

## THE PARLIAMENTARY NETWORK

On The World Bank & International Monetary Fund



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## Network Review



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### Message . . .

The first half of 2012 has already been successful for the Parliamentary Network. The Network organized a conference on 'Private Sector Development in Africa' which took place from 14 to 16 March 2012 in Kigali, Rwanda. We reunited over 200 participants, including over 100 African Parliamentarians, for a fruitful deliberation on how to strengthen the role of African MPs in ensuring a regulatory framework for private sector development in Africa. From 18 to 20 April 2012, the Parliamentary Network participated in this year's IMF/World Bank Spring Meetings with a delegation comprised of Board members and additional Network members. The delegation met with a number of senior representatives from the World Bank and IMF, and attended a one-day parliamentary workshop. It is very likely that one of the issues raised during the Spring Meetings – Green Growth – will remain on top of many international agendas throughout this year. More than 40,000 people – including Governments, Parliamentarians, U.N. officials, business and civil society leaders – attended Rio+20. One of the goals of Rio+20 was to encourage partnerships, funding and ideas, seeking to shape up-to-date policies related to (a) a green economy in the context of sustainable development poverty eradication; and (b) the institutional framework for sustainable development. Rio+20 also looked at the legislative and oversight role of Parliamentarians as key actors in the global action to achieve sustainable development. Parliamentarians should foster, deepen, and implement these commitments in cooperation with other stakeholders.

Looking forward to the second part of 2012, the Network will participate in the Annual Meetings of the IMF and the World Bank Group in October 2012. This will be an occasion to define the Parliamentary Network's work strategy for the coming year to which all Network members can contribute: only your constant input makes us a respected and valued organization, which upholds the vital link between Parliamentarians and international financial institutions. We encourage you to send your ideas to [secretariat@pnowb.org](mailto:secretariat@pnowb.org).

The latest news and briefings  
are available on our website:  
[www.pnowb.org](http://www.pnowb.org)

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



## How a Week in Rio Leads to an Active Monday Morning

By Rachel Kyte

Vice President for the Sustainable Development Network, World Bank

We came to [Rio+20](#) determined that one outcome of the UN Conference on Sustainable Development must be a plan for what ministers of finance, development and environment and ourselves need to do differently Monday morning, June 25th – if we are to achieve sustainable development for all.

We have our plan.

We came to Rio+20 knowing that inclusive green growth is the pathway to sustainable development, and the evidence here is that this international community agrees.

The analysis behind the World Bank's report [Inclusive Green Growth: The Pathway to Sustainable Development](#) framed many of the conference debates and helped facilitate a new focus on natural capital accounting – a fundamental component of inclusive green growth.

According to the 59 countries, 86 companies, and 17 civil society organizations that supported the World Bank Group-facilitated [50:50 campaign](#) – as well as many others – natural capital accounting is an idea whose time has come.

In fact, natural capital accounting events filled the Rio Convention Center, and government and civil society groups alike highlighted the importance of moving beyond GDP.

This new energy and emphasis around this issue may be the most important outcome of Rio+ 20.

This is an extraordinary opportunity for the Bank Group to help countries take practical steps

towards improved decision making based on understanding of the true value of natural capital and to help private sector initiatives dovetail at the country level. Now that we have a UN agreed [framework](#) in place for natural capital, informed by 20 years of intellectual analysis, the pressure for practical action is palpable. It was not only standing-room only in our heads of state natural capital accounting event, but standing room only in every natural capital event at Rio.

We have many more requests from countries to support capacity building for evidence-based decision making. Our Monday morning natural capital plan is well advanced.

### The Promise of Action

Throughout the conference, people gravitated to ideas and approaches that promise action. On the periphery of the conference, the private sector and city coalitions continued to demonstrate how to lead on sustainability. Some 1,500 CEOs from major companies invested their time and ideas in coming to Rio+20 – a real demonstration of how serious sustainability is for them. It's not about managing the downside, but again and again firms talked about their future markets, future products, future employees, future investors, and all forms of competitiveness linked to sustainability as shared value.

Rio+20 was described as the Summit of the Seas, and debates about how to move forward in protecting the oceans and managing them sustainably were everywhere. The [Global Partnership for Oceans](#) attracted new energy and new members – as of today it's 105 – and created a sense of urgency around action to

restore the oceans to health and productivity and the need to build sustainable aquaculture. Our oceans partnership planning team is advancing well.

The overwhelming feeling at the conference is that we cannot wait for international agreements to do what we know needs to be done. We must act now. Build new inclusive green growth paths, [move on energy](#) and move on sustainable development. If getting 193 countries to agree to act in concert is beyond the limits of political leadership today, then countries and companies, and civil society organizations and the scientific community, and cities will act in partnerships and groupings where they see interests aligned.

For us to move at the speed and scale we need, international agreement would help, not just in Rio but importantly in the UNFCCC and the WTO. Absent that, we just have to get on with what we know will benefit the poor and the environment.

So, let's get on with it. [Sustainable development](#) is everyone's business. Our job at the World Bank Group is to show, with our clients, how change can happen.

My plan for Monday morning includes action on capacity building for natural capital accounting, action on supporting healthy oceans, action on sustainable cities, action on the efficiency of economic plans and removing bad subsidies, and action on short-lived climate pollutants. What's yours?

