IDA17 MID-TERM REVIEW:
PROGRESS REPORT ON INCLUSIVE GROWTH

International Development Association
IDA Resource Mobilization Department (DFIRM)
Development Finance (DFi)

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**ACRONYMS AND ABBREVIATIONS**

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<th>Acronym</th>
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<td>AfDB</td>
<td>African Development Bank</td>
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<td>CAR</td>
<td>Central Africa Republic</td>
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<td>CCSA</td>
<td>Cross-Cutting Solution Area</td>
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<td>Country Partnership Framework</td>
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<td>Fragile and Conflict-affected State</td>
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<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
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<td>International Monetary Fund</td>
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<td>LCR</td>
<td>Latin America and Caribbean region</td>
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<td>Low-Income Country</td>
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<td>Millennium Development Goal</td>
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<td>Systematic Country Diagnostic</td>
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IDA17 has identified inclusive growth as a priority for IDA countries. The special theme recognizes that growth alone, is insufficient for achieving the World Bank Group (WBG) goal of eradicating extreme poverty by 2030. Rather, policies are necessary to ensure that growth is also inclusive, i.e., growth benefits the lowest income brackets of the population in an economically, socially and environmentally sustainable manner.

Policy solutions to achieve inclusive growth are wide-ranging and country-specific. Though strong growth is necessary for poverty reduction, countries differ on how growth is translated in poverty reduction. In recognizing country specificity, IDA committed to a two-track parallel approach on inclusive growth that encompasses building the knowledge base and tools for understanding the country specific constraints to inclusive growth as well as devoting attention to, without being exhaustive, four important channels for inclusive growth: (1) job creation; (2) financial inclusion; (3) public financial management; and (4) natural resource wealth.

The World Bank has achieved strong progress towards meeting the commitments related to the Inclusive Growth special theme.

- By July 1 2014, the first day of the IDA17 period, the World Bank had adopted a framework for making inclusive growth central to country strategies and set in motion a process to fill the data gaps to support this evidence-based framework.
- The newly created Cross-Cutting Solution Area (CCSA) for Jobs has since finalized and rolled out a “job diagnostic tool” in 12 countries and set priorities for its activities.
- The WBG has expanded the coverage of the Global Financial Inclusion Database (Global Findex) and is supporting 16 countries towards their financial inclusion targets and priorities.
- BOOST supported analysis to improve public financial management systems have been completed in 15 countries and demand from client countries exceed IDA commitments.
- Finally, the World Bank has scaled up support to IDA countries to improve governance of the extractive sector through analytical products, toolkits, and financing.

The new country engagement model has been adopted and is being put in place in more than 20 countries, with a strong pipeline ahead. In the new framework, a Systematic Country Diagnostic (SCD) uses data and analytic methods to identify the most critical constraints to, and opportunities for, reducing poverty and building shared prosperity sustainably. Then, drawing on the SCD, the Country Partnership Framework (CPF) lays out the development objectives that WBG interventions expect to help the country achieve in order to progress towards the achievement of the twin goals. In the first half of IDA17, 21 SCDS are being prepared, of which
seven have been completed\(^1\) and publicly released; three CPFs\(^2\) has been completed and is in implementation stage, with 16 more CPFs expected for FY16.

**To advance the inclusive growth agenda, the newly created Jobs CCSA has defined key strategic priorities.** These are: (i) roll out of the “Job diagnostic tool”; (ii) definition of job strategies and operations; (iii) knowledge management; (iv) partnerships; and (v) resource availability. The Jobs CCSA aims at integrating experience, evidence and learning to provide comprehensive and innovative multi-disciplinary cross cutting solutions to Bank’s clients and help build their capacity in designing solutions. Partnerships are important to define an inventory of available data, identify data gaps and improve capacity. Using an umbrella Multi-Donor Trust Fund (MDTF) on Jobs, the Jobs CCSA supported the roll out of the tool and provided technical expertise to support client countries in creating the job profiles and job needs for the bottom 40 percent, identifying constraints, and defining and implementing strategies for private sector development and job creation.

**The “job diagnostic tool” has been rolled out in 12 countries, five of which are fragile.\(^3\)** To foster inclusive growth, IDA17 aims to build the capacity for IDA countries to analyze and address constraints to productive jobs to ensure that poor people can transition to more productive, well paid activities. Because some jobs affect development more than others, the tool helps governments understand where good jobs for development lie, given the country context. Important lessons have already been learned with respect to the limited capacity of growth to create jobs in low income countries, the importance of considering the role of structural adjustment, demographic changes and spatial transformations, and the contribution of informal sector to job creation. While on track to meet the commitment to roll out the tool in at least 15 IDA countries, the number of diagnostics conducted in fragile states has already met the target of five.

**The World Bank’s expanded coverage of financial inclusion indicators has contributed to identification of opportunities to improve access to finance for the remaining 2 billion adults with no access to a bank account.** Financial inclusion is increasingly recognized as critical in reducing poverty and building equitable economic growth. According to the 2014 Global Findex presented during the 2015 IMF-World Bank Spring Meetings, 62 percent of adults in developing countries have an account in a financial institution or a mobile money account, up from 51 percent in 2011. Globally, account ownership has increased by 17 percent in the poorest 40 percent of households and doubled or even tripled in several IDA countries, largely thanks to the use of mobile banking, especially in Africa. Despite substantial progress across all regions, account ownership in IDA countries still lags developing world averages and with 55 percent of adult women still “unbanked,” a gender gap persists. There is strong evidence that adults are benefitting from financial inclusion by frequently using accounts not only for savings but also for making and receiving payments from governments (bills, taxes and transfers), firms (salaries and purchases) and individuals (transfers). Results from the Global Findex indicate that by dropping the use of cash for payments, both governments and businesses can reduce the number of unbanked adults by 340 million.

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\(^1\) Chad, Côte d’Ivoire, Haiti, Lesotho, Madagascar, Mali and Myanmar.  
\(^2\) Myanmar, Côte d’Ivoire, and Haiti.  
\(^3\) Burkina Faso, Cameroon, Cote d’Ivoire, Nigeria, Sierra Leone, Rwanda, South Sudan, Zambia, Kosovo, Kyrgyz Republic, Bangladesh, and Afghanistan.
The WBG has established instruments to support the scale up of activities on financial inclusion and is currently supporting over 16 countries to achieve their financial inclusion targets. Countries' governments, including financial regulators, in more than 50 countries have adopted commitments towards specific goals and priority reforms to improve financing inclusion. Reflecting this, the WBG has adopted the goal of Universal Financial Access by 2020, and has initiated global programs such as the Financial Inclusion Support Framework, and developed new partnerships to support country efforts to adopt and implement national strategies to achieve their targets for financial inclusion. IDA has already met the commitment of supporting at least 10 countries meet their financial inclusion targets, with 11 IDA countries currently supported, and projects in the pipeline for five more IDA countries. The WBG has also secured private sector commitments to give access to accounts to over 1.2 billion people by 2020, which reflects the potential for country-led reforms and also technology to lower the costs and risks of reaching low income people.

The World Bank is making progress on the commitment to roll out the BOOST public financial management tool, with 15 BOOST-supported analyses already completed, six of which are in resource abundant economies. The BOOST initiative is a Bank-wide collaborative effort launched in 2010 to facilitate access to expenditure data and promote their effective use for improved fiscal decision making, expenditure analysis and accountability. By facilitating the link between policies and services, including those that target the poor, and enhancing the potential for citizen engagement on the budget, BOOST enhances prospects for inclusive growth. Since 2013, the Bank has partnered with the Gates Foundation, which provided financing to roll out the tool. At the end of June 2015, the World Bank had secured agreement with 23 governments, including 11 of resource rich countries.BOOST-supported analyses not only provide analytical foundations to Bank operations, but have increased the transparency of government budget processes, empowered national stakeholder, including parliamentarian and civil society organizations, and has been used as a diagnostic tool to improve budget classifications systems.

The Bank is fulfilling the commitment to provide technical advice and financial assistance to IDA countries to help establish the institutional capacity and implement policies needed to maximize the potential of natural resource wealth. During FY14 and FY15 the Bank has made available a number of guidance notes and toolkits to help countries improve the legal and regulatory framework, enhance revenue collection, increase the local content and positive impact of Extractive Industry (EI) investments, and support implementation of the Extractive Industries Transparency Initiative (EITI). Analytical products were coupled with country support provided through dedicated EI operations or through EI components in IDA financed development policy operations. A new MDTF with objectives aligned to IDA17 commitments in ELs is also being launched.

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5 Burundi, Ethiopia, Guinea, Haiti, Kenya, Kosovo, Kyrgyz Republic, Mali, Moldova, Mozambique, Niger, Solomon Islands, Tajikistan, Togo, and Uganda.
1. IDA countries have maintained robust growth despite an uneven recovery of advanced economies and lower growth in emerging markets. While growth in the United States and the United Kingdom gathered momentum, slow growth remained both in the Euro Area and Japan as legacies of the financial crisis linger, intertwined with structural bottlenecks. A slowdown in emerging market economies including in China, constraints to productivity, tightening of policies, and uncertainty about global liquidity conditions have contributed to slower growth, below 5 percent, in developing countries. After the financial crisis, growth in IDA countries averaged about 5 percent and eventually exceeded that of other developing countries and advanced economies due to diversification of exports, until recently, high commodity prices and increased domestic demand (Figure 1).^6^  

2. But there were differences in performance within the IDA group (Figure 2). FCSs showed resilience during the global economic and financial crisis in 2008 and 2009 because of low integration with the global economy, and maintained solid growth that averaged above 4.5 percent during 2004-2010. A resurgence of conflicts (in Cote d’Ivoire, CAR and Yemen) and the secession of South Sudan from Sudan substantially reduced growth of the group in 2011, which has since risen again. Fast demographic growth in FCSs have decreased the per-capita growth rate and hindered poverty reduction. In per capita terms, FCS growth has averaged only 1.7 percent a year, 1.9 percentage points less than IDA and 3.1 percentage points less than IBRD countries.  

