



DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
On the
Transfer of Real Resources to Developing Countries)



DC2005-0021
September 16, 2005

**STRENGTHENING THE DEVELOPMENT PARTNERSHIP
AND FINANCING FOR ACHIEVING THE MDGs:**

AN AFRICA ACTION PLAN

Attached for the September 25, 2005, Development Committee Meeting is a paper entitled "Strengthening the Development Partnership and Financing for Achieving the MDGs: An Africa Action Plan."

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Abbreviations and Acronyms

AAP	Africa Action Plan
ACT	Accounting Services
AERC	African Economic Research Consortium
AfDB	African Development Bank
AFR	Africa Region
AIDS	Auto-Immune Disease Syndrome
AU	African Union
CAS	Country Assistance Strategy
CG	Consultative Group
CGIAR	Consultative Group For International Agricultural Research
COMESA	Common Market For Eastern And Southern Africa
CPIA	Country Policy And Institutional Assessment
DAC	Development Assistance Committee
DEC	Development Economics
DIME	Development Economics-Sponsored Development Impact Evaluation Initiative
ECA	Economic Commission for Africa
ECOWAS	Economic Community Of West African States
EFA	Education For All
EU	European Commission
FTI	Fast Track Initiative
G8	Group Of Eight
GDP	Gross Domestic Product
GNI	Gross National Income
HIPC	Heavily Indebted Poor Country
HIV	Human Immunodeficiency Virus
HLF	High Level Forum
IBRD	International Bank For Reconstruction And Development
ICA	Investment Climate Assessment
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
IPT	Intermittent Presumptive Treatment
ITr	Insecticide-Treated Nets
M&E	Monitoring And Evaluation
MDB	Multilateral Development Bank
MDG	Millennium Development Goal
MIGA	Multilateral Investment Guarantee Agency
MSME	Micro, Small And Medium Enterprise
NEPAD	New Partnership For Africa's Development
NSDS	National Strategy For The Development Of Statistics
ODA	Official Development Assistance
OECD	Organization For Economic Cooperation And Development
PBA	Performance-Based Allocation
PEFA	Public Expenditure Management And Financial Accountability
PEP	Private Enterprise Partnership
PEPFAR	President's Emergency Plan For AIDS Relief
PFM	Public Financial Management
PPI	Private Participation In Infrastructure
PRMPR	Poverty Reduction Group

PRS	Poverty Reduction Strategy
PRSCs	Poverty Reduction Support Credits
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
REC	Regional Economic Communities
SADC	Southern African Development Community
SFIA	Strategic Framework For Assistance To Africa
SME	Small And Medium Enterprise
SSA	Sub-Saharan Africa
SWAP	Sector-Wide Approach
TA	Technical Assistance
UEMOA	West African Economic And Monetary Union
UN	United Nations
UNDG	United Nations Development Group
WHO	World Health Organization

Table of Contents

Overview and Issues for Discussion	i
I. Realizing the Commitments of the International Community.....	1
A. Effective Delivery of Aid Commitments	1
B. Managing for Results	2
C. Aid Mobilization and Coordination	3
D. Alignment and Harmonization.....	4
II. The Africa Action Plan.....	5
A. Africa at a Turning Point	5
B. A Results Framework for Achieving Impact	6
C. Achieving Results in the IDA14 Partnership	7
1. Building Capable States and Improving Governance	7
2. Supporting the Drivers of Growth	8
3. Participating in and Sharing Growth.....	12
4. Strengthening Partnerships	13
5. Implementing the IDA14 Partnership at the Country Level.....	14
D. From Monterrey to the Millennium Summit: Scaling Up Progress toward the MDGs..	15
E. Moving Forward.....	18
ANNEX A	20

STRENGTHENING THE DEVELOPMENT PARTNERSHIP AND FINANCING

FOR ACHIEVING THE MDGs: AN AFRICA ACTION PLAN

OVERVIEW AND ISSUES FOR DISCUSSION

1. Leading up to the Millennium Summit Review, the past year has seen a welcome focus on the development challenges confronting Africa and a renewed commitment to accelerate progress toward the Millennium Development Goals (MDGs) in the continent. Most recently, at the African Union and G8 Summits, African leaders and their counterparts in the G8 and the European Union have committed to intensify efforts on both sides of the development partnership. African leaders committed to push forward with plans to reduce poverty and promote economic growth; to tackle corruption and promote transparency and good governance; to strengthen democratic institutions and processes; to remove barriers to trade; and to pursue peace and security across the continent.

2. In return, many donors have accelerated delivery at their Monterrey commitments and both the G8 and the European Union have come forward with action plans to support Africa's progress. At Gleneagles, participants concluded that the commitments of the G8 and of other donors would lead to a doubling of aid to Africa, from around \$25 billion in 2004 to \$50 billion in 2010. Based on these new announcements, total Official Development Assistance (ODA) globally is projected to increase by around \$50 billion in real terms by 2010. In addition, the G8 agreed on a proposal to augment debt relief to completion-point, heavily indebted poor countries, which will lead to 100 percent cancellation of debt owed to International Development Association (IDA), the International Monetary Fund (IMF), and the African Development Fund. To help ensure that these commitments strengthen efforts to foster growth, reduce poverty, and promote good governance and democracy, the G8 has called on the World Bank to take a leading role in supporting the partnership among the G8, other donors, and Africa and in helping to ensure that additional assistance is effectively coordinated.¹

Purpose of the Paper

3. This paper sets out a program of action to support an enhanced partnership for Africa's development, including ensuring that the additional aid commitments materialize and are effectively used. This overview sets the context, summarizes the key actions and raises issues for discussion. Section I proposes actions that the World Bank Group can take in cooperation with the OECD Development Assistance Committee of the Organization for Economic Cooperation and Development (DAC) and other partners to coordinate the delivery and quality of the increased volume of assistance, especially to Africa. Section II summarizes the World Bank Group's *Africa Action Plan* (AAP) and describes how at the country level the Bank Group,

¹ Chair's Summary, Gleneagles Summit, 8 July 2005, www.g8.gov.uk.

working in partnership with the development community, can assist every African country to achieve as many of the MDGs as possible by 2015.²

Supporting the Commitments of the International Community³

4. Four objectives will guide the World Bank's actions to ensure that the substantial increase in resources committed by the international community results in more and more effective development assistance:

- ***Effective delivery of aid commitments.*** Timely and predictable delivery of aid to support good performance will be critical to accelerating development progress in Africa. Accordingly, the World Bank will work closely with DAC to ensure that there is an effective international mechanism in place for monitoring, reporting, and following up on the delivery of aid commitments.
- ***A strengthened focus on results.*** To increase the effective use of aid flows, the World Bank and the international development community, through the Paris Harmonization agenda and the Roundtables on Results are focusing on ways for countries and development partners to better measure, monitor, and manage for results.
- ***Coordinating and leveraging aid.*** Prospects for increased aid provide an important opportunity for IDA14 to serve as a platform to leverage and ensure the most effective utilization of this aid. It is also an opportunity for scaling up aid in situations where it can be highly effective, including (a) assistance to high performing countries which can effectively absorb large increases in aid; (b) turnaround situations with high risk but potentially high return, including post-conflict and incipient reform cases; and (c) regional investments that represent a clear opportunity to achieve regional public goods.
- ***Improving alignment and harmonization.*** The World Bank will join with development partners to accelerate implementation of the framework on harmonization, alignment, and results embodied in the Paris Declaration.

Meeting the Challenge of Africa's Development: The Africa Action Plan

5. The centerpiece of the Bank's response to the commitment that development assistance to Africa be well-coordinated and well-used at the country level is the Africa Action Plan (AAP), an outcome-oriented framework with specific actions, quantitative indicators of results and an assessment of risks. Drawing on the AAP, this paper presents 25 priority actions the Bank will undertake to support African countries to achieve their nationally defined goals including the MDGs (Annex A). The principal objectives underpinning the Africa Action Plan are:

² The G8 at Gleneagles and the Bank's Board have asked that the Bank itself do more and be more effective in assisting Africa. In response the Bank has prepared *Meeting the Challenge of Africa's Development: A World Bank Group Africa Action Plan*.

³ A separate paper for the Board, *Aid Financing and Aid Effectiveness* provides a more detailed report on developments on the aid financing and aid effectiveness agenda since the last Spring meetings, as well as on the agenda going forward.

