



THE PARLIAMENTARY NETWORK

On The World Bank & International Monetary Fund



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Features

- Page 1: Message from **Alain Destexhe**
Page 2: Let the Private Sector be a Catalyst for Sustainable Development
By **Lars Thunell**
Page 3: Increased IDA 16 contributions by the UK
By **Hugh Bayley**
Page 6: Building Bridges: Why and how key linkages between economics, democracy and governance affect economic growth
By **John D. Sullivan**
Page 8: Disillusioning Durban: how civil society fills the gaps
By **Andrew Steer**
Page 10: Presenting the first African Parliamentary Index Report
By **The Parliamentary Centre**
Page 10: Stronger Role for Parliamentarians in Addressing Citizen Security in Central America and the Dominican Republic
By **The Parliamentary Centre**
Page 12: Consultations on Governance and Anticorruption (GAC)
By **the World Bank**
Page 13: Consultations on the Global Partnership for Enhanced Social Accountability (GEPISA)
By **the World Bank**
Page 13: IMF Marks Down Global Growth Forecast, Sees Risk on Rise
By **IMF Survey Online**

Message . . .

According to a recent announcement by IMF Managing Director Christine Lagarde concerning the world economic outlook, there is one finding that remains unchallenged and that is the “vast interconnectedness between all economies”. This means that no economy in the world, whether low-income countries, emerging markets, middle-income countries or super-advanced economies will be immune to the crisis, which continues to affect all regions. Global economic leaders must now address this concern and MPs are decisive key actors in this common goal, which is to improve global economic development.

The Parliamentary Network is organizing a conference on ‘**Private Sector Development in Africa – Cornerstone for Sustainable Growth**’ to take place from 14 to 16 March 2012 in Kigali, Rwanda. The objective is to bring together 150 to 200 parliamentarians, donors, and representatives of the private sector and civil society, to take stock of the private sector environment in Africa and examine steps African nations, and parliamentarians in particular, can take to promote sustainable private sector development that facilitates inclusive growth.

The goal to improve global economic development requires endeavor and active participation. In these efforts, it is crucial to maintain the important link between parliamentarians and international financial institutions. Only your continued commitment can uphold, generate and advance **accountability and transparency in International Financial Institutions and multilateral development financing.**

Please take every opportunity to actively participate in the Parliamentary Network’s activities. Feedback, participation in conferences and field visits: every input is welcome!

Alain Destexhe, MP
Chair, Parliamentary Network on the World Bank & IMF

Please visit our website:
www.pnowb.org



Let the Private Sector be a Catalyst for Sustainable Development

By Lars Thunell

Executive Vice President and CEO, International Finance Corporation

It may come as news to some, but multilateral and bilateral development banks have increased their financing of the private sector fourfold over the last decade, boosting their annual combined investment from \$10 billion to over \$40 billion. This has been welcomed by most of the development community, although the debate on the balance between traditional development assistance to the public sector and donor support of the private sector continues.

At IFC, the largest multilateral development bank, we have been at the centre of this discussion, promoting the important role of the private sector in sustainable development. Recently we coordinated with 30 other multilateral and bilateral development finance institutions on a study—International Finance Institutions and Development through the Private Sector—which highlights the “virtuous circle” of public and private sector cooperation for development. As experts gathered in Busan, Korea for the Fourth High Level Forum on Aid Effectiveness from November 29 – December 1, the private sector had a seat at the table for the first time. This could be a turning-point, where we move from aid effectiveness to development effectiveness, while recognizing the mutually supportive roles of the private and public sectors.

There is no question that governments continue to be essential for development. They provide critical services for their populations, such as health care, education, infrastructure, and social safety nets. They also create the enabling environment for the private sector by ensuring property rights and contract enforcement, security, and macro-economic stability, as well as the proper regulatory framework. Governments’ role is to provide leadership for economic development and to ensure that it is shared by

all segments of society. Grants, multilateral and bilateral finance, and technical assistance can help those countries that do not have adequate resources or expertise in this critical task. But governments can’t do the job alone—they are only part of the recipe for development and poverty reduction.

The private sector is and must be a source of growth and opportunity that will allow people to improve their lives. While the public sector can create a sound basis for development and a good environment for investment, the private sector will generate the vast majority of jobs, help improve public services, and ultimately provide most of the tax revenues that the public sector needs.

So where do development institutions come in? As the IFI report points out, they play a critical role in supporting the private sector. Firms in developing countries need financing to expand their operations, as well as better infrastructure, improved business regulations, and skilled employees. Without these, they are not able to grow, especially in the more difficult environments where poor people live and work. Development institutions have experience working in these environments and are willing to provide capital where private markets may be risk averse. They provide advice to improve markets and make projects bankable and sustainable, attracting other investors by providing comfort and risk assurance. Moreover, they can help make private sector development more inclusive, and promote the high environmental, social, and corporate governance standards that allow projects to be sustainable.

To name just a few examples highlighted in the report—development institution funding has extended mobile phones to rural areas of Papua New Guinea, with all the benefits that improved communications can provide. In

Senegal, public-private partnerships are putting in place the essential infrastructure for improved housing for slum dwellers. And at a crucial time in Egypt, equity investments have created jobs, while in Brazil microloans and training have improved the lives of street vendors.