3. Growth in IDA countries is expected to average above 5 percent during IDA17, but to slightly fall to 4.5 percent in 2015 (Figure 1). Growth in IDA countries will be lower than previously estimated due to the recent slowdown in emerging markets, weak global trade, lower commodity prices and expected tighter financial conditions ahead. Large agricultural sectors, remittances and public investments have cushioned the impact of sharply weaker terms of trade in commodity-exporting LICs. Low oil, commodities and also agricultural prices will allow commodity-importing countries to reduce vulnerabilities and increase investments. After slowing

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to 4 percent in 2015, growth in resource-rich countries is expected to recover as past investments come on-stream. Finally, after a resumption of conflict and the impact of the Ebola epidemics, the return to political stability is expected to help several fragile countries return to higher growth (Figure 2).7

4. **Strong growth has contributed to poverty reduction in IDA countries, but with large differences across country groups.** Globally, the number of the poor has decreased from 37 percent of the world population in 1990 to 13 percent in 2012,8 with the number of people living in extreme poverty estimated to fall to under 10 percent of the global population in 2015.9 This leaves less than 1 billion people living in extreme poverty.10 Over the same period, IDA countries have reduced extreme poverty from 57 to 33 percent (Figure 3). However, results have not been homogeneous across the group of IDA countries. FCSs reduced the extreme poverty rate to 53 percent in 2012 from the peak of 63 percent in 1993, but the pace of poverty reduction was much lower compared to that of the average for IDA countries. As a result of high population growth, low economic growth and low level of poverty reduction, the number of the poor in FCSs has increased over time, reaching an estimated number of 195 million in 2012, or 21 percent of the number of the poor in the world. At the same time, poverty has fallen in resource rich IDA countries, which represents nearly 1/3 of IDA-eligible countries, but at 38 percent, the average headcount in those countries still remains high.

5. **Much remains to be done to make growth inclusive in IDA countries.** Recent trends in shared prosperity have been broadly positive, with the income of the bottom 40 percent of the income distribution increasing in most developing countries.11 However, not all countries made equal progress on shared prosperity. In IDA-eligible countries, incomes of the bottom 40 percent have increased in 20 out of a sample of 26 countries for which data is available. In addition, in 17 countries, the bottom 40 percent income growth was higher than the average growth of the entire population (Figure 4, top chart). Available income data confirms that over the past 20 years inequality has decreased in the majority of IDA countries. Still, in a large number of IDA countries inequality has increased (Figure 4, bottom chart). In addition, the goal of shared prosperity is much broader than that of income growth, in that it aspires to sustainably elevate the well-being of the poorer segments of society.12 Unequal progress in non-income dimensions of development, especially in low income countries requires addressing widespread inequality of opportunity.

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10 Defined as the number of people with a daily consumption/income below US$1.90 in 2011 PPP terms.
which transmits poverty across generations and erodes the pace and sustainability of progress for the poor.

6. **Employment generation has contributed to poverty reduction and shared prosperity, but there is a persistence of large differences among IDA countries, low youth employment and a gender gap in the labor market.** The WDR 2013 has shown that changes in labor earnings are the largest contributor to poverty reduction – explaining between a third and a half of the reduction in poverty. Since the late 90s, economic development has increased employment in IDA countries, even though three out of four workers in Sub-Saharan Africa and South Asia are
considered in vulnerable employment (i.e. self-employed or a family worker). However, job creation has remained flat over time in countries dependent on oil and mineral resources and has lagged in FCSs, due to rising instability (Figure 5). Youth unemployment remains a concern, especially in FCSs, which face rapidly rising youth populations that could increase social tensions. Participation of women in the labor force has grown over time, but remains below 55 percent in 2012 (Figure 6). These gender gaps represent a substantial loss in income and economic development as countries with large gender gaps are estimated to incur income losses of up to 30 percent of per-capita GDP. In addition women face higher risks of vulnerable employment.

Figure 5. Employment has increased over time but not at the same pace
(In percent working age population)

![Employment chart](chart1.png)

Figure 6. Access to jobs for women and the youth in IDA countries remains low.
(In percent of working age population, 2012)

![Access to jobs chart](chart2.png)

Source: World Development Indicators.


7. **Risks to economic stability and poverty reduction remain as buffers have not been re-established following the global economic crisis.** The accumulation of fiscal buffers and the decrease in debt burdens, mainly due to debt relief, has allowed LICs to implement countercyclical fiscal policies during the crisis years. Countries allowed automatic stabilizers to operate and could increase social expenditure, especially in countries that have received HIPC and MDRI debt relief. Despite the benign economic outlook for global growth, low cost of finance and until recently high commodity prices, a number of LICs failed to rebuild buffers. The deterioration was particularly strong in fiscal balances (Figure 7), reflecting sometimes increased current expenditure or one-off expenditures. In resource rich countries, low commodity prices translated both in lower revenue and larger current account deficits. FCSs had the largest deterioration in external balances over the period (Figure 8). If the most vulnerable countries are forced to scale back spending on social services and critical public infrastructure projects as resource-revenues fall, gains in poverty reduction could be lost and prospects for future growth damaged by growing infrastructure deficiencies and bottlenecks.

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8. **Other vulnerabilities in IDA countries are related to climate change and fragility.** In addition to downside risks to the economic outlook, countries’ paths towards inclusive growth can be severely hindered by episodes of fragility, conflict and violence that can halt economic development and poverty reduction. With the average cost of civil war equivalent to 30 years of lost GDP, a major episode of violence can wipe out an entire generation of economic progress. Climate change also presents a threat to sustainable economic development and the fight against poverty. IDA countries, especially small island economies, will be affected by the impact of the changes in climate through, for example changes in rainfall patterns, floods, droughts, increasing temperatures, rising sea levels and changes in agricultural productivity. And the livelihoods of those least able to adapt, the poor and most vulnerable, will be impacted the most.

9. **In the IDA17 report, IDA Deputies identified inclusive growth as an important priority for IDA to support countries in their efforts to implement their strategies towards poverty reduction and shared prosperity.** Growth alone, especially in IDA countries, is not sufficient to achieve the target of eradicating extreme poverty by 2030. Policies are necessary to ensure that growth is also inclusive, meaning that it benefits also the lowest income brackets of the population, and that it is economically, socially, environmentally sustainable. Specifically, IDA Deputies asked Management to implement, monitor and report on the following actions:

   **To make evidence based design and implementation of inclusive growth policies central to country strategies:**
   - Align all IDA Country Partnership Frameworks to the WBG twin goals by supporting countries to (i) collect key data (or help fill gaps through appropriate surveys); (ii) use the **Systematic Country Diagnostic** to identify constraints and priorities; and (iii) align strategies to identified priorities.

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• Introduce Bank procedure for the new Country Partnership Framework establishing requirements for the new approach for implementation starting in FY15.

To address country-specific impediments to productive jobs:
• Roll out a new "job diagnostic tool" in at least 15 IDA countries (of which at least 5 are FCSs), using multi-disciplinary micro- and macro-level data.
• Establish key strategic priorities on jobs and report on the priorities and targets.

To address impediments to financial inclusion
• Expand coverage of the Global Financial Inclusion Database (Global FINDEX) and other WBG surveys, including to better measure innovative payments, mobile phone banking and financial literacy.
• Support at least 10 IDA countries to meet their financial inclusion targets and priorities through financing and technical assistance, including through the new Financial Inclusion Support Framework (FISF).

To improve the quality and efficiency of public service delivery for inclusive growth by promoting greater transparency and accountability in public finance:
• Roll out the BOOST public finance analysis tool in at least 20 IDA countries (of which at least 5 are natural resource abundant economies).

To foster good governance of natural resource wealth and adoption of best practices in extractive industries management:
• Develop and use innovative tools and build capacity to support government efforts to:
  o improve the legal and regulatory frameworks for EIIs;
  o enhance revenue collection from EIIs;
  o increase the local content and positive impact of EI investments, including through building capacity in SMEs and labor training and through agreements with EI companies that benefit local communities;
  o support the implementation of EITI and increase transparency.

10. Deputies requested that a progress update on these actions be prepared for the IDA17 Mid-term Review. This paper responds to this request and focuses on the early performance on monitorable actions in IDA17. It is based on data for the first fiscal year of IDA17 which limits a fuller assessment of the impacts of policy actions. Given the limited time period covered since the start of IDA17, preliminary findings reported here should be interpreted with caution. This paper is structured as follows. Section II reports on the progress achieved to date on the implementation of each of the commitments for the inclusive growth special theme. Section III offers some conclusions.

II. PROGRESS IN THE IMPLEMENTATION OF IDA17 COMMITMENTS

11. Policy solutions to achieve inclusive growth are wide-ranging and country-specific. Though strong growth is necessary for poverty reduction, countries differ on how growth is translated in poverty reduction. Inclusive growth requires a broad agenda of improving incentives, resources and opportunities for investments in income-enhancing assets and facilitating the full
productive use of these assets. During the IDA17 replenishment meetings, participants indicated that IDA has the global, sectorial, industrial knowledge and financing to help governments promote economic diversification and employment creation, increase in productivity and income of the working poor, enhance the efficiency and accountability of public expenditure management and support well-targeted safety nets for the most vulnerable. Participants noted that IDA already provides wide-ranging support for inclusive growth across sectors, including infrastructure, education, health agriculture, social protection and labor.

12. **In recognizing country specificity, at the time of IDA17 discussions Participants endorsed a two-track parallel approach to inclusive growth.** The first track encompasses supporting IDA countries to make evidence-based design and implementation of inclusive growth policies central to their strategies by identifying and addressing constraints to and policy priorities for inclusive growth. The second track devotes special attention during IDA17 to four important channels for inclusive growth: (1) job creation; (2) financial inclusion; (3) public financial management; and (4) natural resource wealth.