- ***Managing for results.*** To achieve more robust results over time—attributable jointly to countries and development partners—the Bank will work at four levels: strengthening country-based, outcome-oriented strategies, including developing national statistical capacity; developing results-based Country Assistance Strategies; establishing shorter-term indicators of progress in priority areas; and developing improved monitoring and evaluation frameworks in projects.
- ***Building capable states and improving governance.*** The Bank will support Africa-led efforts, such as the Africa Peer Review Mechanism of the New Partnership for Africa’s Development, to define country led initiatives to improve governance and to generate increased demand by societies for good governance. The Bank will work with African governments to build capable states through capacity building, improvements in public expenditure management, and heightened attention to accountability and governance.
- ***Strengthening the drivers of growth.*** The most significant shift in the Bank program during the IDA 14 period will be increased attention to outcome-oriented programs to increase economic growth in Africa. Bank Group efforts will focus on strengthening the African private sector, expanding exports, substantially increasing investment to close the infrastructure gap, scaling up regional integration efforts, building skills for growth and competitiveness, and making agriculture more productive.
- ***Building the capacity of excluded groups to participate in and benefit from growth.*** Growth alone will not be enough to reach the MDGs. The experience of Africa has been that while growth is good for the poor and for human development, the ability of poor people and women, to participate in and benefit from growth varies over time and across countries. Linking the poor to markets through greater attention to rural infrastructure development and to micro, small and medium enterprise programs are key elements of the AAP shared growth agenda. Human development programs in critical areas, including health systems, malaria, HIV/AIDS, Education for All, and gender will be significantly expanded. In addition, the Bank will give priority to building the capacity of post-conflict states to deliver essential services as well as to improve economic conditions so as to prevent conflict.
- ***Strengthening the impact of partnerships.*** Better donor alignment to country priorities and systems and harmonization of procedures and practices will be central to successful implementation of country-led development interventions. In each country, the Bank will work with development partners to ensure harmonization and alignment to national goals, guided by the commitments of the Paris Declaration. To leverage the resources available under IDA14 to achieve greater development impact the Bank Group will also strengthen its “menu of options” to make Bank analytical, operational and country knowledge available to development partners as a public good for use in their country programs.
- ***Implementing the IDA14 partnership at the country level.*** Countries in Africa can be broadly grouped based on economic performance, progress toward meeting the MDGs, and prospects for effective harmonization of development partners. These criteria determine the speed and sequence with which we will be able to show demonstrable progress in using the additional resources available beginning in 2006

under the IDA14 partnership model. Implementation can proceed according to four country groups: (i) countries capable of using more aid quickly across a wide range of interventions; (ii) countries where selective scaling up is possible; (iii) fragile states where additional aid is likely to be focused on targeted programs; and (iv) states affected by conflict.

- ***Scaling up progress to the MDGs and using aid most effectively.*** Country-owned and -led poverty reduction strategies will remain the anchor of IDA's country strategy. The international community appears to be positioned, if all commitments are met, to match the ability of African countries to use new resources effectively. To use new resources most effectively at the country level, leadership by the Bank Group will be needed to help countries: (a) reach a better understanding of the macroeconomic management of aid flows; (b) strengthen capacity to manage more resources; and (c) achieve further alignment between national strategies and "vertical" funding mechanisms. At the same time, as more resources become available the Bank Group can play a leading role in proposing innovative mechanisms to strategically target aid to countries and programs—such as potential 'high performers, 'turnaround countries' and regional initiatives—to create potent "neighborhood" effects.

6. ***Issues for Discussion.*** Possible issues for discussion by the Development Committee include the following:

- Does this Action Plan adequately respond to the calls from the international community for an enhanced aid partnership, increased aid flows and greater accountability for development results?
- What obstacles do members see to effective mobilization of the additional resources committed to accelerate Africa's progress toward the MDGs, and what obstacles do members see to effective use of increased resources in African countries?
- Is the greater focus on governance and shared growth an appropriate response to meeting the challenge of accelerating progress toward the MDGs in Africa?
- Are the monitoring indicators appropriate measures of expected outcomes in the key areas? Are the targets appropriately realistic?
- Are the post-Gleneagles scaling-up proposals realistic and should the Bank continue to explore ways to opportunistically scale up support to high performers, turnarounds, and regional programs?

STRENGTHENING THE DEVELOPMENT PARTNERSHIP AND FINANCING FOR ACHIEVING THE MDGs: AN AFRICA ACTION PLAN

1. Since Monterrey the World Bank Group has played a leading role in the international community's efforts to increase development assistance and make it more effective. The Bank Group has now been tasked with a major part of the follow-up to the Gleneagles Summit: The Chairman's Summary calls on the Bank Group to take a leading role in supporting the partnership among the G8, other donors, and Africa, helping to ensure that additional assistance is effectively coordinated.⁴ In addition, the G8 at Gleneagles and the Bank Group's Board of Executive Directors have asked that the Bank Group itself do more and be more effective in assisting Africa. In response to these requests, this note sets out actions to address the mandate on overall coordination of additional assistance and to strengthen Bank Group support to Africa.⁵

I. REALIZING THE COMMITMENTS OF THE INTERNATIONAL COMMUNITY

2. This section outlines issues and actions to carry out the Bank Group's role in the overall coordination of additional assistance, especially to Africa. It proposes actions for an increased World Bank Group role in the international development community on four fronts: ensuring effective delivery of aid commitments, managing for results, mobilizing and coordinating aid, and aligning aid and harmonizing.

A. Effective Delivery of Aid Commitments

3. At Gleneagles, participants concluded that the commitments of the G8 and of other donors would lead to a doubling of aid to Africa, from around \$25 billion in 2004 to \$50 billion in 2010. Based on these new announcements, total Official Development Assistance (ODA) globally is projected to increase by around \$50 billion in real terms by 2010. In addition, the G8 agreed on a proposal to augment debt relief to completion-point, heavily indebted poor countries, which would lead to 100 percent cancellation of debt owed to International Development Association (IDA), the International Monetary Fund (IMF), and the African Development Fund.⁶ Once finalized, this initiative could provide an additional modality for aid financing.

4. ***Monitoring and reporting of aid commitments.*** Given the importance of the new aid commitments that have been made, the World Bank will work closely with the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development to ensure there is an effective international mechanism in place for monitoring, reporting, and following up on the delivery of aid commitments. The World Bank already monitors delivery of aid commitments and tracks incremental official development assistance (ODA) using existing DAC data definitions, classifications, and coverage. Planned increases in aid volumes will raise

⁴ Chair's Summary, Gleneagles Summit, July 8, 2005, www.g8.gov.uk.

⁵ The full set of actions are contained in *Meeting the Challenge of Africa's Development: A World Bank Group Africa Action Plan*. A separate paper for the Board, *Aid Financing and Aid Effectiveness* (forthcoming), reports on developments on the aid financing and aid effectiveness agenda since the last Spring meetings, as well as on the broader agenda going forward.

⁶ Details of the proposal are still to be worked out and agreed upon. See *The G8 Debt Relief Proposal: Preliminary Costs and Issues*, IDA/SecM2005-0414, July 28, 2005.

three issues: (a) what ODA targets (aggregate volume and components) are to be monitored, (b) how each of these components (including cash financing) should be defined, and (c) the appropriate baseline against which commitments and their delivery should be monitored. In collaboration with the DAC Secretariat the Bank will strengthen mechanisms for monitoring and follow-up on implementation of aid commitments, building on DAC efforts that are already under way and on the work of the Global Monitoring Report. The initiative would involve the following actions:

- *Monitoring and reporting (including baseline and definitions) on the volume of overall ODA; aggregate ODA to Africa; ODA disaggregated by components (debt relief, humanitarian/emergency assistance, administrative overhead, technical cooperation, and actual cash financing); and ODA allocations to specific thematic priorities specified in the G8 Action Plan (such as Education for All, HIV/AIDS, malaria, infrastructure).*
- *Developing a tracking process of aid flows that would combine data reported by donors and recipients. Such procedures would draw on what recipient countries report they receive (in the case of Africa, this would build in particular on reporting under the Strategic Partnership with Africa).*
- *Conducting joint reporting on recent developments in aid flows—including to African countries- at the DAC High Level Meeting (through the DAC annual Development Cooperation Report), and the Development Committee—on the basis of which follow-up actions could be agreed upon by the donor community. The Global Monitoring Report would be the main vehicle for reporting and analyzing aid flows at the Spring Meetings. A supplementary report would be prepared for the Fall Annual Meetings in collaboration with DAC to provide an update on more recent developments.*

B. Managing for Results

5. To increase the effective use of aid flows, the international development community is focusing on ways to measure, monitor, and manage for results better. Working closely with the DAC, the UNDG and the multilateral development banks (MDBs), the World Bank will continue to lead and contribute in this effort, both globally and at the country level. At the country level in Africa our program is set out in the Africa Action Plan and summarized in paragraphs 15-17, below.