Of course, at a time of scarce resources, some ask: Can donor governments afford to support the private sector as well as the public sector? The answer is yes, since in large part development institutions are self funded, using repayments from their investments to support new projects. In fact, as a result of their success, they have had limited capital needs. While substantially increasing their investments, most have not had significant capital contributions for decades. By contrast, aid to governments usually needs to be

growth, and in India they are providing funded every year. Furthermore, since the enterprises supported by development institutions provide substantial tax revenues to their host countries, the need for development assistance to the public sector is reduced.

In summary, supporting the private sector with judicious investment is a win-win proposition for donor governments and developing countries. A small amount of initial capital, with some well targeted advisory services, can marshal the talents and finance of private sector investors to create economic activity that ultimately is self-financing. This should not be surprising--it is one of the historic paths to development.



Increased IDA 16 contributions by the UK

By Hugh Bayley,

MP for York Central, UK

Board Member, Parliamentary Network on the World Bank and IMF

On 8 November 2011, a committee of British MPs approved four orders authorising funding for the World Bank by the UK's Department for International Development (DFID). All expenditure by the UK Government has to be approved by Parliament and DFID brought these orders before the House of Commons in what is known as a Delegated Legislation Committee. The Secretary of State for International Development, Andrew Mitchell came to Parliament to propose the funding, and I was one of the MPs who sat on the Committee which scrutinised the British Government's proposals.

During this debate, the Committee approved the UK's replenishment to IDA 16, the sixteenth round of funding for the World

Bank's International Development Association. IDA is focused exclusively on the world's poorest countries, and the Committee approved a grant of £2.7 billion. This will be of particular interest to members of the Parliamentary Network on the World Bank and IMF, as the Network led a campaign for increased IDA 16 contributions, which are vital if the Millennium Development Goals are to be met by 2015.

The Committee also approved the recapitalisation of the International Bank for Reconstruction and Development (IBRD) to fund loans to middle-income countries. There has been a large increase in demand for World Bank loans from middle-income countries over the last few years, as a result of the global

financial crisis. The Committee agreed the UK Government's pledge of £1.5 billion to buy additional shares in the IBRD.

In his speech, the Secretary of State predicted that Britain's support to IDA 16 over the next three years will immunise more than 10 million children; improve access to water for nearly 4 million people; recruit and train 110,000 teachers; and build almost 4,000km of road. Over the last ten years; IBRD assistance has resulted in more than 20 million people gaining access to water; 10 million people gaining access to sanitation; and more than 100 million gaining access to social protection assistance. Mr Mitchell argued that the combined funding, together with increasing the UK's contribution to multilateral debt relief by £1.3 billion, would accelerate progress towards the Millennium Development Goals, which of course, are objectives that the international community as a whole wants to see achieved.

The Secretary of State argued that the World Bank is one of the most effective multilateral institutions that DFID supports. However, he stressed the need to ensure that every penny of British development assistance is well spent. The UK Government will therefore ensure that the World Bank delivers results in terms of improved development outcomes. Mr Mitchell promised that Britain will continue to press for change at the World Bank.

My Labour Party Colleague and Shadow Secretary of State for International Development, Ivan Lewis, stressed the Labour Party's continuing support of IDA and the IBRD and emphasised the UK Government's role as a "critical friend" to the multilateral organisations that it supports, such as the World Bank. He pressed Andrew Mitchell to tell the Committee what steps the Government is taking to ensure that British aid is being spent in the most efficient and effective ways. He also asked what steps the Government is taking to press UK-funded multilateral institutions to phase out tying aid to economic conditions. In his response, the Secretary of State stressed that the UK

Government is "completely committed to the untying of aid". He also said that the Government had made its spending decisions based on evidence and that the UK Government is "a leading voice in many changes that the bank is now committed to making".

I contributed to the debate, using it as an opportunity to emphasise the World Bank's strengths but also to press the Secretary of State to put pressure on the World Bank to disburse funds more quickly. The World Bank has been criticised over many years for sometimes moving extremely slowly in its procurement process and in committing and disbursing funds, particularly through the IBRD. I asked the Secretary of State what he is doing to improve its performance. I also asked him how he would report back to Parliament about the results that British taxpayers get for the large sums of money invested. I suggested that he should produce a written report at least once a year after the World Bank's annual meeting, to ensure an accountability mechanism to Parliament. This will provide a much clearer picture of how the UK Government is holding the World Bank to account.

I strongly support the orders that were brought before the Committee and the UK Government's strong commitment to the role of the World Bank, for which this is a particularly important period. We are now in the last three-year window of IDA replenishment before 2015. If world leaders want to achieve the Millennium Development Goals in as many countries as possible, this is their last chance to do so. I am pleased that the UK Government has provided leadership by showing an increased commitment to the World Bank's IDA window, for the lowest-income countries, and its IBRD window, for more developed, but still developing countries.

The World Bank has its flaws but it is an essential multilateral aid agency. The Parliamentary Network on the World Bank and IMF aims to chase international financial institutions on their progress on openness and

transparency. Both the World Bank and the IMF have made considerable improvements in these areas in recent years; for example, by making more data publically available. This is essential for country-by-country comparison and has resulted in better development practice. I believe that our Network deserves some credit for this. The UK Government should press the World Bank to be ever more effective and efficient and I made this clear during the debate. Parliamentarians in all donor countries should seek to ensure that their Governments press the World Bank to spend their money in a way that delivers maximum development impact.