13. **The special theme on inclusive growth builds on the new World Bank country engagement model.** The model, adopted in 2014, is based on a two-step approach. First a Systematic Country Diagnostic (SCD) uses data and analytic methods to identify the most critical constraints to, and opportunities for, reducing poverty and building shared prosperity sustainably. The SCD improves the existing framework of inclusive growth by focusing on constraints to reducing poverty and fostering shared prosperity in a country and priorities for action. In addition, it looks at the environmental, economic and social sustainability of the growth process. Then, the Country Partnership Framework (CPF), based on the SCD, lays out the development objectives that the WBG interventions expect to help the country achieve and the indicative WBG interventions. The framework is a collaborative effort, including the Bank, IFC and MIGA. The CPF objectives are derived from the country’s development goals that reflect the Bank Group’s comparative advantage as well as alignment with the WBG goals.

14. **Through the inclusive growth special theme IDA supports the WBG twin goals and the Sustainable Development Goals (SDGs) agenda.** In 2013, the WBG established clear goals to guide its own work: to end extreme poverty globally by 2030, promote shared prosperity in every country, and to do so in ways that sustainably secure the future of the planet and its resources, promote social inclusion, and limit the economic burdens that future generations inherit. These goals, conceptually and in practice, are fully aligned with the SDGs: end poverty, promote prosperity, and improve people’s well-being while protecting the environment. In this context, IDA special theme on inclusive growth supports countries define and implement specific strategies to increase the income of the worse-off, also through access to equal opportunities, jobs, and finance. It also supports reforms to improve efficiency, transparency and accountability of public financial management.

A. **Making Inclusive Growth Policies Central to Country Strategies**

15. **The new WBG country engagement model, guidelines and procedures have been introduced at the beginning of IDA17.** To ensure timely implementation, the new approach to country engagement through CPFs was presented to the Board in May 2014, with staff directive, procedures and guidance issued in July 2014.18 Similarly, general guidelines were introduced for

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SCDs already in February 2014, with a number of other resources and guidance materials, including on incorporating fragility considerations and gender dimensions, embedding a jobs diagnostic, and screening for the impact of climate change, added during FY15.

16. **The new country engagement model is being put in place in more than 20 countries, with a strong pipeline ahead.** In the first half of IDA17, 21 SCD are being prepared, 11 for SSA countries, four in South Asia, and two each in all other regions, including an SCD for eight Pacific Islands. At end-September 2015, seven SDCs have been completed and publicly released. The CPFs for Myanmar, Cote d’Ivoire, and Haiti (Box 1) have been completed and are in implementation stage, with 16 more expected for FY16. Eight of these CPFs define engagement strategies in FCSs.19

17. **Early experience with the new country engagement process points to important value added, with emerging lessons.** A review of the experience to date shows several positive effects of the new approach, including reinforcing the focus on results; enhancing the platform for engagement as one WBG; improving integration of cross-cutting solutions areas; helping to ensure more systematic and transparent treatment of risks; enhancing emphasis on consultations and serving as a strengthened tool for partnership.20 In particular, findings from an IEG learning and management review suggest that CPFs provide a strong results focus by presenting the WBG program in terms of CPF objectives rather than as activities. The IEG assessment also found that CPFs also helped to reinforce the logical linkages from WBG interventions to CPF objectives to country development goals, and the new Results Framework is helping formulate clearer results chains. Notably, all CPFs are jointly prepared across IDA, IFC and MIGA. In addition, IDA and IFC (as well as MIGA when appropriate) jointly support at least one CPF pillar. While coordination is improving challenges in ensuring efficient and effective joint engagement have been noted and additional efforts are underway to further institutionalize coordination.

18. **Going forward, learning and adaptation will be integral to ensuring continuous improvement in IDA client engagement.** A holistic learning process is underway to ensure that lessons from early experience with SCDs feeds into ongoing implementation. The learning process, including stocktaking on internal processes (FY15) and impact (FY16), will include knowledge sharing through events and online outreach to Regions, GPs, CCSAs and IFC; assessments to identify recurring knowledge gaps, and potential partnerships with academics and other development partners. Feedback from survey results from Country Directors and Task Team Leaders (TTLs) suggest that the two strongest attributes of SCDs have been (i) focusing on the development of the country as a whole as opposed to a fragmented sector/thematic approach; and (ii) working together as a country team, including IFC and MIGA participation. SCD consultations have also been welcomed by a wide array of stakeholders and partners, and innovations in IDA countries have included an academic paper competition in Haiti and extensive outreach through multiple engagements in Myanmar. Experience to date has pointed to several challenges including those of managing large teams and of pinpointing the most critical constraints and significant data gaps.

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19 Myanmar, the first to be finalized, followed by Afghanistan, Mali, Chad, Côte d’Ivoire, Madagascar, Haiti and South Sudan.

Strengthening the evidence base is a foundation for maximizing the impact of client engagement towards achieving the WBG goals in IDA countries. SCDs have helped to document significant knowledge and data gaps at the country level, including the lack of availability or access to micro data (including on poverty and shared prosperity). To better understand key data gaps for diagnostics, a WBG Data Council was established in FY15. This Council, which provides the strategic and governance framework for taking decisive actions to improve development data, has carried out an initial stocktaking to develop a priority list of data gaps to be filled. The quality of national statistical systems in IDA countries, as measured by the World Bank statistical capacity indicator, notes a continuous improvement over time, and the first decade of the 2000s can be considered one of the most productive and successful for household data collection and for the availability of other socioeconomic data, including on

Box 1. IDA Country Partnership Frameworks

**Myanmar:** Country Partnership Framework for the Period FY15-17: It supports critical government objectives towards openness and integration, and empowerment and inclusion. The CPF envisions a lending program of US$ 1.6 billion from IDA and up to US$ 1 billion in investments from IFC. MIGA will provide insurance against political risks based on demand by private investors. The SCD identified two main pathways out of extreme poverty. The first is promoting sustainable private sector-led growth for more jobs. The second entails promoting universal access and empowerment for inclusive growth, particularly in rural areas. The resulting CPF program for the WBG is focused in three areas: reducing rural poverty; investing in people and effective institutions for people; and supporting a dynamic private sector to create jobs. Activities in these areas will integrate four cross-cutting issues that are important for the achievement of the WBG twin goals: gender, conflict, governance and climate change/disaster risk. Importantly, the SCD and CPF for Myanmar were informed by a country gender assessment conducted by the World Bank, the draft UN Women Country Gender Assessment, the national gender strategy and several thematic gender assessments.

**Côte d’Ivoire:** Country Partnership Framework for the Period FY15-19: The CPF for Côte d’Ivoire outlines joint effort across IDA, IFC and MIGA to help the country take advantage of the current climate of renewed stability and to modernize the economy. The CPF proposes a World Bank lending program of up to US$1 billion and IFC financing of up to US$1 billion over a four-year period. It will support Côte d’Ivoire in creating a competitive and inclusive economy, while MIGA is open to providing new guarantees. The CPF reflects two pathways identified in the SCD to achieve the goal of eliminating extreme poverty and boosting shared prosperity. The first entails the creation of better quality jobs through sustainable private sector-led growth in agriculture, agribusiness and the non-agribusiness sectors. The second pathway to attain inclusive growth is to build human capital by improving the efficiency and quality of spending in education, health and social protection and improving access to basic services, while strengthening the quality of labor needed for private sector growth.

**Haiti:** Country Partnership Framework for the Period FY16-19: It supports the economic transition five years into Haiti’s reconstruction following the devastating earthquake of 2010. The CPF envisions a lending program of US$ 650 million from IDA, additional US$ 190 million from trust fund resources, IFC will provide long-term financing on its own account, as well as, to mobilize third party financing to catalyze private investment. MIGA will explore opportunities to support productive foreign investments that boost growth and jobs through provision of its political risk insurance products, especially in ICT. Among the identified priorities areas the CPF focuses on creating greater economic opportunities and better jobs, including through infrastructure and human capital; (re)building the social contract, and reducing vulnerabilities and building resilience; and improving governance. The WBG will support investments in ports and energy, increase access to finance and promote financial inclusion, close geographical and income gaps in service delivery, help Haiti prepare for and prevent natural disasters and strengthen climate resilience.

19. **Strengthening the evidence base is a foundation for maximizing the impact of client engagement towards achieving the WBG goals in IDA countries.** SCDs have helped to document significant knowledge and data gaps at the country level, including the lack of availability or access to micro data (including on poverty and shared prosperity). To better understand key data gaps for diagnostics, a WBG Data Council was established in FY15. The Council, which provides the strategic and governance framework for taking decisive actions to improve development data, has carried out an initial stocktaking to develop a priority list of data gaps to be filled. The quality of national statistical systems in IDA countries, as measured by the World Bank statistical capacity indicator, notes a continuous improvement over time, and the first decade of the 2000s can be considered one of the most productive and successful for household data collection and for the availability of other socioeconomic data, including on

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22 See http://datatopics.worldbank.org/statisticalcapacity
welfare and key MDG indicators. Despite the remarkable progress, 52 IDA countries, including 26 in Sub-Saharan Africa, lack two comparable data points for the 2002-2011 period to track poverty and welfare dynamics. Beyond poverty measures, countries also routinely lack reliable estimates of women who are impoverished or who die in childbirth, the size of the non-formal economy and the agricultural sector, or even the number of births and the causes of death.

20. **The World Bank has committed to play a leadership role to improve data for the twin goals and the SDGs more broadly.** At the 2015 Annual Meetings in Lima the World Bank has announced a commitment to work with countries and development partners to ensure that every poor country (in Africa and other regions) conduct at least one multi-topic household survey every three years. The Data Council recently endorsed the Strategic Actions Program for Addressing Data Gaps, a plan to eradicate development data deprivation. The three core components of the program consist of: (i) policy dialogue, standards and directives (including methodological and technical innovations), (ii) financing for data production, dissemination and use at the country level, and (iii) technical assistance. The first phase of the Program follows up on the Lima’s commitment to ensure that all IDA countries conduct one household survey every 3 years, they update internationally comparable price statistics every year, and they achieve universal registration of birth, death and other vital events by 2030. In addition, the WBG pledges to support all of its partner countries to improve the quality, comparability, and access to these data in open data formats. The Program will be implemented in partnership with other international institutions and regional stakeholders.