### **Relevant links**

#### **Rio+20: World Bank key issues**

<http://go.worldbank.org/V3UGHKWSJO>

#### **World Bank report on "Inclusive Green Growth: The Pathway to Sustainable Development"**

<http://go.worldbank.org/WYK8O2K3Q0>

#### **World Bank Group-facilitated 50:50 campaign**

<http://www.wavespartnership.org/waves/>

#### **UN agreed System of Environmental-Economic Accounts (SEEA)**

<http://unstats.un.org/unsd/envaccounting/seea.asp>

#### **The Global Partnership for Oceans**

<https://globalpartnershipforoceans.org/event-celebrate-launch-global-partnership-oceans-rio20-slideshow>

#### **World Bank: Access to Electricity and Clean Fuels, Renewable Energy and Energy Efficiency**

<http://www.worldbank.org/en/news/2012/06/21/world-bank-boost-access-electricity-clean-fuels-renewable-energy-efficiency>

#### **World Bank: Sustainable Development**

<http://go.worldbank.org/57GVYJEEN0>

#### **Rachel Kyte's World Bank Voices Blog**

<http://blogs.worldbank.org/voices/team/rachel-kyte>

#### **Rachel Kyte's article in French**

<http://blogs.worldbank.org/voices/node/1405>



## How to improve governance and transparency in the extractive sector

By Carl Dolan

Policy Officer at Transparency International EU

Extractive projects are high-risk, high reward endeavours. To give some sense of how rewarding they can be, the three biggest publicly-listed US oil companies pocketed an eye-watering \$58.3 billion in profits in 2010. Yet, exports of oil, gas and minerals from Africa were worth \$393 billion in 2008 (roughly 9 times the value of international aid to the continent). As commodity prices continue their upward trend, these are likely to remain highly profitable industries.

So much for the rewards – what about the risks? These are also enormous. They include huge upfront investments before any returns are seen; the potential for environmental degradation; and the scope for conflict with local communities who bear the brunt of the impact. But perhaps the most pervasive risk is corruption: that at some point in the process of securing a contract and getting the material out of ground, a bribe will be offered or sought, or public funds will be siphoned off into private accounts.

There is a depressing correlation between a country's natural resource wealth and the prevalence of corruption, a correlation borne out by even a cursory glance at the TI Corruption Perceptions Index (CPI). Those countries most blessed with large amounts of oil, natural gas, gold and other minerals are frequently the ones whose public sectors are thought to be most corrupt. The lure of easy money combined with a lack of accountability in public life has been the

scourge of emerging economies from Venezuela to Nigeria to Indonesia.

Corruption has both a demand-side and a sell-side. In the race to secure lucrative deals, extractive companies have all too often been complicit in the bribery game. Recent revelations about oil companies' dealings with the governments of Libya and Angola provide an insight into this murky world, but the evidence is more than anecdotal. TI's 2011 Bribe Payer's Index surveyed nearly 3000 business executives on how likely their competitors were to offer a bribe. The results showed that oil and gas were 16th out of the 19 sectors ranked, with only public works, utilities and construction in a worse position.

So perhaps the first point to make is that the stakes and rewards are such that all parties, public or private, have an incentive to engage in corrupt behavior. Meaningful transparency policies need to reflect this reality.

The second point is if the aim is to reduce corruption fuelled by natural resource revenues, transparency policies need to cover the whole value chain from concession allocation to revenue management. They also need to cover all the stages of the business from exploration to extraction, to transit and distribution.

Nevertheless, the focus in recent years on public disclosure of company payments to governments (e.g. taxes and royalties) has been welcome, if only part of the story.

Routinely making information available to citizens, civil society organizations and media means that the spotlight is firmly on governments for their use and abuse of these revenues. This basic level of transparency has a powerful deterrent effect, in particular on government officials tempted to raid revenues for their own gain or political patronage.

The Extractive Industries Transparency Initiative (EITI) – a multi-stakeholder initiative involving the reconciliation of company payments with government receipts by an independent third-party - has been held up as an example of international best practice. There is no doubt that it has improved accountability in an incremental fashion, and also documented the extent of the challenge (for example the \$70 million discrepancy in government accounts highlighted in the Democratic Republic of Congo earlier this year). But the EITI only focuses on revenues once extractive projects are up and running, and requires an initial political commitment by the host government to implement it. For the most part, the revenues disclosed are not broken down by company or region, revealing only part of the picture. The limitations of the process are therefore clear.

The transparency provisions in the Dodd-Frank Act, which became US law in 2010, represent a real step forward. Although the Act only focuses on payments by companies to host governments (i.e. revenue transparency), the obligation for companies to disclose their payments to a government as part of their listing requirements means that information will be available to citizens regardless of their government's view on transparency. The information will be up-to-date and in a standardized format which will facilitate comparisons with other countries. Unlike the EITI, it will also routinely provide

information for every company on a project-by-project basis. This is important because the information disclosed at this level will allow communities who are most affected by extractive projects – and who often are promised a share of the proceeds – to see if they are getting their fair share in terms of revenues or public services. The details of individual project leases or concessions (e.g. sign-on bonuses or royalty rates) can also help raise questions as to why such favourable terms were granted, thereby helping pinpoint possible cases of corruption and improving accountability even further.

Of course, US publicly-listed companies represent only a portion (albeit a significant one) of the entire industry. Incentives are needed for State-owned companies and those listed in other jurisdictions. But there is a growing awareness of the benefits of transparency that has sparked regulatory initiatives around the globe. The Hong Kong stock exchange has put in place a version of the rules, and the EU and the Shanghai Stock Exchange are considering similar measures this year. In time, such disclosures will become the global norm.

Regulation has become necessary only because voluntary measures have been painfully slow to take root. This much was demonstrated by the 2011 TI/RevenueWatch Institute report (Promoting Revenue Transparency) which showed little improvement in corporate transparency in some areas since the previous report three years earlier. Disclosure of revenues to host governments was the least transparent area by some distance.

