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**Fragile States Unit (OSFU)
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SECOND CYCLE ASSESSMENT FOR ELIGIBILITY OF COUNTRIES TO THE FRAGILE STATES FACILITY (FSF) SUPPLEMENTAL SUPPORT FUNDING

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ABBREVIATIONS AND ACRONYMS

ADB	African Development Bank
ADF	African Development Fund
AsDB	Asian Development Bank
CAS	Country Assistance Strategy
COMESA	Common Market for Eastern & Southern Africa
CPIA	Country Policy and Institutional Assessment
CSP	Country Strategy Paper
DAC	Development Assistance Committee
DMCs	Developing Member Countries
EAC	East African Community
ECF	Enhanced Credit Facility
EITI	Extractive Industries Transparency International
ESW	Economic and Sector Work
FDI	Foreign Direct Investment
FSF	Fragile States Facility
GNI	Gross National Income
GNP	Gross National Product
HDI	Human Development Index
HIPC	Heavily Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development
ICT	Information and Communication Technology
IDA	International Development Association
IFI	International Finance Institutions
IMF	International Monetary Fund
LICs	Low Income Countries
MDB	Multilateral Development Banks
MDG	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MICs	Middle Income Countries
MIGA	Multilateral Investment Guarantee Agency
NTF	Nigeria Trust Fund
OECD	Organization for Economic Cooperation and Development
PBA	Performance Based Allocation
PFM	Public Finance Management
PRGF	Poverty Reduction & Growth Facility
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
RMCs	Regional Member Countries
SEEFSS Strategy	for Enhanced Engagement in Fragile States
SLL	Sustainable Lending Limit
UA	Unit of Account
UN	United Nations
UN HDI	United Nations Human Development Index
WAEMU	West African Economic and Monetary Union
WB	World Bank

Executive Summary

1. This document presents, for review and consideration by the Boards of Directors, second cycle eligibility to the Fragile States Facility (FSF) Supplemental Support (pillar 1) funding in ADF 12 for Central African Republic, Comoros, Democratic Republic of Congo, Guinea Bissau, and Sierra Leone. The paper responds to the requirement under the Bank's Strategy for Enhanced Engagement in Fragile States, which states that continuity of FSF Supplemental Support to countries after the first 3-year cycle (in this case ADF 11 cycle) requires Management to conduct a detailed qualitative and quantitative performance assessment, country-by-country, that is presented for review and consideration by the Boards of Directors. The same detailed two-stage process eligibility assessment applied under ADF 11 was therefore applied to assess performance of the countries and re-confirm eligibility for supplemental support under ADF 12. It is worth noting that the Phase Out Framework outlined in this paper has already been agreed to by the ADF Deputies (see ADF Deputies Report).
2. The paper does not attempt to present an assessment of potential first cycle country eligibility such as Sudan or Zimbabwe. Moreover, the paper will not present a detailed assessment for the following countries as these have already been approved by the Board of Directors through the relevant programming documents: Togo (ADF/BD/WP/2011/67) Burundi (ADF/BD/WP/2010/151/Rev.1/ Add.1); Cote D'Ivoire (ADF/BD/WP/2011/48); and Liberia (ADF/BD/WP/2011/33). The methodology and parameters for eligibility assessment used for these already approved countries is identical to what is applied in this document.
3. The assessments show uneven performance showing commendable recovery in some countries, while other countries continue to experience slow transition due to instability or other exogenous factors. Overall, the country-by-country assessment shows that all the five (5) countries meet the Bank's criteria for eligibility to second cycle of the FSF supplemental support in ADF 12.
4. The phase-out framework agreed to by the ADF Deputies is based on three criteria: i) the harmonized Country Policy and Institutional Assessment (CPIA) ratings; ii) gross national income per capita; and iii) the period of enhanced support that FSF beneficiaries have received from the Bank. The phase-out framework aims to ensure prudence in allocating limited pool of Bank's resources to fragile and non-fragile Regional Member Countries (RMCs), **and takes into account the resource requirements by new entrants into the FSF** in the ADF 12 cycle, namely Sudan and Zimbabwe. It will be recalled that the inclusion of new entrants to FSF is considered upon the recommendation of the ADF Deputies.
5. The Boards of Directors are invited to consider and approve the eligibility of Central African Republic (CAR), Comoros, Democratic Republic of Congo, (DRC), Guinea Bissau and Sierra Leone for second cycle of FSF supplemental support in ADF 12.

1. INTRODUCTION

1.1 This document presents, for review and consideration by the Boards of Directors, the country-by-country assessment of eligibility for second cycle of the Fragile States Facility (FSF) Supplemental Support (pillar 1) funding in ADF 12. The paper responds to the requirement under the Bank's Strategy for Enhanced Engagement in Fragile States, which states that continuity of FSF Supplemental Support to countries after the first 3-year cycle (in this case ADF 11 cycle) requires Management to conduct a detailed qualitative and quantitative performance assessment, country-by-country, that is presented for review and consideration by the Boards of Directors. The same detailed two-stage process eligibility assessment applied under ADF 11 was therefore applied to assess performance of the countries and re-confirm eligibility for supplemental support under ADF 12¹. It is worth noting that the Phase Out Framework outlined in this paper has already been agreed to by the ADF Deputies (see ADF Deputies Report²).

1.2 The paper does not attempt to present an assessment of potential first cycle country eligibility such as Sudan or Zimbabwe. Moreover, the paper will not present a detailed assessment for the following countries as these have already been approved by the Board³ of Directors through the relevant programming documents: Togo (ADF/BD/WP/2011/67) Burundi (ADF/BD/WP/2010/151/Rev.1/ Add.1); Cote D'Ivoire (ADF/BD/WP/2011/48); and Liberia (ADF/BD/WP/2011/33). The methodology and parameters for eligibility assessment used for these already approved countries is identical to what is applied in this document.

2 OVERALL ASSESSMENT

2.1 The country-by-country assessment illustrates that while the performance is uneven amongst countries, there is commendable effort made by all the five (5) countries to transit from fragility and conflict. For example, Sierra Leone is steadily transiting out of fragility, while the Democratic Republic of the Congo and Comoros continue to experience slow transition due to instability and other exogenous factors that make it difficult for them to make progress in consolidating peace and security country-wide.

2.2 The five (5) countries meet the eligibility criteria for second cycle of FSF support in ADF-12, albeit with the phasing-out adjustments proposed below, given that none has deviated from the basis of FSF supplemental support as agreed at the point of entry in 2008. A majority of the countries have improved their macroeconomic performance and continue to implement relevant structural reforms, as captured by the progress made in programs supported by the IMF and other donors. The outcomes of these programs have been enhanced transparency and accountability in the management of public sector resources, including adopting the Extractive Industries Transparency Initiatives (EITI). This progress is clearly captured by improving CPIA ratings, over the period 2008-2010.

¹ It is to be noted that eligibility to Pillar 1 for Burundi, Togo, Cote D'Ivoire and Liberia, respectively have already been approved by the Board of Directors.

² Report of the Twelfth General Replenishment of the Resources of the African Development Fund (ADF 12). ADF/BD/WP/ 2010/116. Page 10, Paragraph 3.22. Also see ADF 12 Resource Allocation Framework: Operational Guidelines, February 2011; Page 16, Paragraph 5.36.

³ It will be recalled that the recommendation to accelerate the second cycle Pillar 1 eligibility was provided by Board Members during the OSFU Informal Board in May 2011 by which time the respective country programming documents had already been prepared for Board consideration.

2.3 All the five countries have also made commendable progress in implementing recovery programs and in advancing their HIPC debt relief programs such as in the case of Sierra Leone, Central Africa Republic, DRC and Guinea Bissau while Comoros has reached the decision point and is making efforts to meet their completion point triggers. The countries that have reached the completion point of their HIPC programs by meeting triggers negotiated with their creditors, which included, but not necessarily limited to: (i) preparation and implementation of poverty reduction strategies; (ii) maintaining macroeconomic stability; and (iii) strengthening public expenditure management, to mention a few. These countries are

2.4 Some countries have further improved their harmonized AfDB/ World Bank CPIA ratings between 2008 and 2010, with the highest improvement evident in, Central Africa Republic and Sierra Leone (see Table 4). The FSF supplemental support countries also made effective use of their PBA and FSF resource allocations, as captured by their average portfolio performance rating (CPPR) over the period 2008 to 2010. All the countries had an average CPPR of above 3.0, on a scale of 1 to 5, which reflects an environment in which existing Bank's assistance are effectively being used and a pointer to the country's capacity for absorbing additional donor resources (see Annex 1).

2.5 The consolidation of peace, however, remains a critical challenge in a number of countries. Other notable challenges include inability to make progress on the MDGs, addressing the weak institutional and human capacity constraints, and reviving economic activities, and particularly private sector activities in many countries. Continued support from donors, including the Bank through the PBA and the FSF in the ADF 12 period is therefore crucial in supporting their transitional process and will contribute in narrowing performance gaps in several areas.

3. RATIONALE FOR BANK'S ENHANCED SUPPORT TO FRAGILE STATES

3.1 The Board of Directors shall recall that the core element of the Bank's Strategy for Enhanced Engagement in Fragile States is to provide tailored assistance that aims at addressing the pervasive development challenges in these countries. Bank's support is driven by the weak institutional and human capacity constraints, adverse economic conditions, and fragile political environments that hinder development prospects within the fragile states themselves, and also fuel risks of insecurity and crimes to neighboring countries and regions.

3.2 The Bank's enhanced assistance to fragile states is further justified by the uncertain global environment that is characterized by instability in international prices of food and fuel, as well as the threat posed by climate change, youth unemployment and the need to create broad-based economic systems in Africa. These challenges have further placed an enormous development burden on fragile states that continue to rank at the bottom quintile of the UN Human Development Index and account for the majority of the Millennium Development Goals (MDGs) deficits. Indeed, as revealed by the 2011 World Development Report⁴ and the September 2010 UN Summit on the Millennium Development Goals⁵ no low-income country coping with fragility and conflict has yet achieved a single Millennium Development Goal and generally lag 40% to 60% behind other low and middle income countries in MDG achievement. For MDGs 1, 5, 6 and 7 (reducing poverty, improving maternal health, combating HIV/AIDs and other diseases and ensuring environmental sustainability) only three percent (3%) to seventeen percent (17%) of the thirty two (32) fragile and conflict-affected

⁴ See The International Bank for Reconstruction and Development/World Bank "World Development Report 2011: Conflict, Security, and Development" Washington DC, April 2011

⁵ See also United Nations (UN) "The Millennium Development Goals Report, 2010" at [Http://www.un.org/millenniumgoals](http://www.un.org/millenniumgoals)

countries globally assessed are on track to achieving these goals, versus twenty seven percent (27%) to forty eight percent (48%) for non-fragile states.