In response to my questions, Andrew Mitchell highlighted the UK Government’s Multilateral Aid Review, which was published in March 2011. He said that in the next review in 2013, the Government will consider the issue of slowness in disbursement by the World Bank. He talked about the need for the World Bank to deliver clear results and the performance-for-results initiative, which will allow the UK Government to hold the World Bank to account for what is happening on the ground in poor countries, and will also allow British taxpayers to hold their Government to account for the way in which their funding is being spent.

I pressed Mr Mitchell on how the UK Government will use results to measure the World Bank’s performance. He said that the UK Government has insisted that IDA should set and meet targets for seven key outputs: teacher-training, the immunisation of children, women attended at birth, the coverage of health, the building of roads and

the provision of water and sanitation. It must track 20 output indicators including adolescent fertility and malnutrition. He said that he would consider the way in which the Government reports back after World Bank meetings. These indicators will help track progress on how well World Bank resources are used to maximize poverty reduction. It will also make it easier to see how successfully World Bank support is accelerating development towards the 2015 Millennium Development Goals deadline.

I am pleased that the House of Commons passed these orders. The UK provides significant funding for overseas development. It is right that Parliament should examine the Government’s policies and proposals for the disbursement of such a large commitment of public money. This Committee provides an important example of how the Parliaments of donor countries can hold their executives to account and scrutinise their Government’s decisions on World Bank funding, to ensure that aid is used effectively and value for money is achieved from development funding.

The promotion of parliamentary oversight of development funding is one of the key objectives of the Parliamentary Network on the World Bank and IMF and this debate shows that Parliaments and Parliamentarians can make a difference. In countries that receive aid, Parliaments should scrutinise the way in which their Governments spend this money. As members of the Parliamentary Network on the World Bank and IMF, we can all make a difference in our own Parliaments, in order to promote better development outcomes around the world.

| Top 10 IDA16 Commitments | |
|---|--|
| 1. United States (2,712.79 SDR Million) | 2. United Kingdom (2,696.08 SDR Million) |
| 3. Japan (2,442.02 SDR Million) | 4. Germany (1,448.04 SDR Million) |
| 5. France (1,128.42 SDR Million) | 6. Canada (908.90 SDR Million) |
| 7. Spain (689.34 SDR Million) | 8. Netherlands (671.43 SDR Million) |
| 9. Sweden (663.56 SDR Million) | 10. Italy (529.02 SDR Million) |

SDR: Special Drawing Rights
 Source: [http://siteresources.worldbank.org/IDA/Resources/Seminar%20PDFs/73449-1271341193277/IDA16 Table 1.pdf](http://siteresources.worldbank.org/IDA/Resources/Seminar%20PDFs/73449-1271341193277/IDA16%20Table%201.pdf)



Building Bridges: Why and how key linkages between economics, democracy and governance affect economic growth

By John D. Sullivan,
Executive Director
Center for International Private Enterprise (CIPE)

A version of this article originally appeared in the September 2011 issue of Monday Developments Magazine, at www.mondaydevelopments.org.

The debate on the best strategies to generate economic growth remains as relevant as ever, especially when it comes to the nature of political systems worldwide. What we have learned over the years is that to sustain inclusive economic growth over extended periods of time, it is essential that countries look more closely at the importance of democratizing reform and governance processes. In other words, democracy plays a key role in a country's socio-economic development and economic reform is inseparable from the surrounding political climate.

There have been numerous studies, debates and conferences on the relationship between democracy and economic growth. Hard data is inconclusive, showing that both democracies and authoritarian regimes can generate economic growth. One must look beyond macro-level numbers to understand the relationship between socio-economic development and political reform. For example, while different political regimes can generate economic growth, the nature of that growth is quite different. There seems to be a growing consensus that for economic growth to be sustainable over long periods of time, it has to be:

- (1) inclusive;
- (2) based on the rule of law;
- (3) relatively free of corruption, especially systemic corruption; and
- (4) grounded in prudent macroeconomic policy.

1. Inclusivity. Regarding inclusivity, it is important to keep in mind that GDP growth

figures or related numbers do not tell the full story of development. Economist Hernando de Soto began exploring the informal sector in his native Peru in the early 1980s. He demonstrated that as much as 35 to 40 percent of the economic activity in the country was trapped in an underground informal sector, blocked from entering the mainstream market by a wall of red tape. Although the issue of informality has gained prominence, successful efforts to include informal entrepreneurs in the mainstream economy are still few and far between. Some research suggests that the size of the informal sector has grown significantly over the past several decades to as much as 50 to 60 percent in some key emerging economies. For growth to be inclusive, it needs to reach disenfranchised groups that remain locked out due to cumbersome bureaucratic procedures and absence of market institutions such as property rights and the rule of law.

2. The rule of law. The rule of law needed for sustainable economic growth includes property rights, contract enforcement and a host of other factors that depend on a healthy, functioning and independent judiciary and a sound legal system. Nobel laureate Douglass North demonstrated this some years ago in his work on new institutional economics. He famously noted that the whole history of economic growth can be summed up in one concept: moving from systems of personal exchange (where you can only do business with people you know and trust because the system relies on self-enforcement) to systems of impersonal transactions where you can do business at a distance with strangers. In other words, think of the difference between markets where people trade goods for cash in person and complex trading systems such as eBay or Amazon.