There is only so much that revenue transparency can achieve on its own to stamp out corruption and bribery. Other elements of corporate transparency also

have a role. Companies can publicly report on the measures they have put in place to prevent bribery, such as employee codes of conduct, compliance programmes and training. Such reporting helps companies to benchmark themselves and learn from their peers. More transparent operations – for example, clarity on subsidiaries and equity partners - would help prevent corruption because it exposes potential areas of conflict of interest. A government minister, for example, will be less likely to take a private stake in an oil subsidiary if this information is openly published.

There are a range of transparency policies that governments can implement apart from the disclosure of revenues from the extractive industries. Many of these are part of more general governance reforms such as freedom of information legislation and better parliamentary oversight. However,

bearing in mind that the greatest risk of corruption is arguably during the bidding process for extractive rights, governments should consider steps to make this phase much more transparent by publishing a timetable and clear criteria for companies wishing to bid for these right. Governments and companies can also work together to ensure that the details of the contracts and agreements that result from this process are also open to the scrutiny of citizens and other concerned parties.

Taken together, this suite of transparency policies would go a long way to ensuring that natural resource revenues are managed properly in the interests of all citizens. With a fair wind and a little luck, these revenue windfalls can then be the launch-pad for the sustainable economic development of dozens of countries around the globe.



## Reaching out for greater transparency in the Extractive Industries

By the OSCE Parliamentary Assembly

### **The Paradox of being resource rich and heavily indebted**

What do the Central African Republic and Bolivia have in common? Both are resource rich but heavily indebted countries. What a paradox: both possess raw materials that cannot be augmented through cultivation. However, with the world population continuing to grow, the demand for minerals is going to rise and societies will depend more and more on them. In a context where citizens together with their parliaments call for more sustainable action, extractive industries are coming more and more into the spotlight and are judged on

environmental degradation and social disruption.

### **Lack of transparency fosters corruption and bad governance**

It is a well-known fact that extractive industries lie in the area of conflict between environmental protection, social welfare and economic interests, with the latter usually prevailing over the former two. What we can observe is that governments profit from huge financial returns, often failing to distribute them to affected communities. Similarly, those revenues are rarely subject to accountability – a fact that can lead to corruption and bad governance. Parallel



to this, local populations – at the moment 3.5 billion people live in rich oil, gas and mineral countries – often remain voiceless and have to bear environmental degradation, social disruption, poverty and human rights abuses. This represents a playing field where local communities are clearly disadvantaged.

### **The need to intensify the effort**

Today we live in a world where the calls for justice for the poor are getting louder and louder. However if parliaments are to work effectively for the respect of human rights and eradication of poverty, allowing for people in resource rich countries to lead a dignified life, then they have to intensify the effort for more transparency and help turn industrial problem makers into problem solvers. In a globalized marketplace minerals come from every part of the world and can therefore also be found in our daily lives. Can we enjoy the fruits of extractive industries while knowing that the population in several countries had to suffer for it? That we might even have contributed to a local conflict? The overwhelming message from sustainably-minded consumers and elected officials from the OSCE Parliamentary Assembly is clear: no, we cannot.

### **Transparency as a win-win situation**

Transparency of payment flows is the key word here. If the aim is to bring back justice to the poor, then transparency should be emphasized more in order to stop the abuse. Transparency enables the local populations to be informed about the financial inflows and to raise their voice if they notice some inconsistencies, thus holding their governments accountable. Transparency is also the first step to help local populations enforce their basic rights: the right to have clean water being one of them. This being said, transparency does not only benefit the people, but also the government and the industry itself. It is a win-win situation. By implementing policies that foster transparency, governments show that they put actions into

words and are committed to reform. Similarly, transparency helps investors to be confident about a company's real risk and future prospects, which can lead to higher valuations. Transparency therefore builds trust.

### **OSCE Parliamentary Assembly endeavours**

In this context the Parliamentary Assembly of the OSCE, representing parliamentarians from Central Asia, Europe and North America has helped to lead a movement for greater transparency in the extractive industries.

Starting with a Declaration at the 2008 Annual Session in Astana, Kazakhstan, and reinforcing it with votes in 2009 in Vilnius and 2010 in Oslo, parliamentarians have urged governments to require energy and mineral companies to report what they pay for natural resource rights, whether they are drilling for oil at home or excavating a major mine abroad.

Recognizing that the lack of transparency often goes hand-in-hand with government corruption, parliamentarians said that improving transparency is key to ensuring government accountability and urged countries and companies to join the Extractive Industry Transparency Initiative – a coalition that brings corporations, countries and civil society together to promote transparency and accountability in the sector.

Only when citizens know how much money their governments receive for the right to extract natural resources can they act on that information to hold public officials accountable, Members of Parliament said.

It's a logical message that has caught on. When the Assembly and others began working on this issue in 2008, there were three OSCE countries (Azerbaijan, Kazakhstan and Kyrgyzstan) registered as voluntary members of EITI. Today EITI has six, including Albania, Norway and OSCE-partner Afghanistan. And EITI has grown from 15 to more than 35 countries that either comply

with EITI's reporting requirements or are a candidate to join EITI.

Individual legislatures, including the U.S. Congress in 2009, have acted to make this voluntary transparency process required by law, but government executives now must show a greater political commitment to ensure that companies are accurately and honestly reporting their extractive industry payments and revenues.

*Xenia Beck, Research Fellow at the OSCE Parliamentary Assembly*

*The OSCE Parliamentary Assembly is comprised of 320 parliamentarians from 55 countries spanning Europe, Central Asia and North America. The Assembly provides a forum for parliamentary diplomacy, monitors elections, and strengthens international cooperation to uphold commitments on political, security, economic, environmental and human rights issues.*



### **The Updated OECD Better Life Index**

By Martine Durand, Chief Statistician – Director OECD Statistics Directorate

By Anthony Gooch, Director of OECD Public Affairs & Communications

In May 2011, the OECD Secretary-General, Angel Gurría, launched the *OECD Better Life Initiative*. This Initiative builds on almost a decade of OECD work on Measuring Well-Being and Progress and is the most recent OECD contribution to the global debate on “Going Beyond GDP”. Aimed at developing better metrics of people’s well-being and societal progress, the *OECD Better Life Initiative* assesses material living conditions and quality of life today and in the future in OECD countries and a few other major economies.