3.3 Enhanced support from partners, including the Bank is therefore essential in alleviating the daunting development challenges and accelerating the pace of achieving the MDGs by fragile states in the remaining five (5) years to the deadline of 2015. Accordingly, the FSF was allocated grant resources in the amount of **UA 764 million** for supporting fragile states in the ADF 12 cycle, representing 87.3% increase over-and-above the UA 408 million allocated to it in ADF 11. Total FSF operational resources available in the ADF 12 cycle, 2011-13 therefore amounts to **UA 829.59 million**, as at end December 2010, of which UA 764 million are from the ADF 12 allocation and UA 63.19 million⁶ from the balance of FSF resources at the end of ADF 11, including the 2008 Net Income allocation from the Bank Group of UA 60 million to the FSF in 2009. Table 1 below summarizes the resources available across the three windows of the FSF in the ADF 12 cycle, as at end February 2011.

3.4 These grant resources will be used to sustain and deepen the assistance provided to fragile states by the Bank in the ADF 11 cycle in support of their transitional programs, clear arrears, and support technical assistance and capacity building through the three windowed FSF.

Table 1
The FSF Resource Availability in ADF 12 Period (in UA Million)

Source of Funding	Supplemental Support Window (SSW)	Arrears Clearance Window (ACW)	Targeted Support Window (TSW)	Total Resources
FSF Resources Balance- end ADF 11	0.00	3.19	62.40	65.59
ADF 12 Allocation	405.00	359.00	0.00	764.00
Total	405.00	362.19	62.40	829.59

Source: African Development Bank

4. BANK'S SUPPORT TO FRAGILE STATES IN ADF 12

4.1 In the course of ADF 12, the Bank intends to continue providing a country-tailored program of assistance that responds to the unique development challenges in each fragile state. The Bank's Strategy for Enhanced Engagement in Fragile States and the Operational Guidelines of the FSF will guide Bank's operational work and engagement with these RMCs in the ADF 12 period. The Bank's FSF strategic objectives over the ADF 12 period are:

- i) Use the UA 405 million to top-up the regular PBAs of the supplemental support beneficiary countries, and any new entrants to the FSF. The top-up country allocation will be combined with the beneficiaries' PBA to support strategic investments that are aligned with the Bank's Strategy for Enhanced Engagement in Fragile States and the operational priorities of the Bank as captured in the ADF 12 Deputies' Report⁷ and the wider Medium Term Strategy (MTS) of the Bank. OSFU will ensure that the resources will be efficiently and effectively used to address

⁶ The FSF had a resource balance of UA 52.88 million by end December 2010, comprising UA 49.69 million from the African Development Bank (ADB) and UA 3.19 million from the African Development Fund (ADF). In February 2011, the Board of Directors approved Management's decision to allocate the UA 49.69 million from the ADB to boost the advanced commitment capacity of the ADF 12 Replenishment (see The African Development Bank, Proposal for Transfer of Resources from the Arrears Clearance Window Fragile States Facility (FSF) to ADF, ADB/BD/2010/220/REV.1 Feb. 2011.

⁷ See African Development Fund (ADF) "Report of The Twelfth General Replenishment of the Resources of The Africa Development Fund (ADF -12)" ADF/BD/WP/2010/116, October 2010

the serious infrastructure gap, improve service delivery and enhance jobs and income-earning opportunities in the FSF-supplemental beneficiary countries;

- ii) Use the UA 359 million to support arrears clearance in any fragile state that meets the eligibility criteria of accessing support from the FSF Arrears Clearance Window. Such operations must be collectively undertaken in partnership with the World Bank and the International Monetary Fund (IMF) and supported by the international community. The OSFU commits to reporting on the status of utilization of pillar II resources to Deputies in the ADF 12 Mid-term Review; and
- iii) Scale-up and improve effectiveness and efficiency in implementing operations supported from the Technical Assistance and Capacity Building Window of the FSF with the broad objective of laying a strong foundation for effective and resilient public sector institutions in FSF beneficiary countries.

5. ELIGIBILITY CRITERIA OF FSF SUPPLEMENTAL SUPPORT

5.1 Criteria Applied in Assessing Performance Over the ADF 11 Cycle

5.1.1 As outlined in the Bank's Strategy for Enhanced Engagement in Fragile States, continuity of FSF Supplemental Support after the first 3-year cycle (in this case ADF 11) would require satisfactory performance as determined by formal review, conducted by Management, on country-by-country basis, and which shall be presented for review and consideration by the Boards of Directors. Accordingly, case-by-case assessments of FSF-beneficiaries are undertaken in order to establish the transitional progress made over the first-cycle (ADF 11), and based on the progress, recommendations have been made for the second cycle of FSF support in the ADF-12 period.

5.1.2 A two-stage process is used to assess the transitional progress made by each country, as outlined in the Bank's Strategy for Enhanced Engagement in Fragile States and the ADF 12 Replenishment Negotiations paper⁸ that was discussed in Cape Town in February 2010. The first stage re-affirms countries' eligibility for FSF Supplemental Support in ADF 12, in the context of the criteria elaborated in Table 2 that was approved by the Deputies and Board of Directors in ADF 11. The second stage analyzes the progress made by the countries in the context of seven (7) selected criteria.

5.1.3 A detailed quantitative and qualitative performance assessment is made across the five (5) beneficiaries of FSF supplemental support funding in ADF 11, tracking the progress made by each country in the following areas:

- a) Consolidating peace and security.
- b) Implementation of the ADF's Program of Assistance as captured by:
 - Performance in the Country Policy and Institutional Assessment (CPIA) ratings:
 - Portfolio Performance since 2008:
 - Disbursement Profiles: and
 - Period in years of enhanced support.
- c) Macroeconomic and structural reforms:
 - Implementing IMF Programs; and
 - Implementing structural reforms as recorded in the IMF programming documents

⁸ See African Development Fund "Proposed Adjustment to Enhanced Approach to Fragile States" Discussion Paper, ADF 12 Replenishment, February 2010, Cape Town, South Africa.

- d) Implementation of Joint Programs:
- Progress under the Heavily Indebted Poor Countries Initiative; and
 - Progress in other joint programs.

Table 2: Eligibility Criteria for FSF Supplemental Support Funding

Stage 1 Eligibility Criteria:	
Commitment to Consolidate Peace and Security	To demonstrate commitment to consolidating peace and security after crisis or conflict, the country should have: <ul style="list-style-type: none"> • Signed comprehensive and internationally recognized peace agreement or a post-crisis or reconciliation agreement, and no ongoing hostilities of any significance; and • A functioning governmental authority or transitional government broadly acceptable to stakeholders and the international community.
Unmet Social and Economic Needs	Post-crisis and transitional states are considered to face a uniquely challenging combination of circumstances demonstrated by: <ul style="list-style-type: none"> • Continuing severe economic difficulties caused by conflict, as evidenced in contraction of real gross domestic product per capita by 10 percent or more since 1990; and • Extremely low levels of human development as indicated by the country's rank in the bottom quintile of the United Nations Human Development Index.
Stage 2 Eligibility Criteria	
Improved Macroeconomic Conditions and Sound Debt Policies	Assessment of a country's program to improve its macroeconomic performance and debt management policy conducted in close collaboration with other partners and based on key performance benchmarks used to guide engagement and assess the country's progress over the medium term.
Sound Financial Management Practices	Assessment of a country's commitment to pursue sound public financial management practices based on progress in reforming its public expenditure management system, addressing corruption seriously and reviving or strengthening its revenue mobilization institutions.
Transparency of Public Accounts	Monitoring of the transparency of public accounts by assessing the regularity of reports or publications on government revenues and expenditures, external debt obligations and new borrowings.

6 COUNTRY ASSESSMENTS

6.1 Central African Republic (CAR)

6.1.1 Since the beginning of its transition in 2005, CAR has made significant progress in consolidating peace and security, implementing economic and financial reforms, and improving the living conditions of the people. However, the country still remains a fragile state, as evident by its harmonized average CPIA rating of 3.00 in 2010, therefore eligible for FSF supplemental support funding in ADF 12. . The country is also making progress in consolidating peace and security as demonstrated by the holding of peaceful presidential and legislative elections in January 2011. The smooth conduct of the elections, despite objections from the main opposition parties, should enable CAR to consolidate the peace and political stabilization process initiated after the return to constitutional legality in 2005.

6.1.2 As regards the economic situation, CAR resumed economic growth in 2010 with a GDP growth rate estimated at 3.4%. This positive economic trend, which is expected to be consolidated in

2011 and 2012, comes after the country in 2009 suffered the full impact of the financial crisis triggered in 2007. Concerning reforms, the country for the first time successfully completed its financial and economic program with IMF support through the Enhanced Credit Facility (ETF). The sixth and final review of the program was approved on 25 August 2010 by the IMF Governing Board, thereby reflecting the international community's recognition of the efforts made by the Central African authorities with respect to economic and financial reforms. This positive outcome is a result of CAR reaching the completion point of the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI).

6.1.3 CAR has also made progress, albeit limited, in the implementation of the joint strategy supported by the Bank and the WB, as shown in the mid-term review carried out by both institutions at the end of 2010. Significantly positive results were achieved in the implementation of Pillar I of the joint strategy concerning economic governance and institutional capacity building. More efforts should be made by the ADB and the WB, as well as by the government, to accelerate and strengthen the operations proposed under Pillar II of the strategy, namely: rehabilitation and development of socio-economic infrastructure. Furthermore, the Government on 31 December 2010 completed the implementation of its Poverty Reduction Strategy Paper (PRSP) 2008-2010. The independent evaluation report of the PRSP shows that although the overall results are positive, improvements will be made for the second PRSP currently being prepared. As regards human development, the last MDG progress report shows that achievement of the objectives remains limited in view of the magnitude of the challenges. Thus, according to UNDP (2010), CAR ranks 179th out of 183 countries in the Human Development Index (HDI), while 86% of the population do not have access to basic social services. Life expectancy at birth is estimated at 45.1 years, and access to care during pregnancy and childbirth, as well as to family planning services, is limited. Gender disparity is very wide, and ranks the country 153rd out of 177 countries in terms of gender development. All in all, it is unlikely for CAR to achieve most of the MDGs by 2015. However, significant efforts are being made by the Central African Government, as evidenced by the increase in expenditure to reduce poverty and improve security and peacekeeping under the PRSP. In addition, the clearance of arrears on salaries and absorption of new civil servants and State employees into the civil service, coupled with the control of inflation, have helped to defuse social tensions (Annex 4).