### B. Develop Evidence-Based Strategies for Jobs

21. **Jobs are a key driver of development.** As noted in the 2013 World Development Report on Jobs, jobs are the most important determinant of living standards and contribute to economy-wide productivity growth, women empowerment and social cohesion. With 200 million people unemployed – including 75 million under the age of 25 in the developing world – the challenge is to create sufficient new jobs needed to absorb the unemployed, while increasing the productivity and income security of the millions of underemployed. Over the next 15 years, an additional 600 million new jobs will be needed to absorb working age populations, mainly in Asia and sub-Saharan Africa. Creating jobs is therefore a critical development priority in IDA countries, which generally face challenges related to a rapidly growing young labor force, commodity dependent economies, constraints to private sector development, fragility, and low productivity. Ensuring that poor people can transition to more productive, well paid activities is key to shared prosperity.

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24. The Program is aligned with the increased priority given to data by the Development Committee, as reflected in its October 10, 2015 Communiqué “We stress the importance of strengthening data quality and coverage, and its availability for policy making and for monitoring and implementing the SDGs. We call on the WBG and the IMF to increase their support to developing countries in building national data capacity and investing in evidence.” See “World Bank/IMF Annual Meetings 2015: Development Committee Communiqué, October 10, 2015” (http://www.worldbank.org/en/news/press-release/2015/10/10/world-bank-imf-annual-meetings-2015-development-committee-communique).

To foster inclusive growth, IDA17 aims to build the capacity for IDA countries to analyze and address constraints to productive jobs and develop evidence-based strategies for jobs.

22. **Capacity to address jobs challenges requires a multi-disciplinary approach.** The WDR 2013 advanced a three-stage approach to help foster job creation and maximize the development impact of jobs: (i) addressing policy fundamentals; (ii) designing appropriate labor policies; and (iii) identifying which jobs do the most for development in their specific country context. Because some jobs impact development more than others, it is necessary to understand where good jobs for development lie, given the country context. The policy commitment to roll out a new ‘job diagnostic tool’ provides such analysis for IDA countries, using multidisciplinary micro- and macro-level data. While unemployment has traditionally been part of analytical reports on a country’s economy, a novel element is the systematic and comprehensive nature of the job diagnostics facilitated by the tool. The tool encourages teams and countries to (a) consider both macro and micro multidisciplinary data to understand the supply and demand of labor, including in the informal sector; (b) go beyond a simple focus of creating ‘more’ jobs, to analyze challenges to create “better” – that is, more productive – and inclusive jobs as well; (c) work across sectors to identify synergies and trade-offs; and (d) define priorities and find possible solutions (see Box 2). The jobs diagnostic tool integrates various diagnostic tools into an overarching framework, allow for international comparability of jobs analysis, gender disaggregation, and increase knowledge of constraints and solutions.

23. **The Bank is on track to surpass the IDA target to roll out a new job diagnostic tool in fifteen countries, of which at least five are fragile and conflict states.** As of end-September 2015, the job diagnostic has been used in twelve countries. Of these, eight are in Africa, two in Europe and Central Asia and two in South Asia. Five of these countries are FCS.

24. **Implementation is country-driven, because challenges are country specific.** The diagnostics help build capacity for IDA countries to analyze and address constraints to productive jobs and develop evidence-based strategies for jobs. It should also be noted that there is high demand for similar analyses in non-IDA countries, expanding the knowledge base. The flexibility in the application of the tool reflects the varying nature of the jobs challenge, country contexts, political economy, and the specific need for the diagnostic: to support national policy, inform the SCD, programming for the CPF, and for design of future job-focused operations and impact evaluations (see Box 3). It is expected that job creation will emerge as a priority focus in a number of future CPFs, as already seen in the Egypt and Myanmar CPFs. A broad diagnostic engages countries to move beyond skills development and short-term employment programs to more sustainable and transformative job creation programs.

25. **At the end of FY15, the first year of IDA17, there are emerging results from Jobs Diagnostics that are near completion in IDA countries.** These indicate:

   a) Growth is not enough to guarantee more or better jobs. The more growth is concentrated, particularly if in more capital intensive sectors, or in some sub-regions that do not have the same access to markets, the more the job outcomes can be disappointing (e.g. Kyrgyz Republic, South Sudan).

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26. These are Burkina Faso, Cameroon, Côte d’Ivoire, Nigeria, Sierra Leone, Rwanda, South Sudan, Zambia, Kosovo, Kyrgyz Republic, Bangladesh, and Afghanistan.
b) It is important to look at the links between economic transformation, demographic changes and spatial transformations in understanding not only constraints, but future opportunities for expanded job opportunities. Developing more mapping and spatial tools to identify jobs dynamics seems very promising (e.g. Rwanda developed a gender disaggregated analysis of agriculture and rural jobs as drivers of growth).

c) An important dimension of the jobs agenda is focusing on expanding ‘better jobs’, particularly in raising the productivity of those in the informal sector. Unemployment is low in many IDA countries as people cannot afford not to work, and much of the population, especially women, is active in the informal sector. Shifting the regulatory approach, addressing access to credit and access to markets hold promise if designed with the right incentives (e.g. Nigeria).

d) It is possible to learn about job dynamics in FCS – even in real time. A clear understanding of the underlying causes of fragility and conflict is required for designing policies for building resilience. South Sudan has implemented surveys of both workers and firms, and Sierra Leone has built on a recent labor force survey with periodic phone surveys to capture the impact of the Ebola crisis on labor markets and livelihoods (see Box 3).

26. **Country demand exceeds data availability and resources.** After the initial launch, close to 30 countries have expressed interest in conducting a job diagnostics. The main challenge remains data availability at the country level to conduct the requisite multi-disciplinary analysis, especially for FCS. To accurately identify constraints and policy priorities, the diagnostic tool builds on key micro level data tools and analysis of households, firms and farms, workers’ salary levels, and government finance. In some cases, a fuller diagnostic may be launched only once planned labor surveys or enterprise surveys have been completed. The Jobs CCSA provides advice on the feasibility to determine ex-ante data gaps to the regional/GP teams leading the diagnostics. Collaboration with the Gender CCSA is also important to strengthen gender analysis in these diagnostics and address gender-specific constraints to employment, such as mobility, security and safety. Thanks to existing and broader partnerships on data and statistics, such as the ILO-WBG Partnership, and joint work with IFC, the World Bank is compiling an inventory of available labor-related surveys and then will work with partner organizations to improve the systematic collection of data on individuals and enterprises. Support is also provided to specific countries to develop their capacities to undertake and improve the accessibility of surveys that provide the foundation of analysis and planning. The Jobs CCSA has provided some budgetary support for testing and piloting the tool, as well as technical expertise to selected countries, based on need, capacities, and linkages to the broader work program.

27. **The WBG has made progress in establishing key strategic priorities on jobs and reporting on the priorities and targets.** The launch of the jobs diagnostic tool is one of the work priorities of the newly established CCSA on jobs. It was established to help support a paradigm shift in tackling this global challenge; to help integrate experience, evidence and learning to provide comprehensive and innovative multi-sectoral cross cutting solutions to our clients, thereby building their capacity in designing solutions. The Jobs CCSA priorities have been aligned with WBG Goals through the FY2015 Memorandum of Understandings with Global Practices (GPs), and will also be informed by the upcoming WBG gender strategy. In the first year of operation, the key strategic priorities include the development of (a) jobs strategies and operations; (b) knowledge management; (c) partnerships; and (d) resources to deliver the WBG jobs work
Within these priorities, topical considerations for analysis include informality, jobs and gender; jobs and fragility and jobs and spatial development. The jobs priorities and agenda are not specific to IDA countries. Work in IBRD countries broaden the knowledge base that can inform the IDA diagnostics.

**Box 2. The Jobs Diagnostic Tool**

The jobs diagnostic tool provides a guided enquiry to identify the challenges countries face in generating “more, better, and inclusive” jobs. The enquiry is organized around the ways in which people benefit from work, and around identifying who benefits from more and better work.

1. Women and men can participate in more work (in farming, self-employment or waged employment), or 2. They can get a better job – whether through increasing their productivity within their existing job, or by moving to a more productive job, or to a similar job in a more productive location or enterprise.

3. To promote inclusive growth and shared prosperity, the tool explores how poor people and those in the bottom 40 percent of income earners, women, youth, and disadvantaged groups have fared and can benefit in future from more and better jobs.

The tool itself consists of a simple Framework (see diagram below) which provides guidance on processes, questions to ask, examples, data sources and solutions for stylized country cases (e.g. fragile countries, resource-rich countries, countries with a youth bulge and different policy priorities). In parallel the Jobs CCSA, in collaboration with GPs, is developing standardized data methods to assess the links between growth, jobs and poverty reduction, aggregate trends in labor supply, skills, labor productivity and employment, enterprise growth dynamics and their implications for labor demand.

**Steps in the jobs diagnostics.** There are 3 steps to the jobs diagnostic. These correspond to understanding the unique context of a country and its profile of jobs and workers, diagnosing key challenges and opportunities, and prioritizing solutions.

1. **1A. Establish the Country Jobs Context.** This step sets the context and identifies the relative importance of creating more, better and inclusive jobs, around two elements. First, teams analyze the country context by identifying (a) country trends (type, conditions and comparators) and (b) key policy indicators for the country conditions and challenges (including demographic trends, sector composition, challenges deriving from fragility etc.). Second, teams identify the jobs profile and jobs needs for the bottom 40 percent, to establish: (a) the profile of jobs and workers; and (b) the profile of employers and job creating enterprises (household enterprises, informal and formal enterprises). This generally requires recent household data and employer surveys.

2. **1B. Create a Profile of Jobs and Workers.** This step looks for synergies in solutions that can address multiple dimensions of jobs challenges more efficiently and effectively; and reflect on where trade-offs need to be made, while focusing on the impact on the poor. Priorities also draw on other studies and consider the appropriate balance of jobs needs, political economy, challenges and associated constraints, scope and specificity, and future development opportunities.

3. **2. Identify Constraints and Solutions to More, Better, and Inclusive Jobs.** This step examines links between jobs outcomes, growth and twin goals, around three questions. First, is growth sufficient to create more jobs; and does growth translate into job creation? Second, are new jobs better jobs, and are returns to work (productivity) improving? Third, are expanding job opportunities inclusive? Teams consider a series of potential underlying causes and constraints associated with the different jobs challenges: at the heart of these is the dynamic between productivity and employment.