One important component of the *OECD Better Life Initiative* is *Your Better Life Index* (BLI) (1), an interactive instrument that citizens can use to create their own composite index of well-being. Based on their own preferences regarding what makes for a good life, BLI users can look at how countries compare in terms of overall well-being, thus combining their personal vision of well-being with information on countries’ performance in a number of well-being dimensions. BLI users can share their Index with their social networks and with the OECD. This information provides unique feedback to policy-

makers on the well-being priorities for their citizens. Similarly, parliamentarians can use the Index as a vehicle for engagement with their constituents on a wide range of policy areas. It can help them demonstrate which policies prove effective in order to generate support for particular policy measures.

Since its launch a year ago, the BLI has received over one million visits from just about every country on the planet and over 2.4 million pages have been viewed. The continuous traffic from new visitors and so many countries demonstrates the global reach of the BLI as well

as the demand for further geographic and linguistic extensions. The top five countries in number of visitors are the United States (20%), France (8%), Canada (7%), Germany (6%) and the United Kingdom (6%). But visitors outside the OECD, e.g. India, Brazil, Singapore and China, currently outnumber visitors from Ireland and Greece – two OECD countries. Feedback from parliamentarians has been also very positive. The Parliamentary Assembly of the Council of



Europe stated in October 2011 that the BLI “demonstrates the necessary interplay between these different enabling factors that combine to create more sustainable societies”, adding that it “hopes that this new tool will help to strike a better balance between social justice and economic competitiveness when formulating economic policies”. A Japanese Member of Parliament told us that the BLI “showed the way in which our countries could develop better policies, so that all citizens could live better”.

*The Better Life Initiative* defines well-being in terms of eleven topics (2): income and wealth, jobs and earnings, housing conditions, health status, work and life balance, education and skills, community, civic engagement, environment, personal security and life satisfaction. For each of these eleven topics, the OECD has identified a few headline indicators which capture the most important *outcomes* for *people* (e.g. for the health topic, the chosen indicators are life expectancy and self-reported health status); which look at both *objective* and *subjective* aspects of well-being (e.g. income and life satisfaction); and which assess well-being *inequalities* in the population (e.g. inequalities in educational outcomes by gender and socio-economic status).

*Your Better Life Index* is conceived as an evolutionary tool: more countries will be incorporated over time, as well as new themes such as sustainability and better measures as these become available. Existing content will also be updated and strengthened. Thus, compared to the 2011 version, in the new edition of the BLI launched in May 2012:

- Two new countries have been added to the Index: Brazil and the Russian Federation. Both countries are key partners of OECD economies and the OECD is working closely with them on a number of strategic issues, such as integrity, green growth, etc. The Russian

Federation is currently on an OECD accession path --meaning it should become the next country to join the OECD.

- Five new indicators have been included in the Index: job tenure and personal earnings under the “jobs and earnings” topic; housing cost under the “housing” topic; quality of water under the “environment” topic, and educational expectancy under the “education” topic. At the same time, some indicators have been redefined. The result is a strengthening of the Index’s statistical underpinning.
- New information on two key sources of inequalities: gender and (to a more limited extent) socio-economic status has been included. Indeed, the 2012 edition of the BLI makes it possible to look at men’s and women’s living conditions separately, and provides information on selected well-being achievements of households at the top and bottom of the income distribution.
- Users can now compare their own ranking with that of other users. This new feature responds to a strong demand from BLI users and will hopefully be instrumental in fostering the debate on social progress in the BLI community.
- Finally, a more in-depth survey of BLI users has been included, asking questions to users on their own well-being (e.g. whether they are satisfied with their health or with their life as a whole). This will allow us to better understand the drivers of people’s well-being.

Building on the overall *OECD Better Life Initiative*, the OECD is organising the 4<sup>th</sup> OECD

World Forum on Statistics, Knowledge and Policy under the theme “Measuring Well-Being for Development and Policy Making” (New Delhi, 16-19 October 2012).

The main objectives of the Forum are to further the discussions on the different aspects that make for a good life today and in the future in

different countries of the world and to promote the development and use of new measures of well-being for effective and accountable policy-making. An important expected outcome of the Forum is to contribute to the post-2015 development agenda.

Create *Your Better Life Index* at [www.oecdbetterlifeindex.org](http://www.oecdbetterlifeindex.org).

- (1) The second main component is the analytical report *How’s Life?* which provides the conceptual and statistical underpinnings of *Your Better Life Index*.
- (2) These eleven topics correspond to the conceptual framework used in the *OECD Better Life Initiative* and in the *How’s Life?* report. The conceptual framework relies on state-of-the-art research on well-being and international and national good practices (OECD 2011).
- (3) The choice of these indicators was made in close consultation with National Statistical Offices of OECD member countries on the basis of the best comparable information available.



### **Better Skills, Better Jobs, Better Lives**

By Kathrin Hoeckel

Policy Analyst OECD Directorate for Education

In 2010, at the height of the economic crisis, more than 40% of employers in Australia, Japan, Mexico and Switzerland reported difficulties in finding people with the appropriate skills. Meanwhile, unemployment rates in a number of countries are still at record highs. In some countries, up to one-third of workers report that they have the skills to handle more complex tasks at work, while another 13% believe that they are not skilled enough. How can today’s students and workers prepare themselves for a rapidly evolving labour market? And how can countries ensure that the available skills are used productively? Building on its whole-of-government approach to policy making and its unique evidence base, the OECD has developed

a global Skills Strategy that helps countries to identify the strengths and weaknesses of their national skills systems, benchmark them internationally, and develop policies that can transform better skills into better jobs, economic growth and social inclusion.