6.2 Union of the Comoros

6.2.1 Comoros is emerging from a long period of political instability that has adversely affected economic management, donor support and growth since the 1970s. The country's harmonized CPIA rating has improved from 2.35 in 2008 to 2.70 in 2010, therefore eligible for FSF supplemental support funding in ADF 12. Economic growth is also starting to pick up, and is expected to increase by 2.1 percent in 2011, up from an annual average of 1.4 percent during 2008–09, largely due to an exceptionally large donor-supported increase in aggregate demand, and to remittances-based private sector construction. The government's medium-term reform program, anchored in the PRSP, aims to invigorate economic growth and improve living conditions within a stable macroeconomic environment. Beyond subsistence agriculture, economic recovery is to be driven by accelerated (donor-funded) public works and increased Foreign Direct Investment (FDI) in tourism, as suspended projects are resumed. The reform agenda is focused on improving the business environment and governance to encourage investment, and expanding infrastructure to underpin private sector activity, in particular tourism, as well as support agricultural productivity and diversification of the economy. Following a rebound in 2009 on the back of falling import prices, the terms of trade are expected to modestly improve in the medium-term despite some firming of import prices as the global economy recovers (see Annex 5).

6.3 Democratic Republic of Congo (DRC)

6.3.1 DRC has effectively implemented a Poverty Reduction and Growth Strategy (PRGS) which was adopted in 2006 and has guided design of all government policies. The PRGS, which emphasized peace and state building, and reintegration and rebuilding of communities, was extended from 2008 to 2010. Preparation of PRGS 2 for the 2011–2015 period is at its final stage. The PRGS implementation resulted in improved macroeconomic performance, after uneven growth and cycles of inflation and exchange rate depreciation. The 2008-2012 Bank's Strategy Paper is aligned with the PRGS objectives. Assessment undertaken during midterm review in 2010 indicated that DRC has achieved significant progress in line with the Bank's selected benchmarks: i) consolidation of macroeconomic stability and growth with a GDP growth rate of 6.3%, ii) effective public financial management, as it provided a good framework for fiscal discipline and effective budget execution, iii) good monitoring and evaluation mechanisms have also helped to ensure effective and efficient use of donor resources, including those from the Bank. The country has also implemented several structural reforms involving domestic revenue mobilization, modernizing the tax and customs administration, and development of a one-stop customs window at key border posts, but more remain to be done. In the infrastructure sector, 80 km of paved roads, 100 km of rural roads, 29 sources of water were developed.

6.3.2 Despite progress in economic growth, DRC's economic recovery remains fragile and vulnerable to external shocks. Although, DRC has made progress towards the MDGs, notably primary education, and maternal and child health but continues to fall short in achieving goals in key areas of poverty reduction, combating HIV/AIDs, and environmental protection. DRC ranks 168th of 169 countries in the 2010 UN Human Development Index; poverty is pervasive, with 60% of the population living below \$1 a day. On account of the above, Management proposes to extend the FSF Supplemental Support and to closely monitor the country's performance in the ADF 12. Bank support was also focused on helping DRC to reach the completion point of the enhanced HIPC Initiative which was achieved in June 2010. . The Bank Group is currently preparing a support program aimed at strengthening the debt management capacity unit, human resources, management of debt data and debt sustainability analysis in order to ensure future debt will remain at sustainable levels.

6.4 Guinea Bissau

6.4.1 The country remains fragile with a harmonized World Bank/ADB CPIA rating of 3.27 in 2010 therefore eligible for FSF supplemental support in ADF 12. The country continues to make progress in consolidating peace and security country-wide. Macroeconomic performance has also improved following implementation of two staff monitored programs by the IMF in 2006 and 2007. Guinea Bissau also made considerable progress in meeting the requirements to reach the HIPC completion point in December 2010. It has met 10 out of the 11 completion point triggers and requested a waiver for the one trigger that had not been implemented, namely publishing twice-a-year budget execution reports starting in 2001. After a period of non-compliance due to political and institutional instability, the authorities in 2010 started publishing quarterly budget execution reports.

6.4.2 Economic growth has also remained resilient, especially after 2008, and driven mainly by high exports and a buoyant construction sector. The country also made progress in implementing structural reforms, for example, passing a new procurement law in July 2008 establishing a central procurement unit and a public procurement regulatory authority to strengthen oversight and control over public procurement; and government started publishing and releasing to parliament quarterly budget execution reports in an effort to better disseminate information on budgetary execution. The medium term fiscal

program will continue to aim at strengthening fiscal policy and achieving debt sustainability. This strategy seeks to reinforce revenue collection, and make space for priority spending.

6.4.3 Guinea Bissau's first national Poverty Reduction Strategy Paper (DENARP) covered the period 2007-2010, but Annual Performance Reviews indicated insufficient efforts to implement the strategy. Implementation was hindered by a combination of political developments, the related problem of high institutional turn-over, particularly among key senior staff, and challenges of governance and financing. A second PRSP is in preparation, to which technical assistance has been provided from pillar III of the FSF. The PRSP is expected to be finalized by the Second Quarter in 2011.

6.4.4 Guinea Bissau has made limited progress in attaining some MDGs, and continues to fall short in achieving goals in key areas of health, water supply and sanitation, while maternal and child health indicators rank close to the bottom in the world. A significant challenge continues to be consolidation of peace and security. Due to the efforts made the country, and the challenges remaining, Management has recommended extending Supplemental Support to Guinea Bissau in ADF 12.

6.5 Sierra Leone

6.5.1 The country is steadily transiting from fragility, with a harmonized CPIA rating of 3.42 in 2010 which is marginally above the cut-off CPIA score of 3.2 for eligibility to the FSF supplemental support funding. The country has also made significant progress in implementing the Bank's program of assistance in ADF 11, in addressing poverty, stabilizing macroeconomic environment, implementing structural reforms and in improving, to some extent, the enabling environment for private sector activities.

6.5.2 Since emerging from conflict in 1999, Sierra Leone has implemented two (2) Poverty Reduction Strategies (PRS), an interim PRS in 2001 followed by the first PRSP-I (2005-2007) and is now implementing the third PRSP, the Agenda for Change, covering the period, 2008-2012. In the course of implementing the PRS, Sierra Leone has made significant progress in improving its macroeconomic conditions, the external debt situation and managing its public sector resources. Based on the 2010 IMF's Ex Post Assessment of Long Term Program Engagement⁹, macroeconomic stability was maintained from mid-2005 to 2010. Sierra Leone also reached the HIPC Completion Point at end-2006. The debt relief provided under the HIPC and MDRI initiatives improved the debt sustainability outlook of the country and created space for some new borrowing to scale up priority public sector investments. However, during the recent (March 2011 mission) second review of the program under the ECF, the IMF pointed out that the main challenge facing the authorities is to accelerate investment in infrastructure and services while at the same time maintaining macroeconomic stability.

6.5.3 Progress was also made on public finance management, though weaknesses persist in budget formulation and execution, procurement practices, and project appraisal and planning. However, and as is the case with other fragile states, the country made limited progress in achieving the MDGs, despite completing two PRS. The current PRS, the Agenda for Change, recognizes the importance of continuing to improve health, education and governance and to rehabilitate and reconstruct infrastructure (energy, water supply and sanitation, ports and roads).

6.5.4 Sierra Leone's main socio-economic indicators continue to lag behind those of sub-Saharan Africa, while extreme poverty remains pervasive, with 70% of the country's youth unemployed. More recently, the global food, fuel and financial crises have exacerbated poverty, particularly among the

⁹ See International Monetary Fund (IMF) "Sierra Leone: Ex Post Assessment of Long-Term Program Engagement" IMF Country Report No 10/371, December 2010.

youth, urban and peri-urban population. On account of these challenges, Management proposes that Sierra Leone be allowed to access the second cycle of FSF-Supplemental Support funding in ADF 12 (see Annex 10).

7. PHASE-OUT FRAMEWORK APPLIED IN ADF 12

7.1. At the establishment of the FSF in 2008, it was envisioned that the enhanced FSF supplemental support funding shall be provided for a limited period of six (6) years or two ADF cycles starting from ADF 11¹⁰. Management was of the view that while the increased supplemental support resources would bolster the re-engagement and recovery process in eligible countries, it should not be considered as a long term assistance from the FSF in order to avoid the “dependency syndrome” while ensuring countries to benefit from larger PBA allocations, especially during periods of a relatively large ADF replenishment. Management was also of the view that given the limited resources, phasing out performing countries would make room for possible new entrants which could have been affected by deeper crises and/ or conflict.

7.2. In this regard, the ADF Deputies, in their third meeting in Abidjan, Cote D’Ivoire (May 2010) agreed upon a phase-out framework which is composed of reviewing country performance against the following criteria are i) harmonized Bank/World Bank Country Policy and Institutional Assessment score; ii) the Gross National Income Per Capita on a Purchasing Power Parity basis; and iii) length of re-engagement, including engagement under the Post-Conflict Country Facility (PCCF) (See table 3). The criteria take into account the need to reconcile competing considerations of providing more resources (out of a fixed pool) to countries with similar socio-economic and development challenges over a lengthened period of time, and further reflect on the¹¹:

7.3 The criteria are applied to review the respective country’s performance against each. For example, if a country’s CPIA rating and gross national income per capita criteria are above the threshold, the reduction in the respective FSF supplemental support will be 30 percent (see Table 4).

¹⁰ See African Development Bank” Strategy for Enhanced Engagement in Fragile States” ADF/BD/WP/2008/10 or ADB/BD/WP/2008/37, March 2008.

¹¹ See African Development Fund (ADF) ‘Proposed Adjustment to Enhanced Approach to Fragile States” Discussion Paper, ADF 12 Replenishment, February 2010, Cape Town, South Africa.