6. ***Supporting the results agenda at the global level*** At the global level we shall work to reinforce country level initiatives by:

- *In cooperation with DAC, the MDBs, and the United Nations (UN) system, leading the preparation of the Third International Roundtable on Results, to be held in fall 2006.*
- *Expanding and strengthening the international partnership on statistical work, including preparations for new, priority, global data-gathering efforts, and extend the International Household Survey Network. The goal is to cut by half the gap in country coverage of key MDG and IDA14 results indicators (from roughly 30 percent currently in Africa to 15 percent).*

- *Supporting the impact evaluation of Bank-funded programs across different types of interventions (for example, school-based management, slum upgrading, conditional cash transfers), under the Bank’s “development impact evaluation initiative” (DIME), The Africa Region will be a focus of this work (see paragraph 17).*
- *Continuing production of the annual Global Monitoring Report to aggregate data on country performance and quality and composition of donor support.*

C. Aid Mobilization and Coordination

7. The expansion of aid volumes and commitments since Monterrey and work on new modalities can lay the basis for an aid architecture that would be more responsive to development needs, including the financing of the MDGs.

8. As reported in a companion paper for the Board, *Aid Financing and Aid Effectiveness*, there are several initiatives under way to mobilize aid through new channels, including innovative financing mechanisms as well as additional bilateral mechanisms. This provides an important opportunity for IDA to serve as a platform to leverage and ensure the most effective utilization of this aid, and to reinforce the role of IDA in providing a broad-based partnership to enhance country ownership and performance with an emphasis on results-based programs. But if major funding increases come with multiple delivery systems, or are restricted to particular countries or specified end uses, flexibility and harmonization in the utilization of funds could be considerably hampered. It will be important to establish mechanisms to ensure that resources mobilized along vertical or sector lines do not create rigidities and distortions.

9. ***Supporting more coherent use of aid flows.*** Concrete actions can be taken to support a more coherent use of aid flows:

- *Further improve coordination mechanisms with global funds/initiatives to ensure that these programs and financing are aligned with country strategies and are effectively used.*
- *Ensure that additional funding and any financing mobilized through new mechanisms are closely coordinated with IDA to increase leverage, promote a country- and performance-based approach, and minimize fragmented approaches.*
- *Work with the OECD/DAC and the Strategic Partnership with Africa to revamp the Consultative Group (CG) mechanism to become annual “resources and results meetings, thus raising the scope of these meetings to address the sequencing of aid taking into account absorptive capacity, strengthening partnerships on the MDG agenda and tightening the link between resources and results (see paragraph 34).*
- *In collaboration with the OECD/DAC and the Strategic Partnership with Africa define a reporting architecture that aggregates the country level outcomes from*

results and resources CGs into an Africa region wide (and global) reporting framework.

- *Establish mechanisms for donor consultations, in cooperation with DAC and leading bilateral agencies so as to improve predictability and coherence, including through indications of the levels, channels and forms of aid available from individual donors.⁷*

10. ***Developing a “venture capital country aid fund” or “catalytic country fund”.*** Additional aid flows could also be used opportunistically to help scale up efforts to meet the MDGs, in three instances with strong “neighborhood effects” (see paragraph 41): (a) high performing countries that can productively absorb large increases in aid; (b) exceptional support in turnaround situations with high risk but potentially high return, including post-conflict and incipient reform cases; and (c) financing for scaling up regional investments that represent a clear opportunity to achieve regional public goods.

- *Explore possibilities for a new financing mechanism anchored in the Bank, (a “venture capital country aid fund” or “catalytic country fund”) to address the special opportunities noted above, including for high-performing countries, turnaround situations, and regional investments, while maintaining country ownership and integrated expenditure management systems supported by IDA. To ensure that such a fund operates efficiently, the specific circumstances and criteria under which its financing would be available will have to be delineated.*

D. Alignment and Harmonization

11. The outcome of the Paris High-Level Forum (HLF) was an agreed framework for harmonization, alignment, and results embodied in the Paris Declaration. Progress on the key commitments made in the Paris Declaration will be monitored through 12 indicators and targets.

12. ***Increasing alignment and harmonization.*** The World Bank expects to play a key role in following up the international agenda on alignment and harmonization guided by the Paris targets. This effort would involve the following set of actions:

- *Collaborating with the DAC, MDBs, UN, and host country Ghana to organize, prepare, and oversee a Third High-Level Forum on Aid Effectiveness in 2008*
- *Collaborating with partner countries, the OECD/DAC, other MDBs, and other development partners to disseminate good practice and implement, monitor, and assess country-level progress toward agreed global targets on the Paris agenda (see paragraph 33).*
- *Doubling—to at least 30 partner countries by 2007—support for country-level harmonization and alignment. Africa would be a focus of this work, and in 10*

⁷ Such mechanisms could also *build* on the dialogue established in the Africa Partnership Forum.

countries we will aim to meet all the Paris Declaration targets by end FY08 (see paragraph 33).

- *Working with donors in moving to country led financial and results-management systems in 10 countries by 2008.*
- *Supporting independent/joint country-level assessments of country and donor behavior in six pilot countries by 2007; five of these will be in Africa (see paragraph 33).*

II. THE AFRICA ACTION PLAN

13. In April 2005, the Board of Executive Directors asked the Africa Region to develop an action plan that shows how the Bank Group *will work in partnership with other development partners to assist every African country to achieve as many of the MDGs as possible by 2015.* The *Africa Action Plan* (AAP) addresses this request and the Gleneagles commitment to coordinate the international response to expanded assistance to Africa. This section summarizes the outcome-oriented framework and key actions contained in the AAP. The matrix in Annex A, drawn from the more comprehensive set of actions contained in the AAP, sets out 25 *priority* actions to be undertaken by the World Bank Group in the Africa Region during the IDA14 implementation period (2006-2008), and summarizes the monitoring framework embodied in the AAP with specific quantitative targets and risks. The *Action Plan* itself will be regularly assessed and modified, using the progress indicators contained in its Matrix of Actions (summarized in Annex A).

A. Africa at a Turning Point

14. Sub-Saharan Africa continues to present the world with its most formidable development challenge. During the last two decades the number of poor people in Africa has doubled from 150 million to 300 million, more than 40 percent of the region's population. About one third of the region's population is affected by conflict with high costs in terms of lost growth and progress towards the MDGs, not just for conflict countries but also for their neighbors. HIV/AIDS and malaria continue to threaten lives and livelihoods. Africa is also the only region that remains behind on most of the MDGs. But Africa appears to be at a turning point. Recent progress is encouraging:

- ***Better leadership.*** African countries have increasingly taken ownership of and accountability for their development programs. Africa's leaders—through the African Union and New Partnership for Africa's Development (NEPAD)—have recognized their leading role in addressing the challenges of conflict, governance and regional integration.
- ***Better economic and social performance.*** After steep declines between the mid-1970s and the late 1980s, growth has picked up in a significant number of countries. Since the mid-1990s, 16 countries have had annual GDP growth in

excess of 4.5 percent. Two-thirds of the region's economies are now recording some progress in reaching the MDGs.

- ***Improvements in policies and institutions.*** For the last 7 years, the average scores from the Bank's Country Policy and Institutional Assessment (CPIA) have been rising in Africa, and the number of African countries with scores at or above the globally accepted "good performance" threshold of 3.5 has increased from 5 to 15.

Responses by the development community to Africa's improved performance are also encouraging. Aid has increased and many bilateral donors and the EU are meeting or exceeding their Monterrey commitments. The G8 has committed to additional debt relief for Africa.