4. **3. Define Priorities and Find Possible Solutions.** Teams look for synergies in solutions that can address multiple dimensions of jobs challenges more efficiently and effectively; and reflect on where trade-offs need to be made, while focusing on the impact on the poor. Priorities also draw on other studies and consider the appropriate balance of jobs needs, political economy, challenges and associated constraints, scope and specificity, and future development opportunities.
Box 3. Examples of Diagnostic Approaches and Emerging Results

As the majority of the diagnostics are still ongoing, it is premature to assess how they will be used, but the following examples illustrate different delivery modalities and possible use of the diagnostic:

- **Input to an SCD or government policy.** Many Job Diagnostics are launched for the preparation of an SCD, such as for Cameroon. The Cameroon Country Economic Memorandum aims to conduct a comprehensive assessment of the constraints and drivers of growth in Cameroon by revisiting the initial conditions of key production factors broadly defined (capital, labor and institutions), assessing the effectiveness of the key drivers of growth using the main growth models (accumulation, reallocation and innovation), and identifying the reforms needed to foster the key transformations (structural, spatial and social). This analytical work will inform the SCD as well as the Government’s revised Growth and Employment Strategy and be conducted by a joint WB-Government team.

- **Follow-up to an SCD.** An in-depth job diagnostic can be undertaken before, during or after the SCD itself. In Côte d’Ivoire the Job Diagnostic is being undertaken in parallel (Inclusive Growth Policy Commitment). The overall objective of the job diagnostic is to expand the jobs evidence base through a comprehensive analysis of jobs in Côte d’Ivoire through a multi-sector perspective. The jobs assessment links to ongoing youth employment operations, as well as related impact evaluations. The first part of the jobs assessment includes an update on the employment situation in Côte d’Ivoire and analysis of the links between education, skills and employment. The second part of the jobs diagnosis will deepen the analysis of determinants of productivity, including on the demand-side of the labor market. Non-farm self-employment is likely to be a priority area given its potential role for poverty reduction.

- **Part of broad knowledge initiative.** Some diagnostics have been launched as part of existing and broader knowledge initiative, such as part of a larger growth study, poverty assessment or jobs report. Job creation is a priority for the Government of Rwanda in the new 5-year development plan, given that in relative terms, Rwanda’s working age population share is expected to grow from 52 percent in 2014 to 57 percent by 2020 and 60 percent by 2030. In absolute terms, 200,000 young people will enter the labor market each year over the coming five years. The study will paint a detailed picture of the current labor market situation, focusing both on supply and demand, and will examine the labor market dynamics over the past years. To do so, the study will exploit data on both workers and firms to analyze the salient issues in the Rwandan labor market. Based on the insights gathered from the analysis, the study will formulate useful recommendations for increasing both the quantity and quality of employment.

- **Part of private sector development initiatives.** Some are connected to the Let’s Work Partnership* and delve more into private sector sectorial jobs dimensions (Zambia, Bangladesh). For example, in Zambia the diagnostic involves the private sector, Government, and development partners in support of economic data analysis to better understand the dynamics of job creation and productivity growth at the macro and firm level. This includes examining the main incentives and constraints affecting individuals’ participation in the labor market and access to good jobs, with a gender perspective. The economic census data of formal and informal firms will be brought together with labor force survey analysis to deepen our understanding of labor demand and supply. Further, the diagnostic includes the World Bank's STEP survey (Skills towards Employability and Productivity), a skills measurement survey among employers that was analyzed in detail for the SCD and provides an indication of skill mismatches. Understanding how returns to capital and average wages affect the Zambian labor market will help design interventions in key sectors and inform a Trade and Competitiveness lending operation to boost private sector development through an integrated growth pole.

- **Linked to crisis situations.** Some diagnostics are linked to innovative data collection efforts to capture the impact of an unfolding crisis. For example, in Sierra Leone, multi-round cell phone surveys were used to assess the impacts of the Ebola crisis as it evolved relying on a labor force survey fielded just prior to the onset of the epidemic as a baseline. The findings of these surveys informed the Government and the Bank’s response both in designing interventions to mitigate the socioeconomic impacts of epidemic at its peak and in setting the priorities for the recovery phase.

* The Let’s Work partnership of twenty-eight IFIs is coordinated by the Jobs Group and seeks to deepen and strengthen the understanding of how job creation happens and how the private sector can create more and better jobs (http://www.letswork.org/)
C. ADDRESSING IMPEDIMENTS TO FINANCIAL INCLUSION

28. Financial inclusion is increasingly recognized as critical in reducing poverty and building equitable economic growth. Research shows that when people participate in the financial system, they are better able to start and expand businesses, invest in education, manage risk, and weather financial shocks. Access to accounts, savings and payment mechanisms increases savings, empowers women, and accelerates productive investment and consumption. There is also some evidence that greater financial inclusion for both individuals and businesses may help reduce income inequality and stimulate economic growth. Financial inclusion can also improve financial stability by increasing the deposit base and providing economic actors with better risk management tools. Yet the expansions of credit poses stability risks in countries with weak supervision.

29. Recent data shows that progress in developing countries is being made though much work remains to be done. Presented during the 2015 IMF-World Bank Spring Meetings, the 2014 Global Financial Inclusion Database (Global Findex) is the most comprehensive source on how adults around the world access and use financial services, including accounts, savings, credit, and payments. The survey, administered to about 150,000 adults in 140 countries, reveals that 62 percent of adults have an account at a financial institution or a mobile money account, up from 51 percent when the original Findex was launched in 2011. At 94 percent, account ownership is nearly universal in high-income OECD economies, compared to just 54 percent in developing economies. During the same period, the worldwide number of unbanked adults dropped by about a fifth – to 2 billion.

30. Account ownership has increased in IDA countries, but they still lag behind developing world averages. About 27 percent of adults in IDA countries have an account, up from 19 percent three years ago. Of these account-owning adults, 18 percent have a financial institution account only; 4 percent have both a financial institution account and a mobile money account; and 5 percent have a mobile money account only. IDA countries which saw especially strong account growth over the last three years include Tanzania (from 17 percent to 40 percent) and, among recent graduates, India (from 35 percent to 53 percent).


30 The positive effects of financial inclusion can be viewed as distinct from but complementary to the positive role of financial deepening in inclusive growth.
31. **Mobile money accounts are spurring financial inclusion’s rise in Sub-Saharan Africa.** For the first time, the 2014 Global Findex collected information on mobile money accounts – with encouraging results. In Sub-Saharan Africa, overall account ownership increased by 10 percentage points – to 34 percent – and almost all of those gains came from mobile money accounts. In 5 countries in Sub-Saharan Africa – Cote d’Ivoire, Somalia, Tanzania, Uganda, and Zimbabwe – more adults have only a mobile money account than an account at a financial institution. In Kenya, 58 percent of adults have a mobile money account, the world’s highest rate. The spread of mobile money technology is also leading to innovative payment systems, with big advantages for the rural poor.

32. **In most regions, the poorest populations are benefitting from rising account ownership.** Forty-six percent of adults in the poorest 40 percent of households within developing economies have an account – an increase of 17 percentage points in just three years. Account ownership among this group doubled in several IDA countries, including Nigeria, Vietnam, and Zambia; in Tanzania, it tripled. Meanwhile, 60 percent of adults in the richest 60 percent of households within developing economies have an account. This leaves the rich and poor separated by a sizable 14 percentage point income gap – but the gap has shrunk since 2011, when it stood at 21 percentage points.

33. **The number of women owning an account has increased in every region, but the gender gap persists.** Fifty-eight percent of women in developing economies have an account, up from 47 percent in 2011. Some IDA countries dramatically expanded account ownership among women, notably Tanzania (14 percent to 34 percent) and Uganda (15 percent to 37 percent). But in developing economies overall, men are 9 percentage points more likely than women to have an account – virtually unchanged since 2011 – and about 1.1 billion women remain unbanked.

34. **In the new expanded module on payments, the 2014 Global Findex finds an increased use of mobile payments in IDA countries.** The survey asked questions about seven types of payments that are grouped into three categories: wage payments, government transfers, and payments for the sale of agricultural products (payments from businesses or government to people); payments for utility bills and for school fees (payments from people to businesses or government); and domestic remittances, both those sent and those received (payments between people). These payments are broadly broken down by cash versus digital, with digital payments further subdivided into two categories: account-based payments, and those made through over-the-counter money transfer services. The results suggest that mobile payments are gaining popularity in certain IDA countries. In Somalia, 50 percent of adults who pay utility bills use a mobile money account to do so; in Kenya, 44 percent of adults who pay school fees use a mobile money account.

35. **There is strong evidence that adults are benefitting from financial inclusion by frequently using accounts.** Through the expanded payments module, the Global Findex offers the world’s most detailed picture of how adults use their accounts. About two-thirds of account owners in East Asia, the Pacific, and Sub-Saharan Africa use their accounts at least three times a month to pay bills, send or receive money, or save. Yet there are still many opportunities to increase account use. About 1.3 billion adults who have an account still pay utility bills in cash – including about 230 million adults in South Asia. And roughly 500 million account-owning adults pay school fees in cash, 40 million of these adults are in Sub-Saharan Africa.

36. **By presenting a detailed profile of the world’s 2 billion unbanked adults, the Global Findex provides IDA countries with actionable information they need to expand account**
ownership. About 55 percent of unbanked adults are women, while half – 1 billion adults – live in the poorest 40 percent of households. South Asia is home to 31 percent of the unbanked; India alone accounts for 21 percent of the global total – about 415 million adults. East Asia and the Pacific has the next highest share at 24 percent, followed by Sub-Saharan Africa, with 17 percent. Worldwide, governments could increase the number of account-owning adults by about 35 million if they stopped paying wages in cash and by an additional 125 million if also social benefits would be paid into accounts. While digitizing payments is not without challenges, several countries have managed to meaningfully expand financial inclusion through this channel, including Brazil where nearly 60 percent of government payment recipients report that their first account was opened to receive payments from the government. The private sector could also contribute to these efforts. By dropping cash as a method to pay wages, businesses could reduce the number of unbanked adults by up to 280 million. Some of the biggest opportunities to expand account ownership lie with agricultural payments: about 440 million unbanked adults are paid for agricultural goods in cash. This includes 165 million adults in Sub-Saharan Africa and 290 million adults in South Asia.