To achieve the goal of having and making the best use of a high-quality pool of skills, the Strategy suggests that a country must consider three policy levers: those that improve the quality and quantity of skills; those that activate the skills for the labour market; and those that ensure that skills are used effectively on the job.

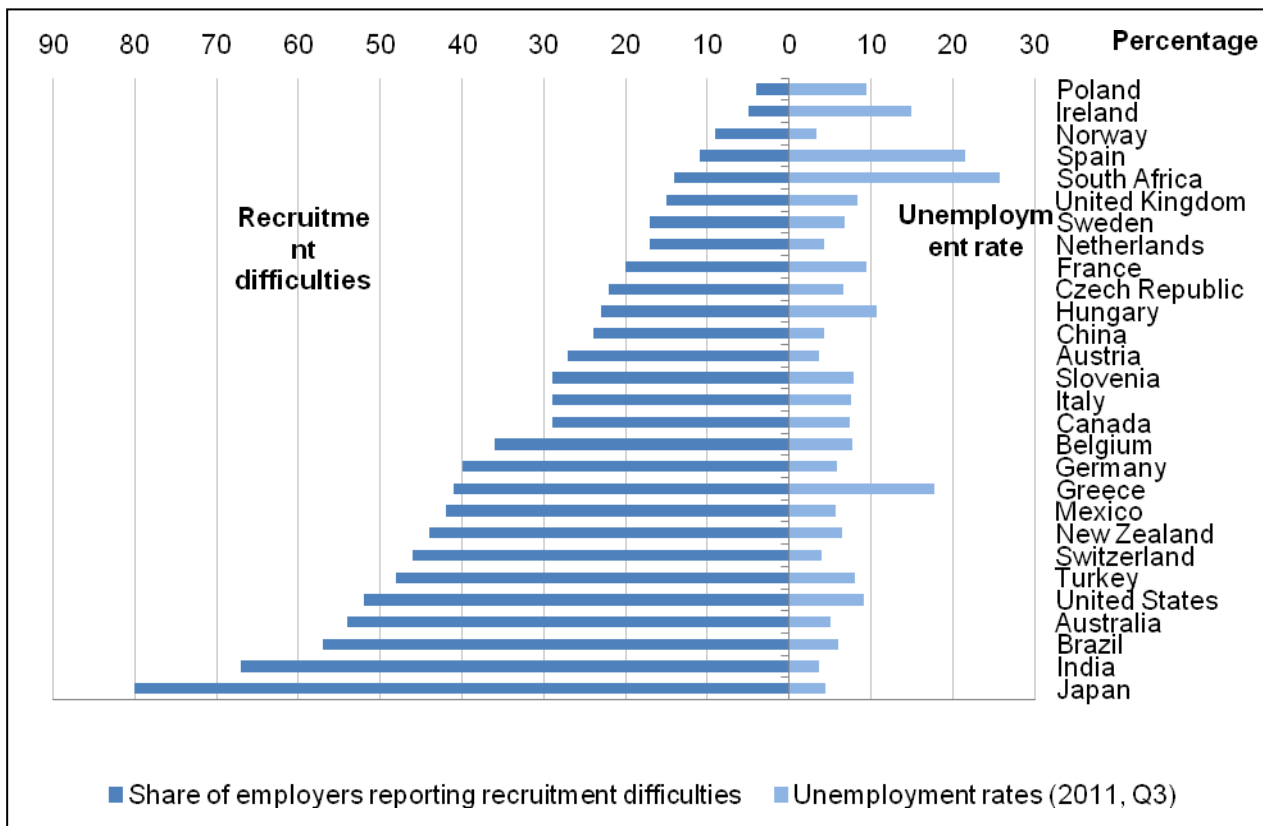
### Encouraging people to learn throughout their lives

Investing in skills development throughout a person’s lifetime is at the heart of skills policies. During the past few decades, the labour market in OECD countries and in many emerging and developing countries has shifted from agriculture to industry to, increasingly, services. These changes imply a decline in the demand for craft skills and physical labour and a rise in the demand for cognitive and interpersonal skills, and for higher-level skills more generally. Government and business need to work together to gather evidence about skills demand, present and future, which can then be used to develop up-to-date curricula and inform education and training systems.

Skills development is more effective if the world of learning and the world of work are linked. Thus, social partners, including employers and unions, should be involved in designing and delivering high-quality education and training programmes. But preparing young people for entry into the labour market with up-front education and training is only one facet of skills

development; working-age adults also need to develop their skills so that they can progress in their careers, meet the changing demands of the labour market, and don’t lose the skills they have already acquired. Work-related employee training, formal education for adults and second-chance courses all need to be available. And the costs of providing this training need to be shared—among governments, through financial incentives and favourable tax policies, employers, employees and students.

Shortfalls in the supply of skills in a country can be addressed through labour-migration policies, including policies that encourage international students to remain after their studies. The advantage of international students for host-country employers is that they have a qualification that can be easily evaluated. Many of these students also work part-time during their studies, allowing them to develop ties with the host-country society and labour market. In Australia, Canada, the Czech Republic, France, Germany and the Netherlands, more than 25% of international students remain in the country to work after their studies.



### **Activating people and retaining skilled workers**

People may have skills, but they may not be willing or able to supply them to the labour market. They may be busy caring for young children or elderly parents, they may have health problems, or they may have calculated that it just doesn't pay to work: they can earn as much, if not more, if they stay at home and collect benefits. Unused skills can become obsolete or can atrophy over time, representing a waste of the investment in developing those skills.