3. Corruption. Sustained economic growth requires an environment relatively free of corruption, especially systemic corruption. Throughout the world, most agree that corruption hurts development in all sectors of the economy. One popular perception is that business is not interested in fighting corruption. But we have seen that this is not the case. Talk to any representative segment of the business community in emerging economies and you will find a growing awareness of the effects of corruption and the barrier it is to business development. But how can corruption be dealt with successfully? One approach is to work with chambers of commerce, business associations, think tanks and others to create collective action frameworks. These are membership associations and other organizations where people can collectively pursue economic reforms to reduce corruption through actions such as reducing the amount of red tape. Also, it provides opportunities for citizens and the private sector to join together in self-defense to fight against extortion tactics such as the frequent inspections that plague firms (especially small- and medium-sized ones) in developing countries.

4. Prudent macroeconomic policy. Prudent macroeconomic policy is absolutely key. Steven Radelet, now with USAID and formerly with the Center for Global Development, has just authored the study *Emerging Africa: How 17 Countries are Leading the Way*. His key point is that these countries began to achieve sustained economic growth through a whole host of governance reforms, many of which led to greater democratization. This led to the phenomenon that we are now seeing in Africa: countries sustaining economic growth and beginning to attract foreign investment on a large scale. Importantly, this investment is in areas other than natural resources, such as manufacturing and export processing. This is the direct result of governance reforms and democratization in many of the countries.

It is important to appreciate that it is not only “mature democracies” that reap the economic benefits of democratic political reform; it is the process of democratization that is the key because it is based on the active participation of entrepreneurs, civil society, labour and others.

But what really is democracy? Democratic governance is more than free and fair elections. Selecting leaders is only one component. How decisions are made is equally important and gets at the governance component of democratic governance. For example, in too many cases, laws and regulations are not openly debated. Rather, they are drafted behind closed doors in executive offices to be rubber stamped by the legislature without sufficient stakeholder consultation.

The institutions of accountability are also important. Transparent and responsible government institutions improve decision-making. For example, the U.S. Government Accountability Office can hold people accountable by investigating and studying how decisions are made on a day-to-day basis. Accountability also helps guard against or root out embedded corruption.

The national business agenda also fosters citizen input. Developed at CIPE using a multi-year format created by the U.S. Chamber of Commerce, this process brings together business people around the country in focus groups to identify the barriers to growth at the firm level and address institutional weaknesses, regulatory issues and other governance problems. It focuses on forming very specific policy recommendations and then working with business associations to advocate for reform in an open and transparent manner.

In short, to be sustained, economic growth has to be inclusive, based on the rule of law, relatively free of corruption and based on prudent macroeconomic policy. For democracy to be sustained it has to deliver tangible benefits and economic growth and opportunity to all members of society. This is where democracies and economic growth come together. They are based on the same institutional framework: the framework of transparency, inclusiveness and accountability.

The Center for International Private Enterprise (CIPE) strengthens democracy around the globe through private enterprise and market-oriented reform. CIPE's key program areas include anti-corruption, advocacy, business associations, corporate and democratic governance, access to information, the informal sector and property rights, and women and youth.



Disillusioning Durban: how civil society fills the gaps

By Andrew Steer

World Bank Special Envoy for Climate Change

At 4.30 on Sunday morning the 11th of December, after 36 hours of overtime (a record), the 194 country members of the UNFCCC pulled a rabbit from the hat. Special flights had been put on by South African Airways as a way to encourage delegates not to leave.

Putting the Puzzle Together: Three big pieces needed to fall into place in order to clinch the 'Durban Platform'. First, a new commitment period of the Kyoto Protocol, without which developing countries would have walked. Second, a road map towards a truly global deal to be effective by 2020 at the latest, without which the EU wouldn't sign on to a new Kyoto. Third, the launch of the Green Climate Fund, without which developing countries wouldn't sign on to such a global road map. Putting the pieces together required compromise and was accompanied with brinksmanship, emotion, and millions of words spoken, usually repeating what had already been said. The outcome, however, is highly positive for the long term prospects for a deal, and delivered all that could reasonably be hoped for. In a nutshell, delegates left Durban having agreed on:

- A new commitment period under Kyoto for the EU and 11 other countries beginning January 1, 2013.
- An agreement to negotiate a global deal by 2015, which would be effective from 2020 with "legal force" applying to all countries.
- A Green Fund launched, with regional groupings to nominate board members in the coming three months. Board selection will be very important since most operational details yet to be designed.

The Meat and Potatoes: In addition, it was decided that:

- A technology mechanism will be launched in 2012 – to assist developing countries build capacity and gain access to climate friendly technologies;

- The Adaptation Framework will become operational in 2012, providing guidance and advice on national adaptation plans etc.
- Agriculture will be addressed under the Convention through work under the Scientific and Technical body (SBSTA), which is potentially very good news for the world's small farmers;
- A Registry of developing country mitigation plans (NAMAs) will be set up in the coming year;
- Carbon markets to be continued (boosted by the KP decision), CDM simplified, and a new market mechanism taken forward.
- Improved rules for REDD+, facilitating financing, safeguards, and reference levels.