B. A Results Framework for Achieving Impact

15. Countries and their development partners are increasingly focusing on defining, measuring, and managing to achieve development results. The AAP sets out *priority actions* to strengthen outcome orientation at both the country and development community level and to integrate results more fully into IDA's operational work.

16. ***Helping Countries Build Outcome-Driven National Development Strategies.*** To implement national strategies, in particular the Poverty Reduction Strategies (PRS), *countries must lead, manage, and monitor* their progress toward development outcomes such as the MDGs. The World Bank Group and its development partners will find it difficult to manage for results if countries are unable to do so. At the country level, the phasing of support will need to be managed carefully, taking into account countries' demand for greater results and country capacity:

- *Increase analytical and advisory work – together with development partners -to support strengthened, results-oriented national strategies in all 29 countries undertaking new or second PRSPs.*
- *Assist all 29 PRS countries to develop and implement Monitoring and Evaluation Plans—including strengthening statistical systems—for their national strategies by end-FY08.*

The Paris Declaration indicators (e.g. clear operational development strategies, results oriented frameworks) will be used to measure the results orientation of national strategies and links to the budget. Capacity building plans for M&E will be monitored in all countries, and we will continue periodic country level assessments of statistical capacity conducted by the IMF and WBG.

17. ***Measuring and Reporting on Progress in Programs and Projects.*** Tracking outcomes leading to accelerated economic growth and improvements in the capacity of poor people and women to participate in and benefit from growth is crucial to evaluating success. The Africa Region will measure and report results for intermediate outcomes, using as a core the 14 IDA Tier I indicators. Another area of focus under the action plan involves efforts to (a) increase the

results orientation of new IDA projects and programs at the supervision and evaluation stages, and (b) initiate a program of formal impact evaluation of IDA projects in Africa.

- *Collect baseline and comparative information in 10 countries in key areas of public service delivery using targeted, purposive surveys of clients and service providers, including client scorecards.*

Intermediate outcomes can be measured by analysis at the country level of the relevance and impact of the new survey instrument. Quality of data will be assessed jointly by DEC, who will administer the IDA14 Tier 1 indicators, and the Africa Region.

C. Achieving Results in the IDA14 Partnership

18. The *Strategic Framework for IDA in Africa (SFIA)* issued in 2004 and the *Shared Growth Strategy* presented to the Board in February 2005 describes our strategy to assist Africa's economies to accelerate growth and progress toward the MDGs. Countries will lead their development programs, and the national poverty reduction strategy will remain the anchor of IDA's country strategy and results focus. Within that framework the Bank Group will sharpen its focus on actions to help countries (i) improve governance and build capable states, including addressing the special needs of countries affected by conflict, (ii) accelerate economic growth and (iii) ensure that the poor and women are able to participate in and benefit from growth. The IDA14 Partnership approach summarized here is designed to leverage IDA's knowledge and operational resources to help make more effective use of the increased multilateral and bilateral assistance that is being directed to Africa.

1. Building Capable States and Improving Governance

19. As they have sought to implement their national poverty reduction strategies, many Africans and their leaders have pointed to sound governance and institutional capacity as critical prerequisites for sustainable growth. The NEPAD African Peer Review Mechanism is one visible response to this challenge.

20. **Strengthen Capacity and Public Expenditure Management** Building capable and honest states involves fostering transparency, accountability and voice, but also requires improving the performance of key state institutions. Strengthening effective in-country capacity building and governance—especially regarding budgetary expenditure and revenue management, as well as strengthening institutions that check corruption—are at the core of the Action Plan. Moreover, the Plan, informed by the work of the Capacity Building Task Force, whose final report is expected this Fall, envisions the implementation of more cost-effective capacity development interventions than heretofore has been the case. To this end, and without prejudging the recommendations by the Task Force, our actions to assist African countries strengthen capacity and governance will need to be tailored to country circumstances, and recognize the implementation will take time and sustained efforts. Some countries benefit from reform-minded leadership and have the capacity for policy formulation and implementation. In other countries where these conditions are not present, there is a need to establish basic capacity in the public sector and help institute accountability. Two key actions the Bank will undertake are:

- *Require every new CAS to have a systematic program for capacity-building based on the recommendations of the Task Force on Capacity Development and raise the total of such CASs from 15 to 25 in three years.*
- *Assist 20 countries to strengthen the core elements of their Public Expenditure Management and Financial Accountability systems (e.g. accounting, cash management, commitment control, public procurement as well as the introduction of a consistent performance measurement framework, including the use of Public Expenditure Tracking Surveys).*

We will use the indicators contained in the Performance Measurement Framework developed by the PEFA partnership to assess progress in public and financial management; and monitor the government effectiveness and IDA14 indicators.

21. ***Building the Capacity of Post-Conflict States to Deliver Essential Services.*** Countries emerging from conflict are often constrained in their ability to deliver essential services, such as health, water supply, sanitation, and education, which are critical to consolidation of society. Country assistance strategies in post-conflict countries therefore need to support tangible improvements in basic service delivery within the context of weak state capacity:

- *Working with development partners, develop tailor-made country strategies emphasizing community and local delivery of essential services and accountability in five post-conflict countries by 2007.*

The IDA14 indicators on service delivery in education, health, and water will be used to monitor outcomes at the country level.

2. Supporting the Drivers of Growth

22. The most significant shift in focus in the World Bank Group's Africa program during the IDA14 period will be to concentrate greater analytic and operational attention on the shared growth agenda. This is an area where African governments in both low- and middle-income countries have repeatedly requested stronger support from the development community since the launch of the PRS initiative in 1999.⁸

23. ***Identifying the Drivers of Growth.*** Helping countries to achieve faster growth will require better diagnostics of country-specific opportunities and binding constraints to growth. In many African countries policy reforms will be needed to establish a leading role for the private sector and create an export push to accelerate growth. Preserving the gains from growth will also require a deeper understanding of the nature and management of economic shocks:⁹

⁸ See *2005 Review of the Poverty Reduction Strategy Approach Balancing Accountabilities and Scaling Up Results*, World Bank, PRMPR, forthcoming.

⁹ Two important contributions to our understanding of growth opportunities and constraints are *Economic Growth in the 1990s—Learning from a Decade of Reform*, World Bank, 2005; and *Explaining African Economic Growth*, AERC, 2005. The Africa Region will publish a flagship report on *Meeting the Growth Challenge in Africa* in fall 2005.

- *Develop concrete recommendations for policy reforms and public actions to accelerate growth based on growth diagnostics for at least 12 countries, including at least two in middle-income countries (4 in each of FY06, FY07 and FY08).*

Repeated surveys can be used to test investor response to policy changes. Changes in the share of investment in GDP, in the productivity of investment and in the aggregate rate of growth can be used to assess broad outcomes of reforms.

24. ***Developing an African Private Sector.*** Africa remains a high-cost, high-risk place to do business. Overall, the cost of doing business in Africa is 20-40 percent above that for other developing regions. Improving the investment climate and enhancing the incentives for African and other entrepreneurs to invest and engage in business are central to growth. Commitment to this agenda must begin at the top with Africa's senior political leaders advocating reforms in policies and institutions that directly impact the cost of doing business -- high regulatory costs, unsecured land property rights, inadequate and high cost infrastructure, ineffective judiciary systems. At the same time the development community must address the special needs of African enterprises. MSMEs dominate the African private sector. However, their contribution to growth and employment is constrained by limited access to finance, a restrictive business environment with strong incentives for informality, poor management and technical capacity, and difficult access to information. These are difficult issues that will require continuing innovative approaches from both countries and their development partners. A coherent package of interventions that utilizes the combined strengths of the World Bank Group can help to address these issues more effectively. IDA and IFC have significantly scaled up activities for MSMEs, and will continue to pilot promising approaches with African institutions. Approximately \$50 million of IFC-related investments in SME financing vehicles has already been approved, and a further \$70 million is in the pipeline. The Bank Group—IDA, IFC, and MIGA—will expand its work in complementary fashion in Africa to improve the investment climate and to deepen the financial sector:

- *Expand the IDA/IFC Africa MSME initiative to reach 8 countries by FY07. Focus on building the capacity and access to credit of women owned enterprises.*
- *Support an increase in Investor Councils to develop concrete programs to remove critical constraints to private investment from 5 in FY05 to 8 by FY08 (1 additional council per fiscal year). Use results of Doing Business Surveys and Investment Climate Assessments as inputs for councils' deliberations.*
- *Increase IFC Private Enterprise Partnership interventions, including agro-business, from 1 country in FY05 to 10 countries in FY08.*

We will monitor outcomes of these (and other supporting) actions using the benchmark IDA14 indicators and the annual Doing Business Survey, with the objective of reducing the overall cost of doing business and increasing private sector credit and savings mobilization in at least nine

countries by end FY08. We will use the IFC outcome evaluations of the MSME program to assess progress in MSME development.