Table 3: Parameters and Thresholds for the FSF Supplemental Support Phase-out Framework¹²

Parameter	Objective	Threshold	Discount before applying caps and floors
Average World Bank/African Development Bank Country Policy and Institutional Assessment score	To measure performance against the agreed fragility benchmark	Greater than 3.30	10%
Gross National Income Per Capita on a Purchasing Power Parity basis	To measure internal capacity to generate resources for economic development	Greater than US\$ 500	20%
Length of Re-engagement (including pre-Fragile States Facility engagement, i.e., engagement under the Post-Conflict Country Facility)	To distinguish between countries according to the length of support provided by the international community and to favor those recently re-engaging	Greater than 6 years	20%

Source: ADF-12 Replenishment, Third Meeting, Abidjan, Côte d'Ivoire, May 2010,

Table 4: Assessed Impact of Phasing-out Framework in the ADF-12¹³

Country	Average Country Policy and Institutional Assessment Score (Threshold: ≥ 3.30) ¹⁴	Per Capita Gross National Income (Threshold: \geq US\$ 500)	Length of Re-engagement by 2010 (Threshold: \geq 6 years)	Magnitude of Deduction
Central African Rep	3.00	730	5 years (2006)	20 %
Comoros	2.70	1,170	4 years (2007)	20 %
Congo, Dem. Rep.	3.04	290	7 years (2004)	20 %
Guinea Bissau	3.27	530	7 years (2004)	40 %
Sierra Leone	3.42	750	7 years (2004)	50 %

Source: 2011 Country Allocations Under ADF 12,

7.4 The 2011 Country Allocations Under ADF 12 (ADF/ BD/ IF/ 2011/13) have provided for both the FSF supplemental support and PBA resource allocations to the countries eligible for second cycle of FSF support. These are further outlined in Annex1 Table A.1.1 and Table A.2.3

8. CONCLUSION AND RECOMMENDATIONS

8.1 Conclusion

8.1.1 This paper provides, for review and consideration by the Boards of Directors, an assessment of eligibility for second cycle of FSF Supplemental Support funding for five (5) countries, namely Central African Republic (CAR), Comoros, Democratic Republic of Congo, (DRC), Guinea Bissau and Sierra Leone. The assessment has concluded that these five countries have made varied progress in transitioning out of fragility but there still remain some challenges. As such, all five countries are found to be eligible for second cycle FSF supplemental support under ADF 12 period.

¹² See the African Development Fund (ADF) 'Resource Allocation' Discussion Paper, ADF 12 Replenishment, Third Meeting, May 2010, Abidjan, Cote d'Ivoire.

¹³ See the African Development Fund (ADF) 'Resource Allocation Discussion paper.

¹⁴ The CPIA ratings presented in this column are drawn from the Resource Allocation Paper that was discussed by Deputies in Abidjan in May 2010 during the ADF 12 Replenishment Negotiations.

8.1.2 Management appreciates the guidance provided by the CODE members, and will continue to address the more strategic issues, such as (i) incentives to make progress with consideration to access to additional resources for economic and social development; (ii) consideration of new entrants; (iii) issues related to a phasing-out duration; and (iv) options to address situations where countries in progress may slip back into crises. These as well as other broader issues related to the implementation of SEEFs will be addressed through a Bank wide task team to be led by OSFU.

8.2. Recommendation

8.2.1 The Boards of Directors are invited to consider and approve the eligibility of Central African Republic (CAR), Comoros, Democratic Republic of Congo, (DRC), Guinea Bissau and Sierra Leone for second cycle FSF supplemental support under ADF 12.

TABLE A.1.1
Harmonized AfDB and World Bank Average Country Policy and Institutional Assessment Ratings, 2007-2011 for
FSF Supplemental Support Eligible Countries

Country	2007	2008	2009	2010
Central African Republic	2.52	2.70	2.75	3.00
Comoros	2.41	2.43	2.48	2.70
Congo, DRC	2.77	2.75	2.77	3.04
Guinea Bissau	2.64	2.81	2.84	3.27
Sierra Leone	3.16	3.22	3.30	3.42

Source: The World Bank

TABLE A.1.2
Harmonized CPIA Ratings and Country Portfolio Performance Ratings (CPPR)

Country	Harmonized CPIA ratings			Country Portfolio Performance Rating¹⁵			
	2008	2010	% Change	2008	2009	2010	AVG 2008/10 Rating
CAR	2.70	3.00	2.8	4.5	4.5	4.5	4.5
Comoros	2.43	2.70	2.7	1.5	4.5	4.5	3.5
Congo, DRC	2.75	3.04	0.3	3.5	4.0	3.4	3.6
Guinea Bissau	2.81	3.27	1.4	3.5	4.00	2.8	3.4
Sierra Leone	3.22	3.42	3.5	3.5	4.0	2.9	3.5

Sources: The World Bank and African Development Bank

¹⁵ Name changed from Country Portfolio Performance Rating (CPPR) to Portfolio Performance Assessment (PPA) in 2010

TABLE A.2.1
Summary of country-by-country performance assessments for period to December 2010

Indicator	CAR	Comoros	DRC	Guinea Bissau	Sierra Leone
Management recommendations for FSF eligibility in ADF-12	Yes	Yes	Yes	Yes	Yes
Consolidating peace and security	RI	RI	RI	RI	CP
Implementing poverty reduction strategies (PRS)	CP	RI	CP	RI	CP
Maintaining macroeconomic stability	RI	RI	CP	RI	CP
Progress on HIPC	CP	CP	CP	CP	CP
Sound financial management practices	CP	RI	CP	CP	CP
Improving transparency of public accounts	CP	RI	CP	CP	CP
Progress on structural reforms and environment for private sector	RI	RI	RI	RI	RI
UN HDI 2010 ranking (of 169 countries)	159	140	168	164	158

Note: CP: commendable progress; RI: requires improvement.

TABLE A.2.2
Status of Programming Document of the FSF Eligible countries in ADF-12

Country	Current Programming Document and period of coverage
Congo, DRC	CSP, 2008-2012
Guinea Bissau	CSP 2005-2009, but extended to 2010
Sierra Leone	Joint Assistance Strategy 2009-2012
Comoros	Interim CSP, 2009-2010
Central Africa Republic	Joint Assistance Strategy, 2009-2012

TABLE A.2.3
Supplemental Support Funding and PBA for FSF-Eligible Countries

FSF-Beneficiary Country	ADF 11			ADF 12			% Changes		
	FSF Supplemental Support	PBA	Total ADF 11	FSF Supplemental Support	PBA	Total ADF 12	FSF Supplemental Support	PBA	Total ADF 12 / ADF 11
Sierra Leone	42.80	26.00	68.80	28.71	22.22	50.93	-32.9	-14.5	-26.0
Congo, DRC	60.00	209.00	269.00	60.00	169.69	229.69	0.0	-18.8	-14.6
Comoros	10.00	6.00	16.00	10.00	5.59	15.59	0.0	-6.8	-2.6
Central African Republic	11.90	19.00	30.90	26.23	16.71	42.94	120.4	-12.1	39.0
Guinea Bissau	10.00	13.00	23.00	12.51	9.27	21.78	25.1	-28.7	-5.3

Source: African Development Bank

Central Africa Republic: Assessing Eligibility for Second Cycle of FSF Supplemental Support in ADF 12

Indicator	Pillar I Supplemental Support – Stage 1 Eligibility Criteria
Commitment to Consolidate Peace and Security	<ul style="list-style-type: none"> • Central African Republic (CAR) has a harmonized CPIA rating of 3.00 in 2010, and therefore remains a core fragile state. • After prolonged period of instability, CAR has started to consolidate peace and security and to revive the war-ravaged economy. • The political situation has improved since the 2005 presidential and parliamentary elections, which led to a national reconciliation process, signing of peace agreements between Government and the major military groups in 2007 and 2008, passing of a general amnesty law in October 2008, and holding of an Inclusive Political Dialogue.
Unmet Social and Economic Needs	<ul style="list-style-type: none"> • CAR ranks 159 of 169 countries in the 2010 UN Human Development Index. • Poverty is pervasive, with an absolute poverty headcount in 2007 of more than 62% of the population living on less than \$1.25 per day (PPP). • Economic recovery has gained momentum since 2004 but slowed down in 2008 as a result of power outages, increase in oil and food prices, and the international financial crisis. • According to Government reporting cited MDG Monitor, “it is possible for CAR to achieve some of the MDGs if changes are made”. These include MDGs 2 (universal primary education); 3 (gender equality); 4 (child mortality); 6 (HIV/AIDS, malaria and other diseases); 7 (environment). The country is off-track on MDG 1 (poverty reduction) and 5 (maternal health); there’s insufficient information on goal 8 (partnerships). • Gross National Income Per Capita remains low at US\$450 in 2009
Indicator	Pillar I Supplemental Support – Stage 2 Eligibility Criteria
Improved Macroeconomic Conditions and Sound Debt Practices	<ul style="list-style-type: none"> • CAR has maintained its commitment to a sound macroeconomic framework and structural reforms. The final review of IMF support for economic and financial reforms under the FEC was considered satisfactory in April 2010. • CAR secured debt relief by reaching the completion point under the enhanced HIPC Initiative in June 2009. • The debt relief significantly improved CAR’s debt sustainability, reducing its external debt to about US\$ 578 million by the end of 2009. Government is working strenuously with its Paris Club and non-Paris Club creditors to conclude consistent bilateral agreements. Public debt was expected to decline from 32% of GDP in 2009 to about 28 percent of GDP at end-2010.
Sound Financial Management Practices	<ul style="list-style-type: none"> • Public Expenditure Reviews show improvements in many aspects of economic and financial management, including: • A manual of procedures has been instituted for the granting exemptions by the Inter-Ministerial Committee in charge of the review of all applications for exemptions from taxes and customs rights. This measure, combined with the interconnection of computer systems of the Directorate of taxes (SYSTEMIF) and customs (ASYCUDA) and the strengthening of the capacities of their staff, helped to improve mobilization of public revenues. - All parallel State accounts have been closed and a single account of Treasury is maintained at the BEAC; computerization has been completed for public expenditure control through GESCO software that is connected to the computer of the Treasury System. - The Directorate General for public procurement and the procurement regulatory authority have been operational as of 2009, while the revision of the code of investment is underway.
Transparency of Public Accounts	Government has been publishing quarterly budget execution reports to increase transparency and better communicate its fiscal policies; the 2010 budget has also been published.