Was it Enough? With all these positive results, why then was the Durban Platform not marked by the same euphoria as was the Cancun decision last year? And why did many developing countries leave Durban with a feeling of disappointment? Partly exhaustion. But mainly because every delegate knew that these decisions will have relatively little impact during the current make-or-break decade, and there was a feeling that we may be leaving things too late. Fortunately, the real world of action forced itself into the Durban discussions, providing some hope in the years until global regulations come into force in 2020. Well over half of the 20,000 participants at the meeting weren't negotiators at all, but were busy sharing best practices, doing deals, presenting new technologies and findings, and urging negotiators to "get on with it". They included hundreds of technology firms, financiers, NGOs, academics, development professionals and governments. The message from this group was: There's a world of action out there that's growing and vibrant. It will continue, but to reach the required scale, governments and negotiators must provide a regulatory environment that is transparent, predictable, and consistent.

World Bank Group Priorities: This was also the core message of the World Bank Group team in Durban, as we sought to move forward the agendas of the 130 countries that have requested the WBG to provide priority support to their climate change activities. Here are a few of our campaigns that are gaining good traction:

Power to Africa: Last year more than \$250 billion was invested in renewable energy worldwide, more than half of which was in developing countries—marking a five-fold increase in just 6 years. This now needs to triple again if we are to succeed. But 65% of Africa’s households still don’t have electricity. The threat of climate change needs to **accelerate** rather than slow their access, and they should have access to climate finance towards this end. Durban saw the launch of massive plans for renewable power in both the north of the continent (Morocco’s Oazzazate project) and the south (South Africa’s renewable energy strategy). Both are being supported by the Climate Investment Funds Clean Technology Fund. In between countries such as Kenya and Mali were explaining their ambitious plans for renewable energy.

Small Farmers as Players, not Just Victims:

Farmers are among the most affected by climate change, but can also play a crucial part in addressing it. Carbon, which is harmful to us in the upper atmosphere, is highly beneficial when embedded in soil or vegetation, helping to provide higher and more resilient yields. African agriculture in particular could benefit greatly from triple win investments— that raise yields and food security, increase crop resilience and sequester carbon. Together with The African Union and South Africa we brought together advocates of this revolution in agriculture: Kofi Annan, South African President Zuma and Prime Minister Meles, Sri Mulyani Indrawati, Jean Ping, Eric Solheim, Mary Robinson, Sheila Susulo and others to launch a new platform for climate smart agriculture in Africa.

Joining Up Carbon Markets: While carbon markets have been in the doldrums over the past year or so due to low demand and confidence, they will return much larger when the world gets serious about mitigation. The

reason is simple: they make solving the problem cheaper. (They also transfer money and technology to developing countries.) In the meantime all around the world countries are introducing their own market based instruments, which in turn could form the basis of a an eventual networked global system. Twenty five countries are now part of the Partnership for Market Readiness, an \$80 million program with the purpose of building capacity and sharing experiences. Durban provided an excellent forum for countries such as China, India, Brazil, South Africa, the EU and Australia to explain what they’re learning as they introduce market based approaches and to get others to join.

Small Island States: A priority not just on

Adaptation. Everybody knows that SIDS need help on adaptation, and there are some terrific programs being implemented (albeit nowhere near at the scale required). But they also want to be part of the solution by gaining access to renewable energy—which in turn will help them on adaptation. Some SIDS spend as much as 10-20% of their GDP on imported energy, and many pay 20-50 cents per kWh. At Durban we took stock of this progress and welcomed a new donor (Japan) to a WB/UNDP program with AOSIS that seeks to mobilize finance for renewable energy, thus freeing up resources for investment in adaptation and other priorities.

Open Data for Decision Making.

The world is swimming in data on climate change, but it is generally not very accessible, of variable accuracy, and often not very user friendly to policymakers. A year ago Bob Zoellick, President of the World Bank, announced that our vast repository of development data would be fully accessible at no cost to all, including all raw data. In the months leading to Durban we have invested heavily in bringing the same approach to climate related data. We launched this new portal in Durban (together with an “App Contest” to help bring user friendly applications to decision-makers desks), and will be working intensively with our client countries and partners to use this portal, including its projection apacity to help design programs for climate resilient and low carbon policies.



Presenting the first African Parliamentary Index Report By the Parliamentary Centre

The Parliamentary Centre's Africa Program, under the auspices of its CIDA-funded Africa Parliamentary Strengthening Program (APSP) for Budget Oversight, has developed **the African Parliamentary Index (API)**. This index measures the level of engagement of selected African Parliaments with the budget process in their respective countries.

The first report of the API was officially launched on June 7, 2011 in Nairobi, Kenya, witnessed by Members of Parliaments from partner Parliaments of the APSP - Benin, Ghana, Kenya, Senegal, Uganda, Tanzania and Zambia; Members of the Diplomatic Corps, the donor community, civil society organizations, other partners in development and the media.

The API is a self-assessment tool developed in line with identified best practices that covers the three core functions of representation, law making and oversight of public expenditure and finance according to the following categories:

- Representative Function
- Legislative Function
- Financial Function
- Oversight Function
- Institutional Capacity of Parliament
- Institutional Transparency and Integrity

Assessments were carried out in the seven APSP partner countries, where MPs and Staff were given the opportunity to assess themselves to increase country ownership. This was then validated by the leadership in each Parliament to increase country ownership and another with key CSOs working closely with the parliaments in order to enhance objectivity. The exercise provided a portrait of perceived strengths and weaknesses of all the assessed Parliaments in relation to budget oversight as well as other core functional areas that directly affect Parliaments' financial and oversight roles. The assessment process received positive feedback from all the parliaments where it has been implemented. In most cases, members were of the opinion that

the process gave them an opportunity to reflect on the work they do in the budget process than ever before. It made them more aware of the responsibilities they have and will hopefully start an agenda for change within these parliaments.