25. ***Creating an Export Push.*** Export competitiveness, growth and diversification are essential to achieve long-term growth and poverty reduction in Africa. Global trade has increased at unprecedented rates over the last three decades, but Africa's share of world exports has dropped from 3.5 percent in 1970 to less than 2.0 percent in 2003. In part, this is because of limited market access overseas for many African agricultural and manufactured products, due to subsidies, especially in specific crops such as cotton, sugar, groundnuts and processed agricultural products. In this regard, a successful conclusion of the Doha Development Round of the WTO negotiations is critical to the region's export success. At the same time, other key impediments to improved export performance of Africa are weak basic market institutions; inadequate infrastructure; poorly performing customs and trade-related services; and constrained access to finance.¹⁰ While an increasing number of African countries recognize this reality, with the international community's support they can scale up work on relieving 'behind-the-border' constraints:

- *With partners, support analysis and operations to identify and remove 'behind-the-border' constraints to export competitiveness and regional integration in 10 countries, 3 in FY06, 3 in FY07, and 4 in FY08.*
- *Increase support for 23 Sub-Saharan countries under the Trade Facilitation Initiative to about \$530 million (compared to about \$80 for FY01-03) by end-FY06.*

Using surveys, we will measure outcomes of these (and complementary) actions in terms of reductions in the indirect cost of exports with the objective of achieving a 15 percent reduction from the FY06 base in 10 countries by FY09.

26. ***Closing the Infrastructure Gap.*** To achieve the 7 percent growth rates needed to halve income poverty, Africa's infrastructure investment needs will amount to around \$20 billion per year, twice as much as the region has historically been investing. Complementary measures will be required to cover operations and maintenance requirements. Earlier this year, there was agreement to set up an Africa Infrastructure Consortium to mobilize resources both at the country level and for cross-border regional projects. Under the Action Plan, the Bank Group will undertake actions in the power sector, focusing on reforms to improve performance, regional transmission networks, and expansion of access in rural and peri-urban areas; in transport, focusing on rehabilitation of road networks and reform programs to establish independent financing and management mechanisms; and in water supply and sanitation, focusing on service expansion to meet the water MDG. Two priority actions are:

- *Substantially scale-up financing for SSA infrastructure to about \$1.8 billion by FY06, \$2 billion in FY07, and \$2.4 billion in FY08.*

¹⁰ See, for example, "Doha Development Agenda and Aid for Trade" to be presented to the Development Committee on September 25, 2005.

- *Work as part of the Africa Infrastructure Consortium to mobilize additional donor support for infrastructure leading to about a \$2.5 billion increase by FY08.*

The IDA14 indicators for safe water, telecommunications access, electrification, and access to roads will be used to monitor and report on outcomes on the infrastructure agenda.

27. ***Supporting Regional Integration.*** The small average size of Africa's economies, and the fact that many are landlocked, calls for special emphasis on using regional approaches to build and maintain infrastructure in key trade logistic corridors, to create common institutional and legal frameworks in such areas as customs administration, competition policy, and the regulation of common property resources (such as fisheries), and to develop solutions to trans-border problems in health. NEPAD has adopted regional integration as one of its core objectives, and efforts to integrate Africa's economies are slowly gathering momentum with the active support of the African Development Bank (AfDB), among others. However, Africa's regional economic communities (RECs)--UEMOA and ECOWAS in West Africa, and ECA, SADC, and COMESA in Eastern and Southern Africa--have shown limited ability to benefit from these initiatives:

- *Action: With partners, including the private sector, leverage World Bank Group support for regional investments in infrastructure and health of approximately \$1 billion per year through FY08.*

Health incidence indicators for cross border diseases will be monitored to assess impacts in health. In infrastructure, investment climate assessments and other surveys of exporters will be used to measure reductions in transactions costs in export corridors.

28. ***Building Skills for Growth and Competitiveness.*** The quality and relevance of Africa's post-primary education systems raise deep concerns about its ability to adopt or develop new technologies and innovate. In too many African countries, skills training is poorly financed, provides too few opportunities (often at too high a cost), and typically fails to prepare trainees adequately to enter or advance in the labor market. Few links exist between firms and universities, centers of excellence, and technical and vocational training institutes, further limiting the potential for a knowledge-driven transformation of local economies:

- *Develop and implement operational plans for IDA support to secondary education in 12 countries and for technical, tertiary, and research institutions, including agricultural education, in 8 countries by FY08.*

Investment climate assessments will be used systematically to monitor investors' perceptions of the quality and relevance of post-primary education programs.

29. ***Making Agriculture More Productive and Sustainable.*** Agriculture has the potential to be a major source of accelerated growth in many African countries. The Action Plan includes measures to: (a) increase physical investment in agriculture, especially for irrigation, water resources management, rural roads and other infrastructure, and research and extension; (b) increase public service delivery in rural areas, and (c) achieve higher productivity through the

use of more fertilizers and improved agricultural practices. Two priority actions IDA will undertake in agriculture are:

- *Mobilize global programs (such as CGIAR) to expand investment in agriculture science and technology and strengthen national innovation systems in agriculture*
- *Increase public and private investments to expand irrigated perimeter by 50 percent over FY05 base by end FY08, with the Bank as lead financial partner*

We will use survey instruments of Bank and development partners to monitor trends in rural infrastructure, agricultural productivity and output, and design appropriate feedback mechanisms to guide program designs.

3. Participating in and Sharing Growth

30. Growth alone will not be enough to reach the MDGs. The experience of Africa has been that while, on average, growth is good for the poor, the ability of the poor and of other excluded groups such as women to *participate in and benefit* from growth varies, both over time and across countries. Thus, actions to build the assets of the poor and women and to connect them to markets are essential to the success of shared growth.

31. ***Connecting the Poor to Markets.*** In countries where activities other than agriculture—such as export manufacturing or services—are the major drivers of growth, interventions to raise agricultural productivity and to connect rural poor people to the rest of the economy through investments in roads, electrification, and communications will remain important elements of the shared growth strategy. The initiatives to promote micro and small enterprises outlined above will also yield dividends by making Africa’s emerging entrepreneurs better able to participate in and benefit from growth in other parts of the economy.

- *Increase investments in rural roads, starting with feeder roads by 20 percent per annum.*

Using household data and the purposive surveys described above, IDA will help countries to monitor trends in rural and urban incomes with the objective of reducing income gaps. Using enterprise level surveys monitor the growth of women owned businesses.

32. ***Scaling Up Human Development.*** The IDA14 partnership strategy aims to improve nutritional status, strengthen national health systems, tackle the spread of HIV/AIDS and malaria, reverse the alarming deterioration in maternal, infant, and child mortality and expand coverage in primary education and post-primary education. It will also take active steps to mitigate the handicaps emanating from gender differences. Our FY06-08 operations in human development will emphasize: (a) sector wide approaches to support progress in education, health and gender; (b) community mobilization to improve implementation and to enhance accountability in service delivery; (c) use of transfer mechanisms including both targeted public works programs and conditional transfers for orphans and/or their care-givers; (d) removal of critical weaknesses in the service delivery chain (e.g., standards for staff recruitment and

retention, construction, drug delivery, and logistics); and (e) use of incentives to motivate both public and private service providers. Four key elements will be:

- *Expand the Malaria Booster program by 150 percent in 17 countries by end-2008.*
- *Scale up non-lending support for HIV/AIDS programs and address funding gaps in 10 countries, including at least two middle-income countries, by 2007.*
- *Increase IDA support to primary education to at least 15 countries through the Education for All Fast Track Initiative (EFA-FTI).*
- *Accelerate progress to the rate required to reach the gender MDG goal through strengthened country systems in 10 countries by FY08.*

We will use the IDA14 and MDG indicators on education, health, and gender to track progress in the implementation of the human development agenda.