To encourage people to supply their skills to the labour market, countries can create financial incentives that make work pay. For example, in some countries, people with disabilities who can still work are being counted as unemployed, and are thus subject to the so-called "mutual obligation", whereby they have to comply with job-search and training requirements or risk losing part or all of their unemployment benefits.

Part-time work is increasingly seen as a way to activate people with care obligations and disabilities. Employers, trade unions and government can work in concert to design policies that allow for less rigid working-time arrangements. To be effective, however, these programmes have to be combined with efforts to reduce employers' reluctance to hire inactive individuals and to re-train those who have been out of the labour force for a while. Indeed, lifelong learning and targeted training, especially in mid-career, can improve employability later in life and also discourage early retirement.

### **Making the best use of a country's talent pool**

Developing skills and making them available to the labour market will not have the desired impact on the economy and society if those skills are not used effectively. The Skills Strategy suggests several ways to avoid mismatch between employees' skills and job requirements. One is to help young people gain a foothold in

the labour market. Strong basic education, in conjunction with vocational education and training programmes that are relevant to the needs of the labour market, tend to smooth the transition from school to work; so do hiring and firing rules that do not penalise young people compared with other groups, and financial incentives that make it viable for employers to hire young people who require on-the-job training.

In addition, public policies can help to identify low-skilled workers and offer an incentive to both employees and employers to invest in skills development. Employers can also grant employees some autonomy to develop their own working methods so that they use their skills effectively. Better information also helps: the under-use of skills is often related to field-of-study mismatch, whereby individuals work in an area that is unrelated to their field of study and in which their qualifications are not fully valued. Quality career guidance is thus a critical part of any skills strategy.

It is important to remember that the demand for skills can be shaped, too: by policies that promote knowledge-intensive industries and jobs that require high-skilled workers. Teaching entrepreneurship in universities and vocational training institutions can help to instil those skills in students, who might then go on to create jobs. Adding these kinds of high-skilled jobs to a labour market helps to get more people working – and for better pay.

Building on the Skills Strategy, the OECD will enhance the evidence base to support more effective skills policies through its Survey of Adult Skills – a first-of-its-kind assessment of the skills individuals have, how these skills are used on the job, and the resultant economic and social outcomes. The first results from the survey will be published in October 2013 as part of a new *OECD Skills Outlook*. The OECD will also work with its partners in developing national or

regional skills policies or in reshaping their existing policies to make them more effective. In the end, we are all in this together.

To read the full report and learn much more about skills and skills policies around the world, visit <http://skills.oecd.org>



## Economic Management for More Growth and Less Poverty Shows Vital Improvement in 13 of Africa's Poorest Countries

By the World Bank

Latest World Bank indicators show a stable or improved environment for a majority of countries

The World Bank latest yearly review of policies and institutions across Sub-Saharan Africa (SSA) shows an improved policy performance by 13 of the continent's poorest countries in producing more growth and less poverty. The countries comprise: Comoros, Congo Republic, Cote d'Ivoire, Ethiopia, The Gambia, Guinea, Guinea Bissau, Liberia, Sao Tome and Principe, Senegal, Togo, Zambia, and Zimbabwe. More broadly, most African countries show a stable or improved policy environment for development. This positive trend is especially important given the more severe economic climate being weathered by other countries, most notably in the developed world.

The review is part of the annual World Bank Country Policy and Institutional Assessment (CPIA) that rates the performance of poor countries and, since 1980, has been used to determine their allocation of zero-interest financing under the International Development Association,\* the World Bank Group's fund for the world's poorest countries.

The CPIA examines 16 key development indicators covering four areas: (i) economic management, (ii) structural reforms; (iii) policies for social inclusion and equity; and (iv) public-sector management and institutions. Countries

are rated on a scale of 1 (low) to 6 (high) for each indicator. The overall CPIA score reflects the average of the 16 indicators.

"There was a concern that global economic turmoil would slow reforms across the continent," said Shanta Devarajan, World Bank Chief Economist for the Africa region. "But African policymakers generally continued their commitment to reform programs during the global crisis, and some even accelerated them with the ultimate mission of improving the development prospects and economic well-being of their people." CPIA scores show a wide variation across countries, from a high of 4.0 for Cape Verde (despite a pullback in its score in 2010 and 2011) to a low of 2.2 for Eritrea and Zimbabwe.

'Fragile' or conflict-affected African show much lower scores than non-fragile states, reflecting the challenges they face, especially in the area of public sector capacity. Nevertheless, they are making fast progress. Three of the countries that improved the most are 'fragile' states—Comoros, Cote d'Ivoire, and Zimbabwe.

### Performance is strongest in economic management

The pace of reform varies across the four areas covered by the CPIA. For example, where reforms are deeply political or by nature incremental, they tend to improve slowly and lag other areas.