The results from the API as well as the work of the Parliamentary Centre overtime have illustrated that:

- Each Parliament is unique
- Each Parliament has a mixture of strengths and weaknesses; and
- Each Parliament has something to offer and something to learn.

The Parliamentary Centre recognises that the Parliaments in this first study are at different levels of development. As the assessments were internal to each Parliament, the Centre would like to stress the fact that we engaged in this exercise not to name and shame, but to unearth gaps that will be useful for us in engaging partner Parliaments in our continuing relationship. For the full report and more information about the Parliamentary Centre, please visit www.parlcent.org.

Stronger Role for Parliamentarians in Addressing Citizen Security in Central America and the Dominican Republic

Central American states face many challenges, but none are more serious than citizen security. This issue is so vast that it threatens to derail the democratic process as well as any development in the region. Countries like El Salvador, Guatemala and Honduras have some of the highest rates of violence in the world among countries that are not at war. In fact, people in these countries see more violence than those in war torn countries, such as Afghanistan or Iraq.

The crucial role parliaments play to ensure a democratic development in each country deserves more attention from the international community, especially with respect to cooperation and technical assistance. It is crucial to involve and support Central American legislators in dealing with the most excruciating problem of all affecting the region – citizen security. Recognizing the importance of this issue, the Parliamentary Centre, a Canadian non-partisan, non-government organization, carried out a study in January 2011 to identify parliamentarians and key participants who play a role in addressing the security situation in the region. As a result, on May 14, 2011, the Parliamentary Centre jointly with FUNPADEM, Rights and Democracy, Organization of American States (OAS), the Department of Foreign Affairs and International Trade (DFAIT) and the Geneva Centre for Democratic Control of the Armed Forces (DCAF) facilitated a round table discussion on the **“Strengthening the Role of Legislators in Citizen Security Issues in Central America”**. At this round table, 12 legislators from Central America, the Dominican Republic and Canada assisted by prominent civil society representatives and experts, debated the role legislators can play in the struggle against all types of violence affecting citizens. The end result was the signing of the **San Jose Accord**, giving birth to the **Central American and Dominican Republic Parliamentarian Network for Citizen Security**, referred to shortly as the “Network”.

In November 2011, the Speakers of the parliaments of the region, grouped under the *Forum of Presidents of Legislatives Powers of*

Central America and the Caribbean Basin (FOPREL for its acronym in Spanish) demonstrated their intention to play a stronger regionally coordinated role in dealing with citizens security issues. At a meeting in Guatemala, FOPREL created formally its **Inter-parliamentary Commission on Citizen Security and the Administration of Justice (CCSAJ)** that includes parliamentarians from all countries in Central America plus the Dominican Republic. The Speakers saw fit that the Network so far supported by the Parliamentary Centre be incorporated into the structure of FOPREL and CCSAJ.

The newly created CCSAJ is planning to hold its first working session from February 16-18, 2012 in San Salvador. The goals of the session, which is expected to be attended by some 20 parliamentarians representing all countries in the region, would be to come up with a tangible work plan for the activities of the commission in the coming years. This work plan will allow the international community to get a clear sense of the type of support that parliamentarians from the region need to receive in their quest to play a strong role in improving citizen security. The Parliamentary Centre and the Costa Rica based Fundacion Para La Paz y Democracia (FUNPADEM) are assisting in the preparation of the working session with the support and involvement of the United Nations Development Program.

For more on the Parliamentary Centre’s work in Central America on citizen security and other topics, please visit www.parlcent.org.

The Parliamentary Centre is a Canadian not-for-profit, non-partisan organization that supports parliaments around the world. Our assessment, strategic planning and training programs, combined with research products and networking channels, help legislatures measure their performance, build capacity, tackle key issues and promote mutual learning. In short – we help legislatures better serve their people.





Consultations on Governance and Anticorruption (GAC)

By the World Bank

In 2007 the World Bank adopted a strategy entitled "Strengthening World Bank Group Engagement on Governance and Anticorruption (GAC)". Since then, **fundamental changes have swept around the world. The contours of a new social contract are emerging: citizens are seeking a relationship with their government based on transparency, accountability and participation.** From revolutionary change in the Arab world, to powerful anti-corruption movements in India and Brazil, to the Occupy' movement in some western countries, an upsurge of citizens movements signals frustration with the seeming inability of government to handle increasingly complex global problems of poverty, joblessness, fiscal crises, and environmental unsustainability. A new generation of tech-savvy citizens is at the center of several of these movements - empowered by transformations in new communications technologies that enable unprecedented opportunities to access and share information, and forge global networks. And much of their advocacy has focused on the expansion of the space for voice and participation, strong checks and balances, and transparency as essential elements of this redefined social contract. **In many countries the State is responding to, and in some cases leading, the move to greater openness, transparency and citizen engagement.** While some states are struggling to catch up with the legitimate aspirations of their citizens, others are leading the transformation process. Nations ranging from Brazil to South Africa have put open, transparent, and accountable governments at the forefront of their national agendas, promoting measures to improve transparency - opening up budgets, passing Right to Information laws, and publishing commercial contracts, service obligations, and