37. When it is launched in September 2015, the Global Financial Literacy Survey (GFLS) will complement the Global Findex by measuring familiarity with basic financial concepts. The survey, implemented in partnership with Gallup and McGraw Hill Financial, was collected in association with the Global Findex questionnaire. The core indicators covered by the GFLS relate to risk diversification, inflation, debt, saving, and numeracy. By revealing knowledge gaps on these topics, the GFLS will help IDA and other developing countries craft policies to strengthen financial literacy and financial inclusion. Comparison variables will include gender, income, region, and age.

38. Over 50 countries have set national targets and commitments to improve financial inclusion, including through the Maya Declaration and the World Bank is playing a critical enabling role. In line with these national commitments, and in recognition that financial exclusion for an estimated 2 billion adults constrains progress towards the twin goals of poverty reduction and shared prosperity, in 2013 the World Bank Group adopted the goal of Universal Financial Access (UFA), which envisions that by 2020 all adults globally have access to a transaction account to store money, send, and receive payments. Financial access is a critical stepping stone to full financial inclusion. The UFA Framework for Action calls for increased country-level engagement to strengthen three critical foundations for financial access, including (i) public and private sector commitment; (ii) the legal, regulatory, and oversight framework, and (iii) financial and ICT infrastructure. These efforts aim at improving the enabling environment for financial inclusion by increasing the availability of digital financial products, the diversity and reach of access points, and leveraging large-volume payment systems (e.g. remittances). The WBG is supported in this effort by a range of public and private sector actors, many of whom have made concrete commitments to contribute to the UFA goal.

39. The high priority now placed on financial inclusion is shared by private sector interests to serve the unbanked and under-banked. With 59 percent of unbanked adults globally citing “lack of enough money to use an account”, 23 percent citing “accounts are too expensive”, and 21 percent citing “financial institutions are too far away”, there is a consensus that technology

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31. The switch from cash and paper-based systems to electronic payment mechanisms for government payments requires particular attention to financial infrastructure, product design, and recipient capability.

32. Promoted by the Alliance for Financial Inclusion, a global network of financial regulators, the Maya declaration, adopted in 2011 defines measurable commitments in areas that are proven to increase financial inclusion.
must be fully leveraged to expand the physical reach of the financial sector and lower transaction costs for provider and consumers. Innovative financial products and business models, including e-money products, ID-linked accounts, and agent networks, have already achieved meaningful progress in reaching these objectives in several countries. The combination of increasing use of digital mechanisms for delivery of financial services, improved availability of market and client data, comprehensive policy and legal reforms, and financial infrastructure improvements is reducing the costs and risks for the private sector of expanding to serve new market segments.

40. Many of the 50+ countries with financial inclusion commitments have requested technical, knowledge, or financing support from the WBG to put in place and implement national strategies and action plans to achieve them. The WBG is scaling up its support through its uniquely broad range of instruments and expertise, including advice and research to inform policy and legal reforms, capacity-building for national authorities or financial service providers, and financing and risk-sharing to incentivize innovation and investment. Areas covered include payments (including social transfers), remittances, microfinance, SME finance, digital financial services, financial consumer protection, financial literacy, insurance, financial integrity, and other related areas.

41. Through IDA17 the WBG committed to supporting at least 10 IDA countries in achieving their national commitments/targets to financial inclusion, and has already met and surpassed that commitment. Demand has outstripped the original target, with 16 IDA countries identified for scaled-up WBG support to help meet their national financial access and inclusion commitments, nine of which are in sub-Saharan Africa. Eleven of those 16 countries already have new or expanded WBG financial access/inclusion projects in place. These include comprehensive programs of technical, knowledge and financial support for the design and implementation of national Financial Inclusion Strategies as well as for investments in innovative payment services, digital finance, finance for micro/SMEs, and programs of responsible finance.

42. To secure adequate funding sources for this scaled-up WBG support new global trust fund programs have been launched and reimbursable advisory services are being secured. Most notably: i) the Financial Inclusion Support Framework (FISF), through which comprehensive technical, knowledge, and advisory programs are in progress or in preparation for six of the 10 target IDA countries; ii) the new ‘Harnessing Innovation for Financial Inclusion’ program, which ensures complementary support for critical payments infrastructure and for innovations in digital financial services; and iii) a new programmatic funding window for the FIRST Initiative (Box 4).

43. Technical and knowledge support is complemented by financial support in the form of WBG lending operations. For example, in Mozambique WBG surveys and diagnostics informed the design of two Development Policy Lending operations, to accelerate critical reform measures. In Ethiopia we are harnessing a range of global trust fund resources (including a potential Financial Inclusion Support Framework program) to complement World Bank lending. We approved a new Financial Sector Support lending operation for Bangladesh, as a complement to our expanding program of technical support. In Myanmar, the Finance & Markets Global Practice, IFC and CGAP are providing timely technical assistance to foster financial inclusion, provide advisory services for regulators and the financial institutions. The technical assistance could lead to lending operations to include risk-sharing for private sector investment.

44. The WBG can leverage its impact on financial inclusion in IDA countries through partnerships. We have developed a close and highly complementary relationship with partners
such as the Alliance for Financial Inclusion (a global network of financial regulators), UN Capital Development Funds, the Bill & Melinda Gates Foundation, and bilateral agencies such as DFID and GIZ. The WBG has also secured significant commitments (for over 1.2 billion new accounts) from the private sector to expand financial access and inclusion, including international banks and card companies, credit union/cooperative and savings bank networks, mobile network operators, and microfinance institutions.

45. **Improving access to finance for SMEs is a related priority for the WBG.** The role of SMEs in contributing to job creation and inclusive economic growth is well established: 7 of 10 formal jobs in emerging economies come from SMEs and a robust SME sector can create a more diversified and resilient economy. Yet it is estimated by IFC that between 55 and 68 percent of formal SMEs in emerging markets are either unserved or underserved by financial institutions, yielding a total credit gap of approximately US$1 trillion. The largest relative credit gaps have been observed in IDA countries including Burkina Faso, D.R. Congo, Tanzania, and Mozambique. The WBG is also strengthening its engagement to improve SME access to finance including early stage innovation financing, securitization of SME loans, and digital finance.

<table>
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<tr>
<th>Box 4. WBG global programs for financial inclusion</th>
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<td>The Financial Inclusion Support Framework (FISF) was launched by the WBG in 2013 to accelerate and increase the effectiveness of reforms and other country-led actions that help achieve national financial inclusion targets and strategies. FISF supports policy and regulatory reforms, financial infrastructure development, and other measures that catalyze private sector financing, knowhow and innovation, and that result in a broad range of financial services – including payments, savings, insurance, credit - being used by low income households and MSMEs that are currently un-banked or under-banked. FISF has funding of US$25 million from the Netherlands Ministry of Foreign Affairs, and US$5.7 million from the Bill &amp; Melinda Gates Foundation to date. The Harnessing Innovation for Financial Inclusion (HiFi) program was launched by the WBG with US$69 million in funding from DFID, to help expand access to formal financial services by i) providing targeted technical assistance to financial service providers to help them develop and scale technology driven business models to deliver financial services to those who currently do not have any or adequate access; ii) providing knowledge and support to regulators and policy makers in developing countries, and international standard setting bodies, to enhance enabling environment for technology-enabled delivery of financial services; and iii) providing knowledge and expertise to target developing countries in implementing a strategic framework for integrating the modernization of government, retail, and remittance payment systems. The HiFi program is jointly implemented by IFC, CGAP, and the FMGP. The FIRST Initiative supports diversified and comprehensive technical assistance that includes (i) legal/regulatory environment; (ii) product development; (iii) financial consumer protection; and (iv) strategy development in the areas of Housing Finance, Microfinance, Microinsurance, Agent Banking, SME Banking, Partial Credit Guarantee, Warehouse Receipt, Secured Transactions, Credit Reporting, and Payment Systems. A new Programmatic Funding Window adds new capacity for the WBG to support implementation of FSAP recommendations for financial inclusion, with 3 programs approved to date and 6 others at the conceptualization stage for an estimated total funding of US$ 14 million.</td>
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46. **Going forward there continues to be growing demand for support from the WBG to help improve the enabling environment for financial inclusion, and to accelerate the expansion of financial services in a safe and prudent manner.** Challenges are broad-ranging and include the need to ensure that successes in expanding access through opening basic bank/transaction accounts open the way to usage of a diverse range of financial services, including borrowing and payments\(^{33}\). This can be facilitated by the WBG stepping up its support to ensure

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that strong consumer protection frameworks are in place, financial awareness and capacity improves, digital technology is harnessed safely, there is sufficient transparency on the pricing and terms of financial services, and that supervisors have sufficiently robust systems and up to date knowledge to both enable and effectively monitor market developments and innovations which improve access and inclusion.

D. **Progress Made in Rolling out BOOST in IDA Countries**

47. The BOOST initiative is a Bank wide collaborative effort launched in 2010 to facilitate access to expenditure data and promote their effective use for improved fiscal decision making, expenditure analysis and accountability. BOOST facilitates the analytical link between policies and services, including those that target the poor. Together with complementary instruments such as PERs and PEFA, it enhances a government’s ability to design and manage policies for inclusive growth. Using the Government’s own data, and benefiting from a BOOST template, the BOOST data platform makes highly granular fiscal data accessible and ready-to-use. The expenditure data are distributed on core fiscal classifications and dimensions (administrative, functional, economic, funding sources, and economic type), and often linked up with additional data sets of sector input and performance (e.g. data from education and health ministries) and socioeconomic data (i.e. poverty, age, gender), to support broader efficiency and equity analyses (see Box 6). BOOST creates a significant positive externality for a wide range of stakeholders, across many sectors, who benefit from better expenditure data. A number of results highlight how governments are using the tool to improve decision making and increase transparency of government operations (see Box 5).