Central African Republic: Matrix of Performance in the Period to December 2010

<p>Commitment to Consolidate Peace and Security</p> <p>Macroeconomic environment and debt policy</p>	<ul style="list-style-type: none"> • CAR has made significant progress in consolidating peace as well as strengthening security and dialogue, particularly since the holding of the Inclusive Political Dialogue (DPI) in December 2008. The DPI mainly resulted in the launching of a Disarmament, Demobilization and Rehabilitation (DDR) program, whose implementation has made progress. • On 23 January 2011, CAR organized presidential and legislative elections which were peaceful and deemed generally satisfactory by the international community. These democratic elections are the second of its kind in the country since the political change in 2003. • The sixth and last review of the CAR economic and financial program with the IMF, supported through the Extended Credit Facility (ECF), was conducted in April 2010 and approved by the IMF Board of Directors on 25 August 2010. • The implementation of this program was deemed satisfactory by the IMF whose Board welcomed the efforts made by the Central African Government to pursue economic and financial reforms despite a difficult national and international environment. • CAR reached the completion point of the HIPC Initiative in June 2009, providing additional budgetary margin reconstruction and development activities. Indeed, this enabled CAR to benefit from debt relief of 578 million dollars, with the debt stock ratio declining from nearly 63% in 2008 to about 29.2% in 2010.
<p>Public Finance Management</p>	<ul style="list-style-type: none"> • In the management of public resources, significant progress has been made, particularly through better mobilization of domestic resources and increasingly effective compliance with public expenditure procedures. These efforts were supported by the country's development partners, in particular the African Development Bank and the World Bank in their Joint Country Partnership Strategy Paper (JCPSP) 2009-2012. • As regards public revenue, the procedures manual for granting exemptions was prepared the Inter-Ministerial Committee responsible for considering all requests for tax and custom duty exemptions (this manual abolishes all exceptional exemptions). This measure, coupled with the interconnection of computer systems of the Department of Taxation (SYSTEMIF) and the Customs Department (ASYCUDA) and capacity building for their staff helped to improve the mobilization of public revenue. Thus, the domestic revenue/GDP ratio is expected to reach the threshold of 10% in 2010 (for the first time since 2005), but remains below the set target (12.9%). • As regards expenditure, all parallel State accounts have been closed and only one account has been maintained by the Treasury in BEAC. The entire public expenditure chain has been completely computerized using GESCO software which is connected to the Treasury computer system. Furthermore, the General Directorate of Public Procurements and the Public Procurements Regulation Authority have been operating since 2009, while the Investment Code is being revised.
<p>C. Transparency of Public Accounts</p>	<ul style="list-style-type: none"> • With respect to natural resource management, significant progress has been made by CAR, particularly as concerns the EITI principles. Indeed, following the preparation of a new Mining Code and the publication of the first EITI report (for 2006 inn 2009), CAR in 2010 prepared reports (2007, 2008 and 2009) covering revenue from the production of diamond, gold and uranium. This progress, coupled with capacity building for EITI-CAR (Technical Secretariat, Steering Committee and National Council) should enable CAR to quickly obtain the status of country compliant with EITI principles. • As regards the forestry sector, the country continues to implement the action plan for law enforcement and governance in the forestry sector in Africa (AFLEG), while the revision of the Forestry Code helped to make the provisions for transfer of 30% of felling fees and 25% of reforestation taxes to the local communities effective. • Before that, mention should also be made of the establishment of the National Financial Investigation Agency (ANIF), the State Judicial Agent and the financial service of the Ministry of Justice, as well as the creation of an Anti-Corruption Committee comprising representatives of the Government, the civil society and the private sector in 2008, and the ongoing finalization of the National Anti-Corruption Strategy. • CAR has just completed implementation of its first Poverty Reduction Strategy Paper (PRSP) 2008-2010 the evaluation of which was presented during a workshop organized on 10

<p>Poverty Reduction Strategy of the Country</p> <p>Bank Strategy under ADF 11</p> <p>MDGs</p>	<p>November 2010.</p> <ul style="list-style-type: none"> • The Government on 23 November 2010 officially launched the preparation of the second generation Poverty Reduction Strategy Paper (PRSP 2). This paper will be presented during the Donor Round Table which the Government intends to organize with the support of development partners at the beginning of June 2011. • At the end of 2010, the Bank conducted a mid-term review of its joint strategy with the World Bank (DSPPC 2009-2012) whose report was approved by CODE on 9 December 2010. In agreement with CAR authorities, the review resulted particularly in maintaining the two pillars of the strategy for the remaining period; the pillars are: (i) Consolidation of administrative and economic governance capacities, and (ii) Rehabilitation and development of socio-economic infrastructures. • The mid-term review showed that significant progress has been made in carrying out the activities under Pillar 1, while the Bank and the World Bank will work towards strengthening the measures under Pillar 2. • As regards the MDGs, a monitoring report prepared in May 2010 shows that the progress made towards achieving the goals remain limited in view of the magnitude of the challenges. However, the targets for primary education, access to drinking water and girls' education have recorded encouraging trends. On the other hand, the other indicators like those relating to poverty, labor, employment, maternal and infant mortality, etc. have progressed only slightly. • The Human Development Index (HDI), which is particularly low for CAR, clearly shows the difficult living conditions of the population. These conditions stem mainly from limited access to basic social services (about 86% have no access to health services) particularly outside Bangui, the capital city. Sustained stability and progress in reforms will be required to guarantee sustainable peace and economic recovery.
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Comoros: Assessing Eligibility for Second Cycle of FSF Supplemental Support in ADF 12

Indicator	Pillar I Supplemental Support – Stage 1 Eligibility Criteria
Commitment to consolidate peace and security	<ul style="list-style-type: none"> • With a harmonized CPIA of 2.70 Comoros is far below the threshold of 3.2 at which a country is classified as a fragile and/or post-conflict State; • Since the Fomboni Accords of 2000 creating a new Comoros union that put an end to the separatist crisis in Anjouan, Comoros has been enjoying political stability and security; • The Presidential and Governor elections for the three islands, held in December 2010, took place under good conditions of transparency, and were deemed to comply with international standards.
Unmet economic and social needs	<ul style="list-style-type: none"> • With an HDI of 0.428, Comoros ranks 140th out of a total of 182 countries in the 2010 UNDP Human Development Report; • Despite some progress, Comoros faces poverty that affects about 70% of the population, particularly youths in rural areas; • Comoros' economic performance since the end of the situation in Anjouan remains fragile, and the country faces major structural obstacles that hamper development prospects; • Progress in achieving the MDGs is limited.
Indicator	Pillar I Supplemental Support – Stage 2 Eligibility Criteria
Improved macroeconomic environment and adoption of a judicious debt policy	<ul style="list-style-type: none"> • On 21 January 2011, consultations under Article IV were concluded with the IMF, which underscored the significant progress made under the Enhanced Credit Facility (ECF) • Comoros reached the Decision Point of the HIPC Initiative in July 2010, thereby paving the way for the first interim debt relief. In November 2009, Comoros was granted bilateral debt relief by the Paris Club. However, the debt/GDP ratio remains very high and in 2010 accounted for 37.3% of GDP and 308% of exports of goods and services. Reaching the completion point at the end of 2012 is expected to pave the way for significant debt stock reduction under the MDRI.
Sound financial management practices	<ul style="list-style-type: none"> • Under the Institutional Capacity Building Project (PRCI) initiated in 2009, the Bank supports Comoros in economic and financial governance, public financial management and debt management; a public financial management strategy was finalized at the end of 2010; a reform of the Tax Code is also under study. • However, anti-competition practices stemming from the Economic Citizenship Law hamper the business climate and undermine public and private investment. A draft of the reform of the Public Procurement Code is under study; • Comoros generally suffers from significant capacity inadequacies in all government services.
Transparency of public accounts	At present, there is no Court of Auditors in Comoros responsible for certifying public accounts.

Comoros: Matrix of Performance in the Period to December 2010

Criteria	Country Performance
Implementing Bank's program of assistance in ADF 11	<ul style="list-style-type: none"> The objective of the interim CSP approved in March 2009 was to strengthen institutions and the macroeconomic framework, as well as improve delivery of basic water services to the population. The implementation of the Bank strategy has been slowed down by problems of qualified human resources and financial resources; The entire Bank portfolio in Comoros is made up of grants ; At the end of 2010, the Bank portfolio in Comoros comprised an ADF operation (PRCI - MUA 5.26) and two operations financed with FSF resources, including one budgetary aid (PAREF (MUA 2)¹⁶, (ii) one water and sanitation project (MUA 8)¹⁷ and two (2) emergency operations in food security support (MUA 1.5) and the fight against the consequences of the April 2009 floods (MUA 0.667). In all, the resources allocated by the Bank to Comoros at the end of December 2010, stood at MUA 18.07. At the end of 2010, the disbursement rate of ADF resources stood at 7.87%, and under-performed significantly in comparison to the initial implementation schedule.
Consolidating political economy and peace building	Since the signing of the Fomboni Accords in 2000 at the end of the Anjouan Crisis in 2007, Comoros has been enjoying political stability which has led to free and democratic elections (presidential elections and governor elections for the islands on 26 December 2010). Nevertheless, recent attempts to amend the Constitution in 2009 show that democracy remains fragile and needs to be consolidated within a modernized and operational rule of law.
Progress in implementing poverty reduction strategy	<ul style="list-style-type: none"> Comoros Union prepared an Interim Growth and Poverty Reduction Strategy (I-GPRS) in 2003 in a participatory manner with the population and in close partnership with the international community. The I-GPRS was revised for the first time in June 2005, and a 3-year action plan (2006-2009) has been prepared. The plan was based on thirty-five (35) priority programs grouped under seven (7) strategic areas of focus: (i) Creation of conditions for sustainable economic development; (ii) Promotion of the private sector based on growth-oriented sectors (agriculture, livestock, fisheries and tourism); (iii) Strengthening of governance and justice; (iv) Improvement of the health status of the population; (v) Promotion of education and vocational training to improve human capital; (vi) Promotion of a healthy environment for sustainability of development; and (vii) Security and fight against terrorism. The average annual financing gap of the initial action plan was estimated at FC 38.8 billion or EUR 78 million or EUR 140 per capita. In September 2009, the final Growth and Poverty Reduction Strategy Paper (GPRSP) was presented. The areas of focus of the strategy concern: (i) promotion of macroeconomic stability; (ii) activity in the productive sectors of agriculture, fisheries and tourism; (iii) governance; and (iv) human development. The Government, with the support of the African Development Bank (ADB), at the end of 2010 embarked on a prioritization work to operationalize its strategy and maximize the expected impact of the proposed activities.
Progress in stabilizing the macroeconomic environment	In the three-year agreement with the IMF (2008-2010), substantial progress was made in macroeconomic management. Real GDP increased by 1.8% in 2009 and 2.1% in 2010. Inflation, which stood at 10% in 2008 because of the energy and food crisis, fell sharply to 3% in 2010. Comoros' membership in the Franc Zone and the implementation of a prudent monetary policy are also economic stability enabling factors. Furthermore, the amount of remittances from migrants to Comoros (EUR 72 million, representing 24% of GDP and 346% of official development assistance (ODA) which helps to support the economy (construction, in

¹⁶ PAREF was completed on 31 December 2010.