4. Strengthening Partnerships

33. The Africa Region will work to accelerate implementation of the outcome-based agenda for harmonization, alignment, and results at the country level, agreed at the Paris HLF.

34. ***Strengthen Partnerships at the Country Level.*** Action is needed in three key areas: (a) developing common development community approaches to support country-led strategies, including use of government systems, (b) developing a set of tools and assessment methodologies with which to compare practices and accelerate coordination and harmonization, and (c) accelerating follow-up actions on the indicators of progress:

- *Revamp the Consultative Group mechanism to become annual “resources and results meetings,” raising the scope of these meetings and strengthening partnership on the MDG and harmonization agendas. Tighten the link between resources and results, and pursue more broadly the harmonization and alignment agenda at the country level. As part of these actions, the Bank will support independent evaluations of country-donor relations in 5 African countries.*
- *Use expanded menu of options to make the analytic and operational knowledge of the World Bank Group available to the development community as a public good. Allow donors to channel their scaled-up aid in partnership with IDA while retaining their identity.*

To evaluate success we will use the Paris Declaration indicators with the aim of meeting all targets in 10 countries by end-FY08.

5. Implementing the IDA14 Partnership at the Country Level

35. Countries in Africa can be broadly grouped into four categories based on three criteria: (a) economic performance (measured by GDP growth and CPIA rankings); (b) progress toward meeting the MDGs; and (c) prospects for effective harmonization of development partners. These criteria determine the speed and sequence with which we will be able to show demonstrable progress in using the additional resources available beginning in 2006 under the IDA14 partnership model outlined above:

- **Countries capable of using more aid quickly across a wide range of interventions**—for example, Burkina Faso, Ghana, and Tanzania. In these countries outcome orientation is high, donors are well aligned, and more resources can be used effectively immediately. The country can be counted on to set priorities and largely manage aid. Challenges include macroeconomic management of more aid, rapid identification of scalable programs, and rapid implementation of an improved results framework (including strengthening data systems). These economies are “under aided” at present in the international system and may provide an opportunity for major scaling up as the new aid commitments are realized.
- **Countries where selective scaling up is possible**—for example, Ethiopia, Mali, and Nigeria. In these countries outcome orientation is moderate, development partners are partly aligned (around some budget support and sector programs), and additional resources can be used selectively to scale up sector programs. Development partners will need to be more active in harmonizing behavior and aligning to country priorities, while respecting country ownership. Challenges include strengthening country strategy (priorities and results), deepening common donor frameworks, selectively strengthening scalable programs, and developing a results framework and data. These are economies in which the current international performance-based allocation system works well, and where IDA can lead with the menu of options.
- **Fragile states where additional aid is likely to be focused on targeted programs**—for example, Burundi, Chad, and the Democratic Republic of Congo. In these countries there is little outcome orientation, national strategies lack priorities, aid agencies lead the aid effort, and implementation capacity is weak. Challenges include strengthening state capacity, fostering ownership, effectively implementing existing programs, and strengthening data and monitoring systems. Scaling up will be confined to specific targeted programs such as malaria, education, HIV/AIDS, and some infrastructure. Political turnarounds, however, may offer scope for effective use of additional resources outside the current performance-based allocation system.
- **States affected by recent conflict**—for example, Liberia. In these countries the focus is on stopping and preventing renewed conflict, and recreating the rudiments of a state; see Box 1. Donors lead and are tightly coordinated around a

small number of programs related to the conflict. Challenges include rebuilding capacity and establishing a viable state, and identifying specific programs that deliver services quickly and effectively. Scaling up would involve responding to specific opportunities where providing higher levels of support for basic service provision in the immediate post-conflict period system could cement the transition out of conflict.

Box 1: The Role of the Bank Group in Conflict Prevention and Post-Conflict Reconstruction in Africa

Worldwide, proneness to violent internal conflict is closely related to adverse economic conditions: low income, economic stagnation, and dependence upon primary commodities, especially mineral resources. It is thus not surprising that for the many African countries that have these characteristics, conflict has been prevalent. Conflict is ‘development in reverse’ for the country directly affected. But it also has substantial adverse spillovers for neighbors. For this reason, the pronounced prevalence of conflict has been an important cause of Sub-Saharan Africa’s economic problems. Although the incidence of conflict in Africa has recently declined, the legacy of conflict portends a heightened risk of further conflict. Indeed, several countries in the region are vulnerable to a trap in which post-conflict recovery is either too slow or shallow to avoid more conflict.

The World Bank Group has an important role both in conflict prevention and in post-conflict reconstruction. Its role in prevention is essentially to support development in economies that are poor and stagnant, while helping increase the development of mineral resource revenues. Its role in reconstruction is more sharply defined. Post-conflict situations face highly distinctive economic challenges and opportunities and so, as the Action Plan proposes, call for distinctive assistance strategies. In particular, aid availability should embody flexibility so that the time profile and volume of aid can be well matched as circumstances change. Although post-conflict governments usually start with very weak policies, governance and capacity, the political situation is often sufficiently fluid to permit rapid economic reform. Capacity strengthening and technical assistance are likely to be particularly useful because of the conjunction of rapid policy and institutional change with weak capacity. Experience has shown that Africa’s post-conflict countries can absorb aid productively. However, because risks are high, this aid should normally be in the form of grants. Key priorities are typically infrastructure to assist market reintegration, and broad-based provision of basic social services. A central objective of Bank country strategies during this period should be to assist post conflict governments to deliver basic services at a level that strengthens the commitment of their populations to state building and reinforces accountability.

D. From Monterrey to the Millennium Summit Review: Scaling Up Progress toward the MDGs

36. As aid volumes increase in line with the Monterrey, and Gleneagles commitments, from the present estimate of an extra \$6-8 billion of multilateral and bilateral assistance per year in 2006 toward the additional \$25 billion promised for 2010, the IDA14 partnership strategy and action plan can be scaled up via an “accordion” approach in which more aid is committed to economies and activities capable of using aid effectively. As our efforts to support fragile states and conflict-affected countries yield results, we would expect an increasing number of those countries to move into the better performing categories of the IDA performance-based allocation system. Very substantial increases in aid would also allow partnering with bilateral donors to focus resources on three “under aided” categories—high performers, turnarounds, and regional economic communities—where the potential for impact on a region-wide basis is high.

37. *How Much Aid Can Africa Use Effectively?* Estimates of the additional annual external financing that Africa can effectively use to reach the MDGs—including those of the UN Millennium Task Force (\$70 billion additional) and the UK Commission for Africa (\$25-\$50 billion additional)—vary widely because of several factors: sensitivity of cost estimates to

assumptions about spending efficiency, the difficulty of factoring in the complementarities from progress in one area on other MDGs, the impact of countries' own fiscal efforts on aid requirements, and macroeconomic management of increased aid flows. In addition, most studies of MDG "costing" focus only on the direct costs of providing services in the sectors associated with the goals themselves (mainly education and health) and ignore the need for investments in complementary growth-oriented sectors such as infrastructure. With the caution that these estimates are subject to large margins of error, a conservative estimate of the additional ODA that Africa could use effectively in both infrastructure and human development ranges from \$14-18 billion per year during 2006-2008 to \$24-28 billion by 2015¹¹. Thus, there appears to be scope for African economies to use additional resources effectively to boost growth and reach the MDGs.

38. ***The Sector Focus of Assistance.*** Table 1 sets out some preliminary estimates of how donor support might be used at the sector level, compared with IDA13. The first scenario shows the projected average composition of commitments under IDA14 alone. The second scenario shows a range of possible allocations of the \$10 billion annual additional assistance available under the "IDA14 partnership". The projected allocation reflects both our knowledge of the existing plans of development partners for cofinancing with IDA14 and the further assumption that countries will express increased demand for assistance in the areas outlined as priorities under the IDA14 Partnership framework. Under this scenario, there is a notable increase in the volume of support for infrastructure and a modest shift toward growth-enhancing investments. The final scenario, "Post Gleneagles," represents one estimate of how \$25 billion of additional assistance might be used in 2010. The projection – which is highly speculative, since expenditures at the country level will be determined by country priorities and handled through normal public expenditure management systems – reflects projected demand for financing in each sector, as constrained by our estimates of ability of African countries to use additional resources effectively. The major structural shift in projected expenditures, relative to the IDA14 Partnership is a very substantial scaling up of financing for health and education.