48. **Teams are on track to meet and surpass the IDA target to prepare 20 BOOSTs, of which five in natural resource abundant countries.** Discussions with government on BOOST engagement have begun in 36 IDA countries of which 15 are natural resource abundant countries. Of the 36, 20 are in AFR, five in LCR, four in EAP, four in ECA, two in SAR and one in MNA. The BOOST databases are prepared mainly in support of public expenditure reviews (PERs), but have also been used in support of results indicators in lending (e.g. Tanzania), as well as to support governments’ open data initiatives (e.g. Burundi). Rolling out of BOOST was stepped-up starting in 2013, with the support of the Gates Foundation. All of the countries in Africa, with the exception of Mozambique, have benefited from a trust fund from the Gates Foundation which includes a commitment to deliver BOOSTs in 18 developing countries of which 15 are in Africa. ECA region has benefitted from an EC trust fund.

49. **BOOST country engagements are undertaken in a sequenced approach to reach five milestones** (Figure 9). Of the 36 countries that have had initial discussions about BOOST, formal agreement with the government to start preparing a BOOST database has
been agreed in 24, and 23 countries have already shared the data with the World Bank. As of end-September 2015, databases have been completed in 16 countries and expenditure analysis using the BOOST database have so far been prepared in 15 of these countries. A small team of dedicated specialists has enabled the rapid growth of the program across a large group of countries so that the IDA-17 commitments will be overachieved.

**Box 6. Country Engagements to Ensure Relevance and Sustainability**

To ensure the sustainability of impact of BOOST, a five step delivery model has been developed. Four of the five phases of the schematic description of the BOOST process illustrated below focus on getting government buy-in – engaging the country authorities and securing their support for the initiative, obtaining access to the existing detailed budget data and constructing the database, applying the BOOST analytical techniques to answer salient policy questions, and assisting governments with training to ensure they can sustain the maintenance of a BOOST database and analytical application. Once a government has understood the value of good budget data and has committed to sustaining it, it may also be willing to increase the transparency of its decision making-process by making the data publicly available.

1. Country Engagement
2. BOOST Construction
3. Applying BOOST
4. Sustaining BOOST
5. Budget Transparency

To ensure relevance and reliability, upstream and downstream quality control guidance and procedures are in place. These include an initial feasibility assessment, to be undertaken after an agreement with the government to launch BOOST has been secured, to determine ex-ante the data gap vis a vis the identified analytical need by the government and Bank team; a peer review process that takes place as soon as the first version of a BOOST database is completed and before it is presented to the authorities for their final review; a final review of all delivered BOOSTs by the BOOST secretariat to ensure compliance with the established quality standards. Eventually an external evaluation of the program under the Gates Foundation grant to assess the impact of the program.

**Box 5. Examples of uses of BOOST by governments**

Since the early stages of the roll-out, government officials have used BOOST to meet different needs. For example, BOOST has been used to:

**Empower parliamentarians to make better-informed policy decisions in Niger.** Following a request from the government, BOOST capacity building workshops were held in Niger. The BOOST team conducted training for three stakeholder group: the Ministry of Finance (MoF), Parliamentarians and Civil Society groups. Following the workshops, Staff from the MoF have demonstrated that they are already able to update the BOOST database on their own. Parliamentarians instructed the MoF to provide budget data in BOOST format for the next budget discussions. Civil Society groups have expressed their satisfaction through video interviews.

**Publish for the first time full year detailed fiscal data in Burundi, a post-conflict fragile country.** The government of Burundi made its BOOST data available online on the MoF website as well as the Bank’s Open Budget Portal. The published data is for three years. While there are some challenges regarding data quality, the country is committed to improving the scope and coverage of the data in future updates.

**Integrate fragmented fiscal data in Haiti.** The construction of the BOOST database has been a challenge in Haiti due to the fragmentation of expenditure data and the absence of an integrated financial information management system. So far, the team has managed to integrate available data from the recurrent and domestic investment budgets and produce a BOOST database on central government budget and expenditure data, as well as revenue data. The draft database is being used for analysis to prepare a Public Expenditure Review. In addition, the BOOST exercise in Haiti has identified data quality issues as well as deficiencies in the budget classification, which have implications for the proper functioning of the country’s public investment management. These findings are being used to inform the on-going PFM technical assistance projects in the country.
E. FOSTERING GOOD GOVERNANCE IN NATURAL RESOURCE WEALTH

50. Over the last decade, responding to an expansion of global demand, the list of countries deriving a significant portion of their wealth from extractive industries has grown. Increasingly, the supply of minerals and petroleum is concentrated in World Bank client countries, with low-income countries comprising 54 percent of those who became resource rich during 1995-2011. While a large source of the existing supply of natural resources has primarily come from OECD or developed economies, many of these resources are nearing depletion; and yet almost half of the world’s known mineral and oil and gas reserves are in developing countries.  

51. Unfortunately, the presence of a resource endowment does not translate into widespread wealth and prosperity. Indeed, in the 50 countries categorized by the IMF as resource-rich, more than 1.5 billion people live on less than US$2 per day. In Nigeria, for example, three decades of oil earnings have totaled over US$400 billion, while the poverty rate has risen in this period from 46 in 1985 to 60 percent in 2011. Resource-rich and resource dependent economies do not automatically improve human development indicators in the absence of strong policies implemented effectively. Persistent challenges in managing revenues from natural resources have increased macroeconomic vulnerabilities in many resource-rich developing countries even before the recent reduction in commodity prices. This calls for redoubled efforts to strengthen the governance of extractives to facilitate sustainable development.

52. The WBG is currently active in the extractive industries in about 70 countries and is the largest provider of extractives-related development assistance by a significant margin. The World Bank supports interventions to promote good sector governance, particularly through the core mission of the Energy & Extractives Global Practice, in collaboration with the Governance and the Macro-Fiscal GP and IFC. Cumulative investment by WBG into the extractive sector over the past decade was about US$9 billion (See Figure 10). The overall volume of FY2014 financing was US$779.9 million compared with US$1,329.4 million in FY2013. IBRD/IDA financing accounted for US$243.5 million for policy advice and capacity building, of which US$222.5 million from IDA. In support of private sector investment, IFC provided US$441.4 million of financing and MIGA provided US$95 million of risk coverage. Compared to FY13, when a significant exposure by MIGA in Cote d’Ivoire accounted for roughly half of the WBG commitments in the sector, the FY14 program was in line with the average level of investments over past years. In addition, the Bank provided grants funded by partners of roughly US$7.2 million, mainly to IDA-eligible countries, and the EITI Multi Donor Trust Fund also supported the work program with about US$9 million in FY15. Total WBG EI commitments were about 1.2 percent of total WBG financing in the year.

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34 See “Reverse the curse: Maximizing the potential of resource-driven economies”, McKinsey Global Institute, 2013.

35 See for example the findings of “Mines to Minds” (The World Bank, forthcoming) that natural resource wealth is not associated with poverty reduction and better human capital outcomes.

53. **The Bank uses a variety of instruments, including investment lending, development policy operations and knowledge products to support countries improve management of their EI sector.** The lending portfolio in EI currently consists of 12 dedicated extractives sector IDA funded technical assistance credits totaling US$480 million. Of these, 10 are in Africa, one in South Asia, and one in East Asia; an additional project in Africa is due to be approved in calendar year 2015. Five country-level IDA operations in Africa include co-financing grants. In FY14/15, three Poverty Reduction Support Credits in Sierra Leone, Mozambique and Burundi, and one Development Policy Operation in Solomon Islands included conditionality on EITI and extractives. Activities in the EI also includes 40 Recipient Executed grants for extractive sector reforms totaling US$25 million, 12 Externally Funded Output (EFO) projects totaling US$5 million, and seven reimbursable technical assistance projects for slightly less than US$1 million. The non-lending technical assistance portfolio currently consists of 76 activities covering countries in all six Regions, as well as activities that are not country-specific.

54. **Consistent with IDA17 commitments, during the FY14-FY15, the Bank’s extractives team produced a number of analytical products and supported client countries improving EI governance.** Through analytical products, technical assistance, advisory services and financing operations, the Bank supported countries improve the legal and regulatory framework, enhance revenue collection in EIs, increase the local content related to EI investments and implement the EITI. Analytical notes, toolkits and information sources on EI governance include:

i. A Toolkit for local content for mining:39

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37 From DfID, EU and Government of Canada.
38 These include grants under MDTFs for Extractive Industries Transparency Initiative, Extractive-Industries Technical Advisory Facility (EI-TAF), Global Gas Flaring Reduction (GGFR), Africa Sustainable Extractive Industries Trust Fund (AEITF)
39 The toolkit for local content in mining is a practical guide to increase mining local procurement in West Africa which was launched in February 2015. In West Africa, recent regional and national policy frameworks have identified development of local procurement as a way to maximize the benefits from mining investment. The guide is based on extensive field research, analysis and consultation in the West African region around mining local procurement. It has been implemented both nationally (Burkina Faso and Liberia), as well as within the West African region with the objectives of 1) strengthening the policy, regulatory and monitoring framework; 2) identifying and facilitating opportunities for local procurement; and 3) strengthening support for local
ii. Publication of “How to Improve Mining Tax Administration and Collection Frameworks”;
iii. Two joint publications with the IMF: “Administering Fiscal Regimes for Extractives Industry” and a guidance note on Mining Tax Administration;
iv. The Extractive Industries (EI) Source Book, is perhaps the Bank’s most comprehensive client facing knowledge tool, providing countries with guidance for good practices across the EI Value Chain. This is an on-line data and information source developed by the Bank in cooperation with partners including universities. It provides lessons learned, international good practice, and an annotated bibliography on topics related to EI development, mapped across the EI Value Chain; and

55. Other analytical tasks are under preparation, including a “Mining Governance Assessment” (MGA) that will develop quantitative and qualitative assessment methodologies and rankings to benchmark and track implementation performance in resource rich countries. The MGA involves developing a tool that will provide a comprehensive and objective assessment of the mining sector in individual countries. The objective is to make the MGA a public good and to identify funding sources that ensure its sustainability in the long-run. The MGA has been piloted in Zambia and seven more assessments will take place in FY16. Next steps include entering into strategic partnerships with other regional institutions to expand the global coverage of the MGA and to secure funding for the next phase. A training guide is also being developed to build capacity in mine contract negotiations, which has been tested in three separate workshops targeting government officials across Africa.