¹⁷ The total project cost is MUA 21.52 of which MUA 2 for the RWSSI program and MUA 8.64 covered by the FSF (Pillars I and III).

	particular) but impacts negatively on the balance of payments because of the high levels of imports, could eventually be an imbalance factor and increase Comoros' dependence on external resources.
Progress in implementing structural reforms and creating enabling environment for private sector activities.	Despite the progress made in macroeconomic management and growth, Comoros is still hampered by major structural constraints, particularly as regards the business climate and management of public service enterprises (telecommunications, electricity, importation of hydrocarbons). In the financial sector, the authorities of Comoros need to continue to reinforce banking supervision. However, the main structural constraint remains the weight of the public service, which absorbs more than 80% of budgetary expenditures to the detriment of public investment.
Progress in addressing external debt burden through HIPC	<ul style="list-style-type: none"> • Comoros reached the Decision Point of the HIPC Initiative in July 2010, thereby paving the way for the first interim debt relief. • In November 2009, Comoros was granted bilateral debt relief amounting to 13.9 million US dollars by the Paris Club. • However, the debt/GDP ratio is still very high, and accounted for 37.3% of GDP in 2010 and 308% of exports of goods and services. • Reaching the completion point at the end of 2012 is expected to pave the way for significant debt reduction under the MDRI.
Progress in achieving the MDGs	Progress in MDG achievement remains limited and suffers from lack of investment in health and education infrastructures. Poverty affects more than 60% of the population, particularly youths and women in rural areas.
Challenges and opportunities over the ADF 12 cycle	Despite the progress made over the past two years in terms of growth (1.8% in 2009 and 2.1% in 2010), growth remains extremely fragile and sensitive to external shocks. Comoros suffers from major structural constraints (non-growth-oriented business climate, public sector management, weight of the public service, etc.). The major challenges, apart from the weak growth, concern the fight against poverty and reduction of the unemployment rate and improvement of public financial management to create investment intervention margins. Reduced dependence on external resources and mobilization of domestic resources (savings, direct and indirect tax resources) pose another major challenge.

Democratic Republic of the Congo: Assessing Eligibility for Second Cycle of FSF Supplemental Support in ADF 12

Indicator	Pillar I Supplemental Support – Stage 1 Eligibility Criteria
Commitment to Consolidate Peace and Security	<ul style="list-style-type: none"> • DRC has a harmonized CPIA rating of 3.04 in 2010, which is under the cut-off score of 3.2 for fragility and conflict-affected countries; • After years of brutal conflict, DRC is now peaceful and stable; • In 2006, the country held full-fledged, peaceful, and credible elections for President, Parliament and local councils. Next presidential election is scheduled for late 2011 and there is all likelihood that this will take place.
Unmet Social and Economic Needs	<ul style="list-style-type: none"> • DRC ranks 168th out of 169 countries in the 2010 UN Human Development Index • Poverty is pervasive – 60 percent of the population lives below \$1 a day. • DRC's post-conflict economic performance was initially robust, but has slowed down as a result of the food, fuel and global financial crisis. • Progress in the achievement of MDGs is poor.
Indicator	Pillar I Supplemental Support – Stage 2 Eligibility Criteria
Improved Macroeconomic Conditions and Sound Debt Practices	<ul style="list-style-type: none"> • DRC reached HIPC completion point and qualified for debt relief under MDRI in July 2010. In September 2010, Paris Club agreed to cancel outstanding claims. Debt reduction is expected to take place in 2011 for a total amount of \$7.2 billion • DRC's second review of the Extended Credit Facility, under IMF support of September 2010 (IMF Country Report No. 10/360), indicates that with the support of the international community, macroeconomic stability has been achieved.
Sound Financial Management Practices	<ul style="list-style-type: none"> • A Steering Committee on Public Finance Reform (COREF) to coordinate and implement reforms was established in August 2009; • A Strategic Plan for Public Finance Reform (PSRFP) was adopted by the Government in March 2010 including the framework, a three year action plan for reforms to be implemented in five areas: budget planning and preparation, fiscal system, expenditure management, accounting and cash management, system of control and indicative cost tables; • A new public procurement code was adopted in April 2010 including key implementing steps and documents, establishment of key institutions and adoption of a manual of procedures; • Good practices in Public Expenditure have led to improvements in many aspects of economic and financial management, including increased efficiency of government agencies through the retirements of 3,741 government employees and officials nationwide during the period of 2009-2010; • However, capacity gaps still persist in the Finance and Planning Ministries
Transparency of Public Accounts	<ul style="list-style-type: none"> • In February 2010, the manual on the budget process and public expenditure cycle was revised. The revision reflects integration of emergency spending procedures in the expenditure cycle. The expenditure cycle was also strengthened through inclusion of payroll and public debt expenditure. • Budget monitoring reports were produced on a regular basis, despite certain weaknesses in terms of reliability and completeness of information. In regard to the accounting system, the Treasury Management and Payment Authorization Office (DTO) produced account balances through end-December 2009; • In parallel, the government undertook actions to modernize the cycle by acquiring new hardware and more robust software.

DRC: Matrix of Performance in the Period to December 2010

Criteria	Country Performance
Implementing Bank's program of Assistance in ADF 11	<ul style="list-style-type: none"> • Objective of Bank's Country Strategy Paper was to assist Government maintain macroeconomic stability while implementing governance measures. The Bank's 2008-2012 strategy is rooted on two pillars: (i) support to good governance; and (ii) promotion of pro-poor growth; • Support to public financial management was relatively effective, as it provided a good framework for fiscal discipline and effective budget execution; • As of December 2010, there were 10 projects in the AfDB portfolio that were at different stages of implementation with a total approved amount of UA 418.3 million. Out of this approved amount, a total of UA million 96.97 million had been disbursed. The breakdown of the portfolio is as follows: Infrastructure Sector (75.76 percent), Agriculture (14.79 percent) and Social Sector (9.56 percent). The average age of the portfolio is 4 years. • Establishment of the Bank's field office in DRC has helped to improve portfolio management and visibility of the Bank; • Access to the FSF enhanced supplemental support, and the flexibility embodied in the FSF, have helped in addressing some of the delays in project implementation; • Government monitoring and evaluation mechanisms have also helped to ensure effective and efficient use of donor resources, including those from the Bank.
Consolidating political economy and peace building	<ul style="list-style-type: none"> • DRC is one of the few countries to achieve a democratic transition of government in 2007 and a sustainable pluralistic, democratic system is gradually being established; • Peace and reconstruction efforts are being carried out in a context of dire socio-economic conditions in the country.
Progress in implementing poverty reduction strategy	<ul style="list-style-type: none"> • DRC has effectively implemented a Poverty Reduction and Growth Strategy (PRGS) adopted in 2006 which has been the central reference document in guiding and designing all Government policies. The PRGS was subsequently extended from 2008 to 2010. It emphasized on peace and state building and the reintegration and rebuilding of communities. • The PRGS Annual Progress Reports were prepared regularly on annual basis since 2008. The reports provide an assessment of DRC's Poverty Reduction Strategy, and particularly, the progress made in macroeconomic stability, high budget execution rates and budgetary allocations for priority spending, public finance management (PFM) reforms, revitalization of key infrastructure services, and good initial results on social outcomes. The Joint Staff Advisory Note prepared by the World Bank and the IMF staff commended the government on its overall progress in implementing the strategies and rated the progress in implementing the strategies as satisfactory. • To consolidate this, the Government, together with the development partners, had undertaken, in March 2010, an initial review of the PRGS to assess progress achieved. Preparation of the PRGS 2 for the 2011 – 2015 period is at its final stage. This PRGS 2 will focus on five priority areas: (i) promote good governance and consolidate peace, (ii) strengthen macroeconomic stability and growth; (iii) improve the population's access to basic social services; (iv) combat HIV/AIDS and major diseases; and (v) promote community dynamics. The government has launched the process of designing its long term strategy to set up the 2025 vision.
Progress in stabilizing the macroeconomic environment	<ul style="list-style-type: none"> • Although macroeconomic stability has been achieved, DRC remains a post-conflict country whose growth prospects hinge on rebuilding infrastructure and developing an accessible financial sector. • The rebuilding efforts that followed the end of civil conflict are far from complete and despite relatively high economic growth in 2010, per capita income remains low.