assets of officials. In September 2011, 43 countries signed up to the Open Government Partnership, a multilateral initiative launched by several Heads of State at the United Nations. These are small steps in the direction of instituting a new model of governance and tackling corruption. **The World Bank is responding to this agenda by improving its credibility as a partner on issues of governance and anti-corruption through enhancements to its own practices, corporate governance structure and its focus on anti-corruption.** The Bank's aim is to make itself a truly credible and trusted partner in this most difficult area of development. It seeks to do this not only through its ongoing internal reform program but also through its business model. The Bank's 'Access to Information' policy makes it a leader among multilateral institutions on disclosure (the November 2011 'Publish What You Fund' Index scored the Bank first among 58 multilateral and bilateral aid agencies on transparency). The Open Data initiative provides unprecedented access to Bank data. The 2010 Spring Meetings of the Bank increased the voting power of developing countries to over 47 %—a total shift to developing and transition countries of almost 5 percentage points over the last two years. It is on this background that the World Bank is now updating the strategy to engage with countries on governance and anti-corruption as an integral part of its work to improve development effectiveness, reduce poverty and promote growth. An online consultation (running till February 19) has been launched to solicit comments on the draft strategy paper "Strengthening Governance, Tackling Corruption: The World Bank's Updated Strategy and Implementation Plan". Please visit the consultation page and share your comments at go.worldbank.org/PJPS3FNN50.



Consultations on the Global Partnership for Enhanced Social Accountability (GEPSA)

By the World Bank

There is increasing evidence that development outcomes can be improved through the involvement of beneficiaries and other stakeholders in the design, monitoring and evaluation of public service delivery and resource management. Responding to this evidence the World Bank Group (WBG) is considering the development of a **Global Partnership for Enhanced Social Accountability**. The objective of the Partnership is to strengthen beneficiary feedback and participation, including through supporting civil society capacity to

engage with governments to improve development outcomes. The partnership would focus on supporting civil society working in the area of social accountability. The World Bank Group on January 1 launched a first phase of consultations on the Partnership. This first phase of consultations run through to February 29, and stakeholders are invited to give feedback on the proposed concepts behind the global partnership. A second round of consultations, on operational details, is planned for May and June 2012. Please visit the consultation page and share your feedback at www.worldbank.org/gpesa.



IMF Marks Down Global Growth Forecast, Sees Risk on Rise

IMF Survey online

- IMF says global recovery expected to stall, risks to intensify
- Euro area expected to fall into mild recession, rest of world to slow
- Comprehensive package needed to restore financial stability
- Countries should avoid too rapid tightening of fiscal policy

With intensifying strains in the euro area weighing on the global outlook, the International Monetary Fund (IMF) has sharply cut its forecast for world growth this year, saying prospects have dimmed and risks to financial stability have increased.

In an update to its [World Economic Outlook](#) (WEO), the IMF said that the euro area would

fall into a mild recession in 2012 after the euro area crisis entered a “perilous new phase” toward the end of last year, affecting other parts of the world including the United States, emerging markets, and developing countries. Overall, activity in the advanced economies is now projected to expand by just 1.2 percent in 2012—a downward revision of $\frac{3}{4}$ percentage points relative to the forecast last September—picking up to a still tepid 1.9 percent the next year. The global growth outlook for this year is 3.3 percent.

“Given the depth of the 2009 recession, these growth rates are too sluggish to make a major dent in very high unemployment,” the IMF said. With the revised forecast, the IMF also released updates on January 24 to its *Global Financial Stability Report* (GFSR), which tracks issues in

banking and capital markets, and its *Fiscal Monitor*, which tracks government debt and budgets.

Europe is epicenter

“The outlook for growth is mediocre, and it could be worse,” said Olivier Blanchard, the IMF’s Economic Counsellor.

At a press conference in Washington D.C., Blanchard said that “the world recovery, which was weak in the first place, is in danger of stalling. The epicenter of the danger is Europe, but the rest of the world is increasingly affected.”

He told reporters there was an even greater danger if the European crisis intensified. “In this case, the world could be plunged into another recession,” he said.

But Blanchard said that with the right set of measures, “the worst can definitely be avoided, and the recovery can be put back on track. These measures can be taken, need to be taken, and need to be taken urgently.”

In a [speech](#) in Berlin on January 23, IMF Managing Director Christine Lagarde laid out the main elements of a policy path forward. Europe, which is at the center of global concerns, needs stronger growth, larger firewalls, and deeper integration, she said, but added that other economies also have an important role to play to restore balanced global growth. As for the multilateral component, Lagarde said that the IMF was ready to help and was seeking to increase its lending resources by up to \$500 billion.

Asia still strong

The report said in 2012–13, growth in emerging and developing economies is expected to average 5¾ percent—a significant slowdown from the 6¾ percent growth registered in 2010–11, and about ½ percentage point lower than projected in the September 2011 WEO. This reflects the deterioration in the external environment, as well as the slowdown in domestic demand in key emerging economies. Despite a substantial downward revision of ¾ percentage point, developing Asia is still

projected to grow most rapidly at 7½ percent on average in 2012–13.

Economic activity in the Middle East and North Africa is expected to accelerate in 2012–13, driven mainly by the recovery in Libya and the continued strong performance of other oil exporters. Most oil-importing countries in the region face muted growth prospects due to longer than expected political transition and an adverse external environment.

The impact of the global slowdown on sub-Saharan Africa has to date been limited to a few countries, most notably South Africa, and the region’s output is expected to expand by about 5½ percent in 2012.