Table 1 - Allocation of Additional Donor Support (\$billions average per annum)

	<i>IDA13</i> (Average 2003-2005)	<i>IDA14</i> (Average 2006-2008)	<i>IDA14 Partnership^b</i> (Average 2006-2008)	<i>Post Gleneagles^c</i> (Average 2009-2011)
Governance, PSD, Export Push, Regional Integration	1.1	1.2	2.0-2.6	2.0-5.0
Infrastructure (including rural infrastructure)	1.5	2.0	4.0-4.2	6.0-9.0
Agriculture	0.3	0.3	0.5-0.9	1.0-3.0
Education	0.4	0.3	0.5-0.9	3.0-5.0
Health	0.7	0.8	1.9-2.3	7.0-9.0
Total/Average	4.0	4.6	10.0	25.0

^a Excludes \$0.4 b per year set aside for arrears clearance.

^b Assumes additional US\$ 10b donor community financing (including \$0.6 b from IDA14).

¹¹ Recent World Bank studies attempt to provide estimates of the capacity of African countries to use more ODA in education, health and infrastructure. Estimates for human development financing show incremental funding needs ranging from \$8 billion in 2006 to \$14 billion in 2015. Global programs for HIV/AIDS, malaria and tuberculosis could add an additional \$3-4 billion per year. (*Global Monitoring Report*, 2005; Baird and Shetty, 2003) Recent work by the Infrastructure Network (Estache, 2005) places the total investment needs for African infrastructure in the range of \$17-22 billion annually. A conservative estimate of the ODA that would be needed might be on the order of \$6-8 billion per year.

^c Based on estimates of ability to absorb additional resources in each sector.

39. ***Keeping the Country at the Center.*** The actions proposed to reinforce the country-based model under the IDA14 partnership scenario—particularly sharpening our focus on governance and shared growth—provide a strong basis for countries to manage additional resources. The G8 initiatives, however, pose a challenge to using new resources through country systems. “Vertical” programs to achieve specific outcomes in infrastructure, education, and health are attractive vehicles to mobilize taxpayer support for development assistance. Leadership and/or support by the Bank Group, through additional analytic work and policy advice, will be needed to help countries use these funds flexibly and integrate them into country systems. The Bank (together with the IMF) can also strengthen countries’ capacity to use more resources through better understanding of the macroeconomic management and structural allocation of aid flows. Further strengthening of public sector management mechanisms, including project analysis, budgeting, reporting and M&E, will also be needed to ensure that both domestic and foreign resources are well used.

40. ***Targeting Support to Countries with Strong Neighborhood Effects.*** Under IDA14 all Sub-Saharan African countries receive resources according to the IDA performance-based allocation (PBA) system. The availability of substantially scaled-up aid would make it possible to focus some additional resources additional to the PBA on countries and regional initiatives that can have important spillover effects. Pursuit of this strategy could have a significant impact on Africa’s overall performance and on the rate of attainment of the MDGs.

- ***High Performers.*** High performers demonstrate to neighbors that success is possible. Africa would seem a very different place once three significantly-sized countries were growing above 8 percent. Focusing a relatively large aid effort on a limited number of countries could maximize progress toward those countries meeting most or all of the MDGs. Given resource constraints and the present aid allocation system, this would require a concerted effort by the development community.
- ***Turnarounds.*** Many of the costs of poorly performing economies are borne by the neighborhood, and turnarounds – due to resolution of internal conflicts or political change -- can generate large benefits across the region. They merit special attention because there may be some cases where funding needs cannot be sufficiently met by the mechanisms, such as front loading of resources at the country level or intra-regional reallocations, built into the IDA14 and other development partners’ resource allocation frameworks. There is evidence that countries emerging from conflict can use substantial technical assistance and financial support effectively to assist in market reintegration and provision of basic services. The Bank Group and the larger donor community have sufficient country-specific expertise to both analyze the country context and to make judgments as to which turnarounds might be sustainable, based on small improvements in the CPIA, close observation of leadership, and political realities.
- ***Regional Initiatives.*** In practice, regional initiatives have received relatively little support under the current IDA allocation system, in part because they are

relatively new types of interventions. Because these investments have very high potential payoffs, especially for landlocked countries, well-designed regional projects merit increased funding as resources become available. Besides its role in capacity building and institutional strengthening, the World Bank Group's pipeline of regional integration projects has been growing rapidly and currently stands at more than \$2 billion of projects able to be financed over the next three.

41. ***A New Financing Mechanism: A “Venture Capital Country Aid Fund” (VCCAF) or “Catalytic Country Fund” (CCF).*** To support the proposed approach to selectivity, the World Bank Group will explore possibilities for a new financing mechanism anchored in the Bank Group. This “Venture Capital Country Aid Fund” (VCCAF) or “Catalytic Country Fund” (CCF) could address a number of special country situations where there are high-risk/high-reward opportunities to boost development and growth through potent ‘neighborhood externalities’ that otherwise might lack adequate funding from IDA and its development partners. Importantly, such a mechanism would be a *complement* to and not a *substitute* for IDA, maintain country ownership, and be based on the integrated expenditure management systems supported by IDA. The types of opportunities that a VCCAF or CCF would usefully exploit include (i) high-performing countries, (ii) turnaround situations, and (iii) regional investments. As with any such fund, the Bank Group would take responsibility for the overall return on resources used and for managing risks.

E. Moving Forward

42. Drawing from the larger program of actions set out in the *Africa Action Plan*, the Africa Region will focus on three core strategic elements over the course of the IDA14 period (2006-2008):

- First, we shall significantly sharpen our *focus on results* in three areas, building country based results frameworks, rolling out complete coverage of results based country assistance strategies, and increasing management attention to and incentives for results management of the IDA portfolio. Using the outcome indicators outlined above and in the larger action plan we will monitor and report on external evaluations of the results focus.
- Second, we shall increase our analytical and operational focus on the drivers of shared growth. In particular we shall actively partner with others to help countries build a vibrant African private sector, push exports – including agricultural and processed agricultural exports – and close the infrastructure gap. In each country through the PRSP process, we shall identify and increase support to one high impact intervention – in for example rural development, health or education – which governments and their citizens agree demonstrates tangible evidence of progress in sharing the benefits of growth. We shall monitor our progress using a combination of country based survey instruments, the IDA14 results framework, and Bank designed purposive surveys of the investment climate and service delivery.
- Third, we shall ramp up our *partnership agenda* to accelerate and reinforce at the country level the international momentum achieved through the Monterrey and Paris process. In particular we shall work to develop and implement our “menu of options” to make Bank Group analytical, operational, and country knowledge available to other development

partners as a public good in order to leverage the growing resources available to Africa efficiently. We shall also actively promote the formation of “results and resources” consultative group meetings designed to sharpen the results focus of country level alignment and harmonization efforts, and ensure greater predictability and timeliness in the delivery of assistance. We shall measure our success in these areas using the Paris Harmonization Indicators, and will also sponsor and participate actively in country level independent evaluations of government and development partner practices.