<p>Progress in implementing structural reforms and creating enabling environment for private sector activities.</p>	<ul style="list-style-type: none"> • The Government is in the process of successfully implementing several structural reforms in governance, decentralization, and public financial management. Substantial achievements made in the area of capacity building and improving public finance management provide a foundation for improving service delivery. A single, consensus-based frame of reference, “The Strategic Decentralization Implementation Framework (CSMOD)” was established in June 2009 to further the process of decentralization through promotion of local leadership, accountability and skills in basic tools in the central and provincial administrations and decentralized agencies. However, administrative capacity within local authorities is still weak. • The public finance management framework and systems have been strengthened as part of a general effort to improve transparency and accountability. A Strategic Plan for Public Finance Reform (PSRFP) was adopted in March 2010. A public procurement code was adopted by the Parliament in April 2010 with its implementing regulations. Efforts are under way to revise the general public accounting regulations and government has also begun to rationalize revenue nomenclature used by the Directorate of Administrative and State Revenue (DGRAD), anticipating forthcoming efforts to prepare and adopt a proposed law on revenue nomenclature recognized by the provinces in accordance with constitutional provisions.
<p>Progress in addressing external debt burden through HIPC</p>	<ul style="list-style-type: none"> • A three year Extended Credit Facility (ECF) arrangement for DRC was approved by the IMF on December 11, 2009 in an amount equivalent to SDR 346.45 million (about US\$541 million, or 65 percent of the country’s quota in the IMF); • DRC reached the completion point of the enhanced HIPC Initiative and qualified for debt relief under the MDRI on June 30, 2010. The stock of HIPC-eligible external debt estimated at Decision Point in 2002 has been revised upward following the debt reconciliation exercise. As a result, the nominal stock of debt has increased by US\$113 million to US\$10,772 million, and the PV of debt after traditional debt relief has been revised upward by US\$933 million to US\$8,801 million in end-December 2002 NPV terms; • In 2005, the Government installed and fully activated a computerized debt-recording system, covering all public and publicly guaranteed debt; • The General Directorate of Public Debt (DGDP) within the Ministry of Finance is responsible for analysis and management of the public debt portfolio. It has installed a Debt Management and Financial Analysis System (DMFAS) capable of producing external debt reports; • The Bank Group is currently preparing an initiative which includes a component to strengthen the debt management capacity unit, including human resources, management of debt data and debt sustainability analysis. The final outcome of these initiatives will ensure future debt will remain at sustainable levels.
<p>Progress in achieving the MDGs</p>	<p>DRC has made some progress in attaining some MDGs, notably (i) primary education, (ii) maternal and child health. However, DRC continues to fall short in achieving goals in key areas of poverty reduction, combating AIDs, and environmental protection. As to be expected in a country emerging from conflict, the accuracy and reliability of statistics have presented a material challenge in terms of determining progress, and support for capacity building in data collection and analysis will be an important tool.</p>
<p>Challenges and opportunities over the ADF 12 cycle</p>	<p>Despite progress in economic growth, DRC’s economic recovery remains fragile. The country is falling significantly short on most of the MDGs, and the country is vulnerable to external shocks.</p>

Guinea Bissau: Assessing Eligibility for Second Cycle of FSF Supplemental Support in ADF 12

Indicator	Pillar I Supplemental Support – Stage 1 Eligibility Criteria
Commitment to Consolidate Peace and Security	<ul style="list-style-type: none"> Guinea Bissau remains a fragile state with a harmonized World Bank/AfDB CPIA rating of 3.27 in 2010. The country continues to make good progress in consolidating peace and security: In 2009, Presidential elections were successfully held in a fairly calm atmosphere where the principal candidates had signed a pact to recognize the results. A priority agenda for the new President is to strengthen national institutions and establish the necessary authority to consolidate the socio-economic and security reforms.
Unmet Social and Economic Needs	<ul style="list-style-type: none"> Guinea Bissau is one of the poorest countries in the World, ranking 164 out of 182 countries on the 2009 United Nations Human Development Index. Poverty is pervasive, with an absolute poverty headcount in 2007 of more than 60 percent of the population, who live on less than two dollars per day. Weak institutional capacity and inadequate infrastructure have constrained economic performance, public service delivery and progress on MDGs.
Indicator	Pillar I Supplemental Support – Stage 2 Eligibility Criteria
Improved Macroeconomic Conditions and Sound Debt Practices	<ul style="list-style-type: none"> Macroeconomic performance improved following implementation of two staff-monitored programs by the IMF in 2006 and 2007 and the implementation of the Emergency Post-Conflict Assistance (EPCA) Program in 2008 and 2009. Good performance under the 2009 EPCA-supported program led to a stabilization of the economy. Following improved macroeconomic performance, the IMF, on May 7, 2010 approved a 3-year (2010-13) arrangement under the Enhanced Credit Facility (ECF), which is under implementation. Guinea Bissau reached decision point of its HIPC program in 2000 and was provided with US\$ 415.9 million of debt relief. In 2010, the country reached its HIPC completion point. Frequent political disruptions and erratic macroeconomic policies characterized much of the decade following the decision point, resulting in an unusually long gap between decision point and completion point.
Sound Financial Management Practices	<ul style="list-style-type: none"> A number of reforms have been implemented to improve public finance management that is at the core of Government's reform agenda over the past three years: In 2009, the Government formulated and adopted a priority action plan for public financial management based on a new institutional framework governing the budget cycle, including a new legal framework. An Organic Law for Budgeting and a Public Accounting Decree were adopted in 2010, which together defined the legal framework of the new public finance management system. Further, Government passed complementary legislation regulating the role of the different government entities responsible for budget formulation, execution, and oversight. The legislation separated the execution and oversight functions by creating the Office of Financial Controller, and reorganized the General Budget Directorate to clearly define the roles of the administration and financial officers in each of its ministries and public entities. The Government further introduced the Integrated System for Public Finance Management in 2010.
Transparency of Public Accounts	<ul style="list-style-type: none"> Introduction of the Integrated System for Public Finance has been a landmark achievement in modernizing the country's public finance system. Progress in incorporation of the budget preparation, financial execution, and accounting modules have enabled the Ministry of Finance to produce quarterly budget execution reports and annual state-of-accounts reports in a timely manner. In 2009, the Government prepared an annual budget execution report for 2008 and two semi-annual reports for 2009, which were published with the following year's budget proposals. Since 2010, the Ministry of Finance has published quarterly budget execution reports, which are submitted to parliament and published in local press. Overall, these reforms have yielded significant gains in the transparency of budgetary process.

Guinea Bissau: Matrix of Performance in the Period to December 2010

Criteria	Country Performance
Implementing Bank's program of Assistance in ADF 11	Objective of Bank's 2005-2009 Country Strategy Paper was to support the Government in reaching the HIPC Initiative completion point in 2010. To this end, all but one HIPC completion point triggers were achieved, which include; i) track record of satisfactory macroeconomic performance lasting at least six months; a satisfactory record of PRS implementation for at least one year, as shown by World Bank- IMF staff assessment of the country's annual report (APR); iii) better outcomes in the areas of health, education and demobilization; and iv) reforms in the areas of governance, including the external audit of the 1997-99 budget outturns and the reform of the public procurement system.
Consolidating political economy and peace building	Guinea Bissau is making commendable effort in consolidating peace and security but is encountering significant challenges in doing so. One of the challenges is the role of the military leadership in the political process.
Progress in implementing poverty reduction strategy	The first National Poverty Reduction Strategy Paper (DENARP) was finalized in 2006 and covered the period 2007-2010. Annual Performance Reviews was candid in its assessment of the government's initially insufficient efforts to implement the policies described in the strategy. Implementation was hindered by a combination of political developments, the related problem of high institutional turn-over, particularly among key senior staff, and on-going governance and financial difficulties. These problems were compounded by structural weaknesses in the PRSP itself, especially its lack of adequately specified instrumental goals and realistic policy guidelines, as well as insufficient political ownership of the strategy. Despite protracted implementation challenges, a World Bank/ IMF Joint Staff Advisory (JSAN) highlight the progress achieved, and attribute part of the good performance to political and administrative stability in 2009/10. A second PRSP is in preparation, with a tentative publication date of Second Quarter in 2011.
Progress in stabilizing the macroeconomic environment	The IMF assisted by helping build capacity for macroeconomic management with two staff-monitored programs (SMPs) implemented in 2006 and 2007, followed by Emergency Post-Conflict Assistance (EPCA) in 2008. Solid performance under the 2009 EPCA led to a stabilization of the economy, with resilient growth in which real GDP reached 3 percent, despite external and political challenges. Inflation slowed and budgetary stability was regained. It is against this stability that the country reached the completion point of the HIPC program in December 2010. Implementing prudent debt policy in short and medium term, with supports from development institutions, will be important, if the country is to consolidate progress achieved in macroeconomic management.
Progress in implementing structural reforms and creating enabling environment for private sector activities.	<ul style="list-style-type: none"> • Public Finance Management has been at the core of government's reform effort since 2007. The Government formulated and adopted a priority action plan for public financial management based on a new institutional framework governing the budgetary cycle, including a new legal framework and the introduction of information technology (IT) systems for budget execution. These reforms were designed to improve efficiency, transparency, and accountability of public expenditure management. • In 2009 and 2010, the Government adopted an Organic Law for Budgeting and Public Accounting Degree, which together define the legal framework of the new public finance management system. The Government also passed complementary legislation regulating the role of various government entities responsible for budget formulation, execution, and oversight. The legislation separated execution and oversight functions by creating the Office of Financial Controller, and re-organizing the General Budgetary Directorate to clearly define the roles of the administrative and financial officers in each of its ministries. • The Government also made significant progress in the use of IT tools to enhance the efficiency and security of budgetary transactions, including the introduction of the Integrated System for Public Financial Management (SIGFIP) which has been a landmark achievement in the modernization of the country's public finance. • The Government continues to improve public finance management, including introduction of a computerized debt management system (SYGADE) and upgrading of the automated customs administration (ASCUDA).

Progress in addressing external debt burden through HIPC	As mentioned above, Guinea Bissau qualified for HIPC Completion Point in December 2010 and is expected to qualify for debt relief beyond the HIPC initiatives from Paris Club creditors, and debt relief under the MDRI from IDA and the AfDB. The MDRI from the AfDB and IDA is estimated at US\$94.4 million and US\$ 126.7 million, respectively in nominal terms. Full delivery of HIPC assistance would significantly reduce Guinea Bissau's external public debt to below the HIPC threshold of 150%.
Progress in achieving the MDGs	Guinea Bissau has made limited progress in attaining some MDGs, and continues to fall short in achieving goals in key areas of health, water supply and sanitation, while maternal and child health indicators rank close to the bottom in the world. As to be expected, the accuracy and reliability of statistics has presented a material challenge in terms of determining progress, and support for capacity building in data collection and analysis will be an important tool.
Challenges and opportunities over the ADF 12 cycle	<ul style="list-style-type: none"> • The Government made significant efforts to reach the completion point of HIPC by end-2010 and achieved all but one completion point triggers and is requesting a waiver for the lack of continuous implementation of one trigger. The Government has also made significant efforts in improving public finance management, especially in budget planning, improving predictability and control, in budget execution, strengthening reporting procedures, and reinforcing internal and external controls. • The Government has also embarked on a program to strengthen revenue collection, modernize the public administration and removing impediments to private sector development. • Significant challenges however remain to consolidate peace and security and promote democratic governance in the years ahead.