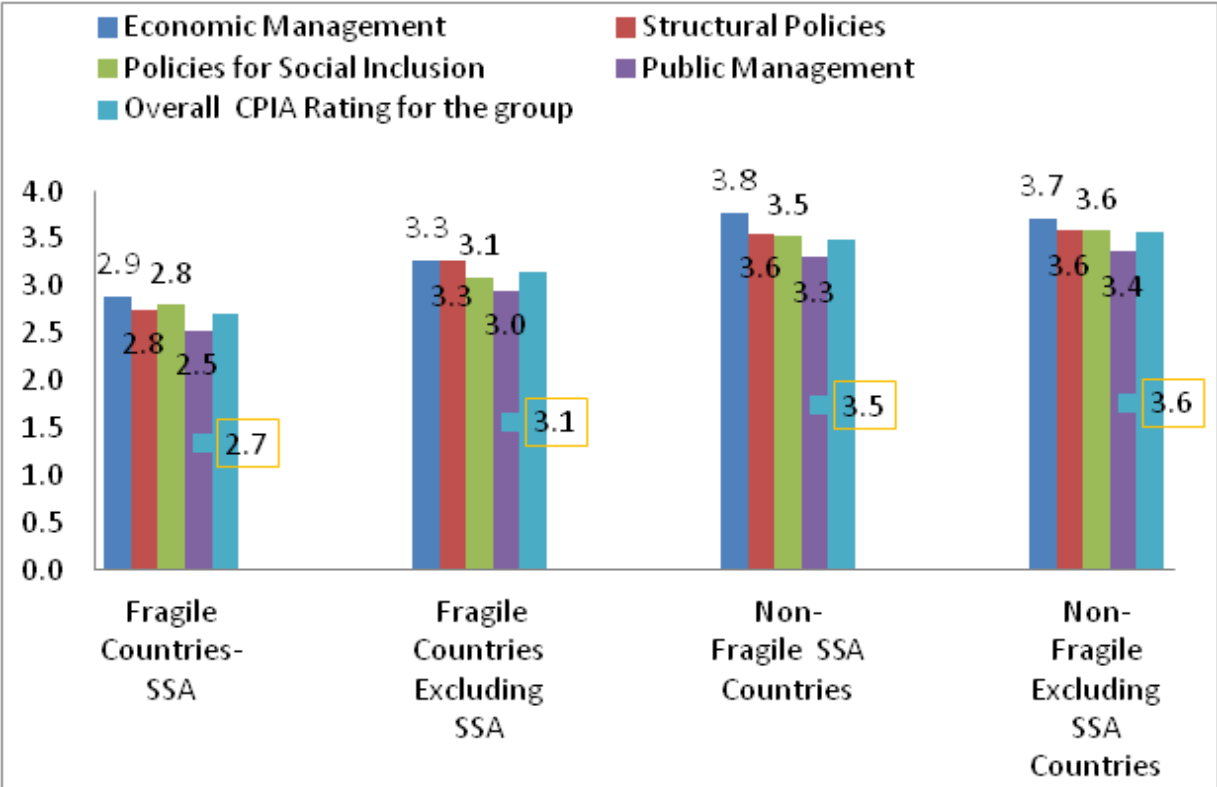


In Africa, performance in economic management leads all other areas. In fact, several years of prudent macroeconomic policies meant that African countries entered the 2008-09 global economic crisis with policy space to counter external shocks.

Performance in the area of structural policies is a close second, followed by social inclusion. Governance lags other areas. Despite these differences, the countries that top the CPIA scores tend to do well in all of them, suggesting a broad-based approach to reforms. On the other hand, ‘fragile’ countries tend to show uneven reform efforts, typically addressing macroeconomic management issues ahead of difficult and complex structural and governance reforms.

This is the first year that the CPIA indicators for Sub-Saharan Africa are published in a single document accompanied by an interactive website. “The CPIA is a very valuable asset to governments, the private sector, civil society,

researchers, and the media to monitor their country’s progress and benchmark it against progress in other countries,” said Punam Chuhan Pole, World Bank lead economist. “We hope that by making the CPIA more accessible, it can spark a broad evidence-based debate in countries that in turn can stimulate support for more reforms to create jobs, improve the quality of health, education, and other key services, and ultimately improve the quality of life for all Africans across the continent.”





## IMF Outlines New Vision for Helping Build Capacity

### IMF Survey online

The IMF is changing the way it provides technical assistance and training to member countries to make it more focused, integrated, nimble, and effective, IMF Deputy Managing Director Nemat Shafik said.

Speaking to a group of donors that provide funding for capacity building, Shafik noted that the economic difficulties currently experienced in many parts of the world have generated strong demand for IMF technical assistance and training. Thanks to generous bilateral support and multilateral donor trust funds, which finance a growing share of this core IMF activity, the institution is able to meet the demand.

But as work in this area expands, the IMF has found it necessary to develop a new, more coherent approach to capacity building in order to increase its effectiveness. “Given where we are, it is time to have a more strategic discussion with all of our donor partners,” Shafik told the

April 23 gathering. “I hope this is the start of a much more ambitious partnership between us to build capacity on macroeconomic issues.”

The inaugural meeting of the Donor Consultative Group, held during the IMF-World Bank Spring Meetings in Washington, brought together close to 50 representatives of some 30 donor agencies and other development partners. Some had been supporting IMF technical assistance and training for a long time; others were just learning about how they can help other countries by supporting IMF capacity building.

#### Exploiting synergies

As part of the revamped strategy, the IMF has merged its technical assistance and training activities to form the [Institute for Capacity](#)

[Development](#). The new department, launched May 1, brings together the former IMF Institute and the Office of Technical Assistance Management.

“This integration of the two branches of the IMF’s capacity building will allow the institution to exploit synergies in these areas,” explained Sharmini Coorey, who heads the new department. A key role of the new department would be to further define and update the Fund’s strategy on capacity building and conduct periodic reviews to the IMF’s Executive Board.

The merger of technical assistance and training will also enhance the effectiveness of the IMF’s large global capacity building network.

The seven [Regional Training Centers](#) and training programs in Austria, Brazil, China, India, Kuwait, Singapore, and Tunisia, which supplement headquarters-based training, allow the IMF to adapt its training to local needs. The IMF also has eight [Regional Technical Assistance Centers](#)—four in Africa and the others in the Caribbean, Latin America, the Middle East, and the Pacific. An additional center in West Africa is expected to open early next year.