MATRIX OF “SELECTED PRIORITY ACTIONS” IN THE WORLD BANK GROUP AFRICA ACTION PLAN ¹²
Summary of Objectives, Actions, Responsibilities

Focus	Objective	Actions	Indicators of progress/results ¹³	Risks
		<i>Increase IFC Private Enterprise Partnership interventions, including agro-business, from 1 country in FY05 to 10 countries in FY08</i>	<ul style="list-style-type: none"> • Increase PEP interventions from 1 country in FY05 to 10 countries in FY08. Evaluation of program completed in FY09 	
3. Supporting the Drivers of Growth: Closing the Infrastructure Gap	Creating an Export Push	<p><i>With partners, support analysis and operations to identify and remove “behind-the-border” constraints to export competitiveness and regional integration in 10 countries, 3 in FY06, 3 in FY07 and 4 in FY08</i></p> <p><i>Increase support for 23 Sub-Saharan countries under the Trade Facilitation Initiative to about US\$ 530 million (compared to about \$ 80 for FY01-FY03) by end FY06</i></p>	<ul style="list-style-type: none"> • New advisory work on improving the “behind-the-border” business environment, competitiveness and regional integration in 20 countries • Indirect costs of exporters fall by 15% from FY06 base in 10 countries by FY09 • Using based firm surveys show improvements in Trade Facilitation and Logistics: <ul style="list-style-type: none"> • Reduction in custom’s clearance (time and cost) • Reduction in cross-border processing (time and costs) • Reduction in transport & handling costs 	Risks include slower than expected utilization of resources; lack of effective market access, and lack of regional approaches to trade facilitation
3. Supporting the Drivers of Growth: Closing the Infrastructure Gap	Closing the Infrastructure Gap	<p><i>Substantially scale-up financing for SSA infrastructure to about US\$ 1.8 billion by FY06, \$ 2 billion in FY07, and \$ 2.4 billion in FY08</i></p> <p><i>Work as part of the Africa Infrastructure Consortium to mobilize additional donor support for infrastructure to about \$2.5 billion increase by FY08</i></p>	<ul style="list-style-type: none"> • Increase population with access to safe water source from 60% in FY05 to 63% by FY09 • Raise population with telecommunications access from 31 per thousand in FY05 to 50 per thousand by FY09 • Increase IDA 14 household electrification rate outcome from 24% in FY05 to 30% by FY09 	Risks for achieving lending targets and indicators include slower than expected progress in reaching agreement on policy/institutional issues that are essential for sustainability, client absorptive capacity, and inadequate Bank resources for processing. Fiscal space is a risk
3. Supporting the Drivers of Growth: Regional Integration	Supporting Regional Integration	<i>With partners, including the private sector, leverage World Bank Group support for regional investment in infrastructure and health of approximately \$ 1billion per year through FY08</i>	<ul style="list-style-type: none"> • Joint financing approximately \$ 1 billion per year through FY08 • Capacity building programs will be implemented with at least 4 RECs by FY08. • REC/NEPAD programs for regional trade facilitation under implementation in at least 3 RECs by FY09 • Reduction in health incidence indicators for cross border diseases 	

MATRIX OF “SELECTED PRIORITY ACTIONS” IN THE WORLD BANK GROUP AFRICA ACTION PLAN ¹²
Summary of Objectives, Actions, Responsibilities

Focus	Objective	Actions	Indicators of progress/results ¹³	Risks
3. Supporting the Drivers of Growth: Building Skills for Growth and Competitiveness	Building skills for growth and competitiveness	<i>Develop and implement operational plans for IDA support to secondary education in 12 countries and for technical, tertiary, and research institutions including agricultural education in 8 countries by FY08</i>	<ul style="list-style-type: none"> • Improvements in the quality and relevance of skills, post-secondary education and science and technology (using investment climate assessments responses) • By end-FY08, SSA countries would have adopted comprehensive secondary education and training strategies, of which 6 would be implementing their strategy with IDA support. • By end-FY08 IDA will provide support to technical and tertiary institutions in 8 countries. 	<p>Political difficulty in implementing cost-sharing policies at the post-primary levels, and developing partnerships with the private sector.</p> <p>Sustaining political support for reforms needed to build efficient and financially viable systems; and ensuring coordination among countries as well as sustaining donor support for Science and technology Institutes</p>
3. Supporting the Drivers of Growth: Strengthening Agriculture	Making agriculture more productive and sustainable	<p><i>Mobilize global programs (such as CGIAR) to expand investment in agriculture science and technology and strengthen national innovation systems in agriculture</i></p> <p><i>Increase public and private financing to expand irrigated perimeter by 50 percent over FY05 base by end FY08, with the Bank as lead financial partner</i></p>	<ul style="list-style-type: none"> • Rate of increase in cereal crop yields in SSA is doubled from 1995-99 to 2005-2009. • Develop and Implement 12 rural growth action plans by FY09 – four in each year from FY06 to FY08 • Projects under implementation to increase irrigated perimeter by 50% over FY05 base by FY08 	Lack of government commitment to rural infrastructure and irrigation national PSD environments unfavorable to private irrigation
4. Participating in and Sharing Growth: Connecting the poor to markets	Connecting the Poor to Markets	<i>Increase investments in rural roads, starting with feeder roads by 20% per annum.</i>	<ul style="list-style-type: none"> • Increase percentage of rural population with access to all season roads from 34 in FY05 to 40 by FY08 • Monitor trends in income gaps in rural and urban areas using household data and purposive surveys 	Lack of funds for publicly financed irrigation and roads. Low profitability of irrigation; high cost of road construction and maintenance
4. Participating in and Sharing Growth: Scaling Up Human Development	Scaling up Human Development	<i>Expand the Malaria Booster Program by 150% in 17 countries by end 2008</i>	<ul style="list-style-type: none"> • For countries supported by Booster Program: 60% ITN utilization of those at risk, particularly children under 5 years and pregnant women; at least 60% treatment of malaria patients within 24 hours of onset of symptoms; 60% coverage of IPT for pregnant 	Weak implementation capacity and leadership at country level; insufficient global funding for ACT production and procurement; difficulties of

MATRIX OF “SELECTED PRIORITY ACTIONS” IN THE WORLD BANK GROUP AFRICA ACTION PLAN ¹²
Summary of Objectives, Actions, Responsibilities

Focus	Objective	Actions	Indicators of progress/results ¹³	Risks
		<p><i>Scale up non lending support for HIV/AIDS programs in and address funding gaps in 10 countries, including at least two middle-income countries, by 2007</i></p> <p><i>Increase IDA support to primary education to at least 15 countries through the Education For All Fast Track Initiative (EFA-FTI)</i></p> <p><i>Accelerate progress to the rate required to reach the gender MDG goal through strengthened country systems in 10 countries by FY08</i></p>	<p>women</p> <ul style="list-style-type: none"> • Coverage of: a) 75 % prevention activities among epidemiologically relevant groups (i.e. those who account for the majority of new infections); and b) treatment coverage in line with targets agreed with UNAIDS, WHO, the Global Fund & PEPFAR. • Decrease in the prevalence of HIV female (%) from 9.4 in 2003 to 7.5 in 2010 in Sub Saharan Africa • Primary completion rates in SSA rise from 50% in 2003 to 65% by 2008 • By end FY08, 23 countries would have their primary sector development plans endorsed by donor partners under the Education for All (EFA) Fast Track Initiative of which at least 15 would be implementing their plans with support through IDA or the EFA-FTI Catalytic Fund • Integration of gender issues into 10 country PRSPs and will be reflected in result-based CAS • Increase the ratio of girls to boys in primary and secondary education (%) from 80% in 1995 to 90% in 2010 	<p>collaboration with other partners</p> <p>Slow harmonization progress with AIDS partners; Weak implementation at country level</p> <p>Credibility of EFA FTI undermined by difficulties with funding and implementation in already endorsed countries, thereby reducing incentives for new countries to participate. Constraints on completion rates, especially on the demand-side, may be impervious to policy interventions in the short run</p> <p>Lack of political/social commitment to gender equality</p>
5. Strengthening Partnerships	Strengthening Partnerships at the Country Level	<i>Revamp the consultative group mechanism to become annual “resources and results meeting”, raising the scope of these meetings and strengthening partnership on the MDG agenda.</i>	<ul style="list-style-type: none"> • Donor community on track to reach Paris Declaration objective in at least 20 countries for FY09. Paris Declaration indicators will be improved in 15 countries by end FY08 	Conflicting priorities among donors and differences in instruments

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Summary of Objectives, Actions, Responsibilities

Focus	Objective	Actions	Indicators of progress/results ¹³	Risks
		<p><i>Tighten the link between resources and results, and pursue more broadly the harmonization and alignment agenda at the country level. As part of these actions, the Bank will support an independent evaluation of country-donor relations in 5 African countries</i></p> <p><i>Develop a menu of options to make the analytical and operational knowledge of the World Bank Group available to the development community as a public good. Allow donors to channel their scaled-up aid in partnership with IDA, while retaining their identity</i></p>	<ul style="list-style-type: none"> • Independent evaluations of country-donor relations in 5 African countries • Increase the ratio of cofinanced and jointly financed IDA operations (including PRSCs and SWAPs) by 100 % relative to FY05 in 10 countries by FY08 	