Sierra Leone: Assessing Eligibility for Second Cycle of FSF Support in ADF 12

Indicator	Pillar I Supplemental Support – Stage 1 Eligibility Criteria
Commitment to Consolidate Peace and Security	<ul style="list-style-type: none"> • Sierra Leone has a harmonized CPIA rating of 3.42 in 2010, which is marginally above the cut-off score of 3.2 for fragility and conflict-affected countries. • After seven years of brutal conflict, Sierra Leone is now peaceful and stable. • By 2010, the country had held two full-fledged, peaceful, and credible elections for President, Parliament and local councils. The 2007 election facilitated the peaceful and orderly transition of power from the government to the opposition.
Unmet Social and Economic Needs	<ul style="list-style-type: none"> • Sierra Leone ranks 158 of 169 countries in the 2010 UN Human Development Index. • Poverty is pervasive, with an absolute poverty headcount in 2007 of more than 60 percent of the population. • Post-conflict economic performance was initially robust, but has slowed down as a result of the food, fuel and the global financial crisis. • Progress in the achievement of MDGs is poor and real Gross National Income Per Capita remains low at US\$340 in 2009
Indicator	Pillar I Supplemental Support – Stage 2 Eligibility Criteria
Improved Macroeconomic Conditions and Sound Debt Practices	<ul style="list-style-type: none"> • Sierra Leone’s Article IV Consultations of Nov. 2010 (IMF Country Report No. 10/370) indicate that with the support of the international community macroeconomic stability has been achieved. • Sierra Leone reached HIPC completion point and qualified for debt relief under MDRI in 2006. In January 2007, Paris club agreed to cancel outstanding claims. • Debt relief from the international community helped decrease Sierra Leone’s public sector nominal external debt from about 142% of GDP in 2005 to about 32% of GDP in 2007. A sustainable external debt level has therefore been achieved after the country accessed debt relief under the HIPC and the MDRI.
Sound Financial Management Practices	<p>Public Expenditure Reviews show improvements in many aspects of economic and financial management, including:</p> <ul style="list-style-type: none"> • Procurement Act of 2004 replaced a wasteful, centralized procurement system; • A computerized financial management system (IFMIS) was rolled out to Government Ministries, Departments and Agencies (MDAs); • New PFM legislation was introduced, internal audit capacity is gradually being developed and deployed and external audit is being strengthened; • However, capacity gaps still persist in the Ministry of Finance and Economic Development; and • Fiscal management backed by a well-developed legal and regulatory framework is needed.
Transparency of Public Accounts	<ul style="list-style-type: none"> • Legal foundations for fiduciary standards have been strengthened by introduction in 2005 of Government Budgeting and Accounting Act (GBAA); • Accountant General’s Department strengthened Annual Public Account and their Audits brought up to standards

Sierra Leone: Matrix of Performance in the Period to December 2010

Criteria	Country Performance
Implementing Bank's program of Assistance in ADF 11	<ul style="list-style-type: none"> • Objective of Bank's 2005-2009 Country Strategy Paper was to assist Government maintain macroeconomic stability and implement governance measures • The overarching objectives of the AfDB/WB Joint Assistance Strategy 2009-2012 were inclusive growth and services for all with the AfDB focus within the strategy on infrastructure and governance. • Support to public financial management relatively effective, as it provided a good framework for fiscal discipline and effective budget execution. • As at end 2010, there were nine (9) projects in ADB portfolio that were at different stages of implementation with a total approved amount of UA 108.41million • Out of this approved amount, a total of UA 26.48 million had been disbursed • The establishment of the Bank's field office in Sierra Leone has helped to improve management of the portfolio, as well as the visibility of the Bank • Access to the FSF enhanced supplemental support, and the flexibility embodied in the FSF, have helped in addressing some of the delays in project implementation. • Government monitoring and evaluation mechanisms have also helped to ensure effective and efficient use of donor resources, including those from the Bank.
Consolidating political economy and peace building	<ul style="list-style-type: none"> • Sierra Leone in 2007 became one of the few countries to achieve a democratic transition of government and a sustainable pluralistic, democratic system is gradually being established; • A peace and reconciliation process has largely completed the task of bringing closure to the atrocities of the conflict period.
Progress in implementing poverty reduction strategy	<ul style="list-style-type: none"> • Sierra Leone has effectively implemented a National Recovery Strategy and two Poverty Reduction Strategies (PRS) that emphasized peace and state building and the reintegration and rebuilding of communities. • The PRS Annual Progress Reports (PRS-APRS) were prepared by the Government in 2006 and 2008. The PRS-APRS provided an assessment of Sierra Leone's Poverty Reduction Strategy, and particularly, the progress made in macroeconomic stability, protection of poverty reducing expenditures, public finance management (PFM) reforms, decentralization of public services, revitalization of key infrastructure services, and improvement in social services. The Joint Staff Advisory Note prepared by the World Bank and the IMF staff commended the government on its overall progress in implementing the strategies and rated the progress in implementing the strategies as satisfactory. • To consolidate these positive gains, an Agenda for Change, which is Sierra Leone's third PRSP, focused on transformational economic growth was developed and is to be implemented over the period 2008-2012. The Agenda for Change focuses on four key strategic priority areas: i) energy; ii) infrastructure; iii) agriculture; and iv) human development, including cross-cutting themes such as good governance, macroeconomic stability, private sector development and natural resource management.
Progress in stabilizing the macroeconomic environment	<ul style="list-style-type: none"> • Although macroeconomic stability has been achieved, Sierra Leone remains a post-conflict country whose growth prospects hinge on rebuilding infrastructure and developing accessible financial sector. • The rebuilding efforts that followed the end of civil conflict in 2001 are far from complete and despite relatively high economic growth in recent years, per capita income remains low.
Progress in implementing structural reforms and creating enabling environment for private sector activities.	<ul style="list-style-type: none"> • The Government is in the process of successfully implementing several structural reforms in governance, decentralization, and public financial management. Substantial achievements made in the area of decentralization and capacity building and improving public finance management provide a foundation for improving service delivery. The devolution of key public services to local councils was generally effective in bringing services closer to the population. However, despite this progress, administrative capacity within the local authorities is still weak. • The public finance management framework and systems have been strengthened as part of a general effort to improve transparency and accountability. Progress has also been made in strengthening the Accountant General's Department. The public procurement system has also been strengthened through passing new procurement regulations and establishment of

	<p>the National Procurement Authority. These reforms are expected to reduce waste and fraud and will help inform the budget process.</p> <ul style="list-style-type: none"> • A Public Expenditure and Financial Accountability Progress report was completed in 2007, on which the country scored similarly to the average of other countries in the region despite its low starting point at the end of the civil war.
Progress in addressing external debt burden through HIPC	<ul style="list-style-type: none"> • Sierra Leone reached the completion point of the enhanced HIPC Initiative and qualified for debt relief under the MDRI on December 15, 2006, thus receiving debt relief from IMF, IDA, AfDB, EIB, IFAD, BADEA, IDB, and OPEC Fund. In January 2007, Paris Club creditors agreed to cancel outstanding claims. • Debt relief from the international community helped decrease Sierra Leone's public sector nominal external debt from about 142% of GDP at end-2005 to about 32% of GDP at end-2007. • At end 2009, Sierra Leone's nominal public and publicly guaranteed external debt, including arrears, was estimated at US\$692.6 million. About 57% of this debt is multilateral, 8% bilateral and 35% commercial. The largest multilateral creditors are the World Bank, the Bank, the Islamic Development Bank and the IMF. • Overall, Sierra Leone's risk of debt distress remains moderate (see Joint IMF/World Bank, Sierra Leone: Debt Sustainability Analysis, 2010)
Progress in achieving the MDGs	<ul style="list-style-type: none"> • Sierra Leone has made limited progress in attaining some MDGs, notably primary education, combating HIV/AIDs and in some aspects of gender equality. However, Sierra Leone continues to fall short in achieving goals in key areas of health, water supply and sanitation, while maternal and child health indicators rank close to the bottom in the World. As to be expected in a country emerging from conflict, the accuracy and reliability of statistics have presented a material challenge in terms of determining progress, and support for capacity building in data collection and analysis will be an important tool.
Challenges and opportunities over the ADF 12 cycle	<ul style="list-style-type: none"> • Despite progress in economic growth, Sierra Leone's economic recovery remains fragile. The country is falling significantly short of all the MDGs. The country is also vulnerable to external shocks.

Phase-out Practice of Other Multilateral Development Banks (MDBs)

1. **The World Bank:** The World Bank established the post-conflict window in the IDA 13 period, with the objective of providing exceptional allocations to augment the PBA of eligible countries over a period of 5 years, including 2 years of phased-out to a normal PBA. During the IDA 13 Mid-term Review, the length of exceptional allocation was increased to 7 years, including 3 years of phased-out to normal PBA allocations. For IDA 15, the duration of the exceptional allocation for the post-conflict countries was further lengthened to 10 years by doubling the phasing-out period from 3-6 years. The extension allowed countries that would otherwise have graduate to remain eligible for exceptional allocations. Reengaging countries in turn received exceptional allocations for up to 5 years, of which the first 2 are for special allocation and the remaining 3 for proportional phase-out to their regular PBA level.

2. At the second IDA16 replenishment meeting, IDA Deputies considered two options for extending the phase out period for post conflict and re-engaging countries: a uniform extension for all countries, or a case-by-case approach where extension is granted to countries against a specified set of criteria. While Deputies broadly endorsed the case-by-case approach, they requested that Management further refine the criteria for a case-by-case phase-out.

In the IDA 16 period, (corresponds to ADF 12), the World Bank applied the following criteria, on a case-by-case basis, to assess countries that are eligible for phase-out: i) limited economic status and financing options as measured by GNI per capita (that is less than the IDA operational cutoff) or lack of access to IBRD financing; (ii) the presence of clear factors slowing down the transition, most notably a resurgence or continuation of conflict in parts of the country; and (iii) IDA Portfolio Performance rating, averaged over the last three years, where the threshold for extension is a rating of 3.0 or above. The decision rule would be NOT to extend a country's phase out period if the first condition is not met; and to extend the country's phase out period if it meets the first condition plus at least one of the other two conditions.

3. **Asian Development Bank (ADB):** The ADB currently does not have any specific phase-out framework for countries graduating from our fragile and conflict-affected situations (FCAS), but closely follow IDA for conflict-affected countries (e.g., Afghanistan). The ADB is in the process of drafting a Handbook on working differently in FCAS, in which the phasing-out issue shall be elaborated.