The adverse spillover effects are expected to be the largest for central and eastern Europe, given the region’s strong trade and financial linkages with the euro area economies.

The impact on other regions is expected to be relatively mild, as macroeconomic policy easing is expected to largely offset the effects of slowing demand from advanced economies and rising global risk aversion. For many emerging and developing economies, the strength of the forecasts also reflects relatively high commodity prices.

Europe key to restoring confidence

Blanchard said that growth in the euro area in 2012 was now forecast at -0.5%, a decrease of 1.6% relative to the IMF’s September 2011 projection. “In particular, we predict negative growth of 2.2% in Italy, 1.7% in Spain,” he said.

The IMF said the most immediate policy challenge is to restore confidence and put an end to the crisis in the euro area by supporting growth, while sustaining fiscal adjustment, containing deleveraging, and providing more liquidity and monetary accommodation.

In other major advanced economies, the key policy requirements are to address medium-term fiscal imbalances and to repair and reform financial systems, while sustaining the recovery. In emerging and developing economies, near-term policy should focus on responding to

moderating domestic growth and to slowing external demand from advanced economies.

Financial sector risks rise

In its [GFSR update](#), the IMF said global financial stability has moved deeply into the danger zone as sovereign bond spreads in the euro area have widened, and the European Central Bank has been forced to play an increasingly vital role in sustaining the euro area financial system. Despite the efforts of European policymakers to contain the euro area debt crisis and related banking problems, a comprehensive and decisive policy response is still needed, the IMF said.

“European policymakers need to promptly put in place a comprehensive package that restores confidence, and need to implement the policy measures agreed at the October and December euro zone summits,” said José Viñals, the IMF’s Financial Counsellor and head of the Monetary and Capital Markets Department.

The IMF said officials should create a large firewall designed to protect sovereigns that are solvent but facing financing strains. Although institutions intended for this purpose exist, they currently do not have the size and flexibility required to be fully credible.

Banks need to increase their capital to restore financial markets’ confidence in their ability to weather the downturn. Wherever possible, this should be done by raising capital from private sources, but public funding should be available for this purpose when needed. There should also be a pan-euro-area facility with the capacity to take direct stakes in banks.

Officials need to monitor the adjustment of bank balance sheets in the face of the crisis, and act to prevent “bad” deleveraging—asset sales that have the effect of reducing the supply of credit to the economy. Officials should aim to limit deleveraging of their banks not only in home markets but also abroad.

The IMF added that despite the resilience demonstrated in recent years by emerging markets, they face risks from deleveraging by euro area banks, particularly in emerging Europe countries.

Progress on fiscal side

Fiscal deficits in many advanced economies fell significantly during 2011, and most plan substantial adjustment this year. Continued adjustment is necessary for medium-term debt sustainability, and should ideally occur at a pace that supports adequate growth in output and employment, according to the latest [Fiscal Monitor](#).

“The pace of fiscal consolidation in advanced economies in 2012 is already high,” said Carlo Cottarelli, head of the IMF’s Fiscal Affairs Department, which produced the report. “Too rapid consolidation, if economic growth slows, could exacerbate risks.”

Most countries should allow automatic stabilizers, such as unemployment insurance payments that rise as jobs are eliminated, to work if growth slows. When economic conditions deteriorate they can cushion the impact on demand.

Countries that have the fiscal space, including some in Europe, could consider slowing the pace of consolidation this year. Some countries, notably the United States and Japan, need to clarify their plans to reduce debts and deficits in the years ahead.

Some emerging economies with low debt and deficits and declining inflationary pressure have room to make policy more supportive of economic activity. Others have little space for more than the operation of automatic stabilizers if growth slows.

Emerging economies highly dependent on commodity revenues and external capital inflows also need to consider the risk of a large and protracted decline in these flows.

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World Bank Events

Operational Policy on Guarantees: An external public consultation is open until March 2012. The World Bank started a new consultation on the reform of its operational policy on Guarantees. Guarantees are used to help member countries mobilize private financing for development purposes.

<http://go.worldbank.org/VU59S7GPY0>

Global Seminar: March 19-20, 2012, Vienna, Austria: an IFAC seminar in Vienna will examine the sovereign debt crisis, financial management and other issues.

<http://sovereigndebt.ifac.org/>

IMF Events

Policy Responses to Commodity Price Movements :

April 6-7, 2012, Istanbul, Turkey: The conference will provide a forum to discuss innovative research on policy responses to changes in commodity prices in advanced and developing economies and to facilitate the exchange of views among researchers and policymakers.

<http://www.imf.org/external/np/seminars/eng/2011/tur/index.htm>

Taxation and Economic Growth in Latin America:

March 5-6, 2012, Brasilia, Brazil: This conference aims to bring together policy makers and tax administration officials in the countries of Latin America.

<http://www.imf.org/external/np/seminars/eng/2012/taxecon/index.htm>

IMF/World Bank Spring Meetings 2012

April 20-22, 2012, thousands of government officials, members of the private sector, journalists, civil society representatives and other interested observers will gather in Washington D.C. for the Spring Meetings of the IMF and World Bank. Progress on the work of the IMF and World Bank will be discussed within the joint World Bank-IMF Development Committee and the IMF's International Monetary and Financial Committee. The event encompasses different seminars, regional briefings, press conferences, and many other events focused on the global economy, international development, and the world's financial markets.

MPs interested in participating in the Spring Meetings can contact secretariat@pnorb.org.

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