Accra Agenda for Action and tracking its performance against the Paris Declaration commitments. At the country level, the Bank will provide strong leadership to promote aid coordination, especially in fragile states. This work 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.

118. 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, the Bank will increase country ownership of projects and their implementation process and will help strengthen countries' own systems. The Bank will continue to minimize the use of Project Implementation Units, even in fragile states. It will fine tune its development-policy lending to make such lending more effective at strengthening the country's institutions and systems. The Bank will continue the effort initiated over the last few years to maximize results from its portfolio, including leveraging decentralization to better support implementation, notably in fragile countries; accelerating restructuring of nonperforming projects; and strengthening of monitoring and evaluation.

119. As previously stated, broad partnership engagement lies at the heart of the strategy. Recognizing that the traditional Organisation for Economic Co-operation and Development–Development Assistance Committee architecture is no longer aligned with the reality on the ground, the Bank is focusing on new and emerging partners, South-South cooperation, and CSOs' development role. It 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. The Bank will reduce the costs of aid harmonization by promoting aid information standards, as in the International Aid Transparency Initiative.

VI. Risks to the Strategy

120. In light of the experience with the AAP and the current global environment, the Africa Strategy faces three categories of risk. First is the possibility that the global economy will experience significant volatility (as it did in 2008–09) and—even worse—a period of economic stagnation and decline. Although Africa, as a relatively small part of the world economy, can do little to avoid such a contingency, the current 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 example, the focus on agricultural 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.

121. 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 the Bank's knowledge assistance to help with political consensus building should, in turn, reduce confrontational politics that have in the past turned violent. Finally, should conflict break out, the Bank will use the full array of partnerships, including those with the United Nations, the AU, 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.

122. 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 AAP, was not fulfilled, and similar commitments made recently, such as the Aquila Food Security Initiative, are having difficulty in delivery. Although 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 to crowd in resources from other partners, including African governments' own resources, the private sector, and nontraditional development partners.

VII. Africa Strategy Monitoring Framework

123. The new Africa Strategy 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.

124. The new Africa Strategy lays out the vision for the next 10 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 focuses on the first five years of implementation. Annual progress reports and— most important—the midterm report from this monitoring framework will provide critical information to management for revising and refining the indicators, correcting course, and refocusing or intensifying certain areas during the second half of implementation period.

The three-tier approach

125. The results framework draws on sector and country-strategy monitoring and uses a three-tier approach. It is aligned to the IDA16 results measurement system and the global scorecard currently under development at the corporate level.

Figure 15: Africa Strategy three-tier monitoring framework

126. ***Tier 1: Regional progress on key development outcomes:*** The main instrument for 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 also 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 the Bank's work contributes and has an impact but concrete attribution cannot be identified. These tier 1 indicators are largely aligned with the Bank's corporate scorecard, which is under development, as well as the tier 1 measurements for the IDA16 Results Monitoring System. They rely heavily on data from the World Development Indicators and Africa Development Indicators.

127. ***Tier 2: Outputs and outcome 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 Reports and Results Reports 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. The tool mainly reports on 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 use impact evaluations as appropriate.

128. ***Tier 3: Activities and inputs in support of regional results:*** This tier monitors the alignment of country programs, investment activities, and commitments, as well as specific knowledge products in support of the Region's development outcomes. Tier 3 indicators are the final link to establish the causal logic from inputs to outputs, outcomes, and eventually the impact at the regional level.

Cross-cutting areas

129. Although 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 the process of delivering these results. Cross-cutting areas are regional integration, engagement in MICs and FCSs, aid, and internal organizational effectiveness, as well as crisis response.

130. Operational effectiveness focuses on monitoring 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 section monitor quality and implementation performance.

Operationalizing the Africa Strategy monitoring framework

131. The monitoring framework for the Africa Strategy builds on existing systems and will enable automated data updates to the extent possible by leveraging links to IDA16, the corporate scorecard, and the Bank-wide core sector indicators.

132. Building and strengthening statistical and monitoring and evaluation capacity in the Africa Region is a priority that 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. 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.

133. 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 implementation progress as well as adjustments that may be required. In addition, full annual progress reports will be disclosed to the 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.

134. The annual exercise of IDA at Work results stories will show a strong link 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.

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