56. IDA financed projects that supported specific upgrades to legal and regulatory regimes. Examples over the past two years include DRC PROMINE (mining code update which followed good consultation practice), Sierra Leone mining sector specific environmental and social regulations, Afghanistan mining law, as well as Kenya legal framework for oil review (funded by an EFO). Support for improvement of legal regimes for EI is also on-going in Liberia, Ghana and Uganda. A new initiative – Africa Mining Law Atlas – was launched as part of a collaboration between the Africa Legal team and the Energy and Extractives Global Practice (GEEDR). The project compiles mining laws of Africa in searchable format for public use. The work is well advanced with a first version made public in late 2014, and new laws being added as procured and supplier development. The next step is the discussion of the practical implementation of the guide that will take place within the World Bank’s Local Content Community of Practice. Similarly, Local Content Policies in the Oil and Gas Sector describes the policies and practices meant to foster the development of economic linkages from the petroleum sector, as adopted by a number of petroleum-producing countries both in and outside the OECD. The paper is a reference tool for policy makers and investors for the design and implementation of measures aimed to achieve shared value creation from extractives.

40. The Extractive Industries Source Book is a free online interactive source built upon a coherent and incisive narrative analysis of the extractive sector as a whole, supplemented by other web resources, including specially commissioned reports, summaries and briefs. The EI Source Book provides a broad end-user community with technical understanding and practical options around oil, gas and mining sector development issues. The platform was developed through DGF grant support of a partnership between the World Bank Group, and a Global Knowledge Consortium, a group of policy Centers in universities and other organizations, working around extractive industries issues. This consortia and overall development of the EI Source Book was led by the University of Dundee, Scotland. The EI Source Book online platform draws 6,000-7,000 unique users monthly, also via GOXI, the World Bank’s compendium online platform for social networking around extractive issues. See http://www.eisourcebook.org/
they come into force. Training of lawyers on issues related to mining law managed by the Bank is on-going. The Bank through the EI-Technical Advisory Facility (TAF) supported a series of trainings in a number of IDA countries to negotiate mining contracts within national legal systems, understand international norms and review best practices. An example of results in this areas is the improved regulatory capacity in the oil and gas sector of Ghana, which has established a Petroleum Commission responsible to regulate upstream oil projects, improve resource management and local content policy.

57. During IDA17, IDA has also supported operations to improve revenue collections in extractive industries. Together with the IMF, the World Bank widely disseminated the guidance note on Mining Tax Administration, including specific events in South Africa and Tanzania targeting revenue authorities and Ministries of finance. IDA has also financed projects in Mongolia and Papua New Guinea and supported capacity building for tax authorities to strengthen audit capacity.

58. Several IDA projects include components supporting local content around mining and petroleum. These include operations in Guinea, Mozambique, Kenya, and Burkina Faso. In addition, a number of projects were approved focusing on “growth poles”, several of which are extractive industry centered – Mozambique Integrated Growth Poles Project, Tanzania local content in gas sector study, regional “Growth Triangle” (Zambia, Mozambique and Malawi) growth strategy study. The Bank is organizing the second conference on international local content in extractives in the fall 2015. While capital intensive EI creates few direct jobs, new evidence points to the local employment generation potential of supporting activities (Box 7).

59. A growing number of countries are interested in implementing EITI. The number of EITI implementing countries continues to rise, as of mid-2015, reaching 48 (of which 36 are IDA), of which 31 are EITI compliant (of which 22 IDA). Focusing on IDA countries, in FY14 and the first half of FY15, four new countries were admitted as candidates (Ethiopia, Myanmar, Papua New Guinea, Senegal), while six countries were granted Compliant status (Cameroon, DRC, Guatemala, Guinea, Kazakhstan, Sierra Leone).

60. Revenue reconciled by the EITI has increased over time. The latest batch of EITI reports received in the end of calendar year 2014 and early 2015 comprise data for primarily fiscal year 2012, but some reports date back to 2011 and 2013. Pulling data from country specific reconciliation reports, revenues reconciled by EITI for 2012 amounts to US$95 billion (13 percent of GDP) for 26 IDA countries for which reports were available, almost unchanged with respect to data reported for 2011 (US$95 billion corresponding to 13 percent of GDP) for the same group of IDA countries. Reconciled revenue for all countries amounted to close to US$306 billion or 14 percent of the aggregated GDP of EITI countries (revenues reconciled in 2011 amounted to US$359 billion equivalent; 2010 - US$215 billion, and 2009 - US$165 billion). Lower revenues reconciled were recorded in 2012 due to (i) Indonesia not submitting data; and (ii) reduction of revenue due to market or other conditions in such large producers as Nigeria, as well as in Kyrgyzstan, Kazakhstan, Mongolia, and on a smaller scale in several other EITI countries.

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41 Data refer to reporting countries classified as IDA-eligible in FY15.
The Bank implemented a number initiatives to support the implementation of the EITI. In 2012-2013 the Bank supported preparation of the EITI Standard that was adopted in 2013 and the first set of reports following the EITI Standard was completed in December 2014. A new MDTF aligned with existing IDA commitments is also being prepared (Box 8). The EITI Standard deepens the reforms, including various voluntary and recommended levels of reporting to increase contract transparency, follow up actions, and builds governance capacity.

Local skills training helps enterprises of all sizes become suppliers to the oil and gas industry. According to the Anglo American 2012 Sustainable Development Report, economic value retained through employment and local suppliers accounts for 66 percent of the total value created through minerals extraction. Unlike taxes, royalties, fees, and other revenues paid to government, skills development enables more value created from minerals extraction to be retained locally. Greater skills capacity enables higher levels of local employment and local procurement, in turn promoting inclusive growth and community empowerment. Take the example of Botswana: De Beers moved many of its downstream diamond activities from the United Kingdom to Botswana. Making more diamonds available locally has shifted more than US$6 billion worth of annual rough diamond sales from London to Gaborone. An additional 3,200 manufacturing jobs have been created in Botswana since 2007 and 16 locally-based diamond buying companies have been established.

Africa’s growing workforce should be able to capitalize on direct and indirect employment opportunities generated by sustainable mineral sector growth. Although the extractive industry provides relatively few direct jobs, the potential for job creation through local linkages and the socio-economic impact of mining operations is significant and worth considering. According to an International Council for Mining and Metals study (2008), Tanzania’s large-scale mining sector had created about 8,000 direct jobs, but 45,000 indirect ones.

Authorities that regulate the extractive industries need to upgrade both knowledge and skills. Building governance capacity for the sector is also critical so that regulatory authorities manage the extractives sector transparently and responsibly. To date, regulation has been characterized by ad hoc negotiations in the award of licenses and concessions, alongside technical and administrative regulatory oversight. Modern extractives regulation involves integrated economic, legal, financial, environmental and technical oversight, within a coordinated, multi-disciplinary regulatory structure. This requires building capacity in Africa.

The World Bank Group, with its support to both governments and the private sector in the area of skills development, can serve as a catalyst for coordination between the two in resource-rich settings.

analysis of contextual data. A new initiative on deepening EITI and mainstreaming it into country systems included a pilot review of public financial management Integrated Financial Management Information Systems (IFMIS) in EITI countries (a work that is coordinated with the IMF which is also developing a system for national reporting of natural resource revenues). Pilots on integration of EITI with Government IFMIS and Public Financial Management has been completed in Trinidad and Tobago and Tanzania.

62. **Challenges remain to systematically include EI in country diagnostics and ensure the use of adequate financing modalities.** Given the sometimes controversial nature of the extractives sector, the Bank may not systematically include adequate coverage of topics on extractives in Systematic Country Diagnostics (SCD). This in turn makes it more challenging to develop measures to mitigate the environmental and social risks associated with extractives development in resource rich countries. At the same time, there are a growing number of projects supporting various reforms in extractives which would benefit from the adoption of a country strategy for EI. Further, there may be a need to more systematically include and monitor environmental degradation and social aspects of extractives in reforms supported by IDA. There is some challenge on choice of instruments in support of extractives TAs, in particular given small size credits and loans for which preparation and supervision costs are proportionately higher.

III. **CONCLUSIONS AND ISSUES FOR FURTHER DISCUSSION**

63. **IDA has achieved strong progress towards meeting the commitments related to the Inclusive Growth special theme.** The World Bank has adopted a new framework for making inclusive growth central to country strategies and set in motion a process to fill the data gaps to support this evidence-based framework. The newly created CCSA for Jobs has finalized and rolled out a “job diagnostic tool” in 12 countries and set priorities for its activities. The WBG has expanded the coverage of the Global Financial Inclusion Database (Global Findex) and is supporting 16 countries towards their financial inclusion targets and priorities. BOOST supported analysis to improve public financial management systems have been completed in 15 countries and demand from client countries exceed IDA commitments. Finally, the Bank has scaled up the support it provides to IDA countries to improve governance of the extractive sector through the preparation of analytical products, toolkits and financing operations.

64. **The strong demand for IDA support and the new development landscape following the adoption of the SDGs define the challenge for the delivery of the inclusive growth special theme.** IDA has deepened the engagement to help a growing number of countries meet their goals for private sector development and jobs, financial inclusion and sound public financial management. After one year of implementation, requests have outpaced commitments. In addition, the inclusive growth special theme needs to be fully aligned with the WBG role in the context of the post-2015 development agenda. The newly adopted SDGs and the commitment of the WBG to further help countries to leverage, mobilize and catalyze resources would require further involvement in the private and public sectors. These WBG commitments would require helping countries increase domestic revenue mobilization in addition to increase the efficiency and accountability of public financial management and mobilize private sector financing following reforms to improve the business climate, facilitate private sector development and create more and better jobs.