Over time, the aim is that these centers will provide both technical assistance and training on macroeconomic issues, rather than specializing in one or the other, Coorey said.

#### A “fine” strategy

The rise in demand for IMF technical assistance comes from both traditional clients—who are asking for more help with complex, cutting-edge reforms—and new ones, such as more advanced economies whose shortcomings in financial and fiscal management were exposed by the crisis.

“The demand for technical assistance is massive, but the IMF is small,” said Adrienne Cheasty, Deputy Director of the IMF’s Fiscal Affairs Department. “So we need to draw boundaries and set priorities.”

A recent internal IMF paper described the IMF’s vision for capacity building as FINE—focused, integrated, nimble, and effective. The IMF should stay focused on topics with a clear macroeconomic impact and avoid duplicating the efforts of other technical assistance providers. Capacity building should be integrated with the IMF’s surveillance and lending work. And it also needs to be nimble, Cheasty said, noting that a key strength of the IMF is its ability to respond swiftly to crises in member countries.

Finally, IMF capacity building must be effective. “The membership must be able to trust that Fund technical assistance will always provide reliable, modern, sound, cutting-edge advice,” Cheasty said.

### **Crisis impact**

The global economic crisis has highlighted the need for capacity building in low-income countries, said Christian Mumssen, Assistant Director of the IMF’s Strategy, Policy, and Review Department. “While the global recovery weakened in 2011, prospects appear to have improved in early 2012,” said Hugh Bredenkamp, Deputy Director of the IMF’s Strategy, Policy, and Review Department.

But with more limited buffers and constrained aid envelopes, poor countries are less prepared to deal with shocks now than they were prior to the crisis, Mumssen observed. In the event of a shock, governments will have to use some of these buffers to soften the economic and social impact on the poorest segments of the population. This is why now, more than ever, technical assistance is vital to help low-income countries bolster their domestic revenue base, spend public money more efficiently, and build the capacity to manage debt.

In Africa and the Middle East, which together receive close to 50 percent of the IMF’s technical assistance, demand for capacity building far exceeds supply. Establishing priorities is key, said Antoinette Sayeh, Director of the IMF’s African Department. There is a critical need for knowledge-sharing in the area of natural resource wealth management; mobile phone banking and monetary unions are also generating much interest, she said.

“There has to be a focus on building institutions,” Sayeh stressed, adding that the IMF’s regional technical assistance centers in Africa had been effective in tailoring technical assistance to realities on the ground.

In the Middle East, capacity building should address the root causes of the uprisings that spread across several Arab countries in 2011, suggested Masood Ahmed, Director of the IMF’s Middle East and Central Asia Department.

“Going forward, the capacity building strategy for the Middle East will focus on fostering inclusive growth,” he said, “with emphasis on generating jobs, making the economies more competitive, building modern social protection systems, improving governance, and restoring fiscal sustainability.”

### **Showing results**

Representatives of donor organizations welcomed the IMF’s recent progress toward introducing a results-based management framework for planning and monitoring the effectiveness of capacity-building activities. Monica Rubiolo of Switzerland’s State Secretariat for Economic Affairs talked about why she considers results-based management important.

“We talk about reaching the Millennium Development Goals and reducing poverty, but if we really mean this seriously, we have to become more focused and effective and make sure that resources are being used in the right

way,” she said. She added that establishing a good results-based management framework helps identify which approaches are likely to achieve the intended results, a theme echoed by Rachel Turner from the UK’s Department for International Development and Paul Samson from the Canadian International Development Agency.

However, all acknowledged it is easier to illustrate progress on more tangible infrastructure projects than to show the development impact of macroeconomic capacity building.

“We are very grateful for the donor support for IMF capacity building. More than \$100 million has been externally financed in fiscal year 2012,” said Roberto Rosales, Director of the Office of Technical Assistance Management. But he noted

that funding needs remain large for some existing vehicles—in particular, the Middle East Regional Technical Assistance Center—as well as new initiatives.

Udaibir Das, Assistant Director in the IMF’s Monetary and Capital Markets Department, explained one such initiative: a planned multi-donor trust fund to help countries devise sustainable debt strategies.

“This trust fund will help countries to increase their analytical capacity to better assess, monitor, and manage risk associated with public debt,” Das said. “It will also help improve the capacity to formulate and implement funding strategies that are consistent with maintaining debt sustainability over the medium term and advance the deepening of domestic debt markets.”



## Africa Sustains Growth Despite Global Uncertainty

IMF Survey online

Despite the weaker global economic environment, sub-Saharan Africa is expected to continue growing strongly in 2012. GDP growth is forecast to increase slightly from the 2011 average of 5 percent, according to the IMF in its latest assessment of the region’s economy. Sub-Saharan Africa has continued to enjoy robust growth (see table) as it is relatively isolated from the negative factors pulling down growth in most advanced countries, the IMF says in its [Regional Economic Outlook for sub-Saharan Africa](#). The region is also benefiting from one-off factors such as new natural resource production coming on stream, and recovery from drought and civil conflict in West Africa.

### Strong growth prospects

Growth from domestic demand has been relatively self sustaining thanks to improved economic policies, higher foreign exchange reserves, and lower government debt. Rising levels of investment and consumption—particularly in the service sector—have been critical to growth.

But economic prospects differ across the region. Some middle-income countries—most notably South Africa—are performing less strongly because of their greater exposure to global developments, especially those in Europe. In contrast, oil producers are projected to record robust growth because of new production

coming on stream in Angola, and higher output levels in Nigeria and Chad. Finally, low-income countries are expected to continue enjoying strong growth of around 5½ percent.

In a background study published in the outlook, the IMF highlights the resiliency of sub-Saharan African financial systems. While confidence has been shaken in Europe by excessive government debt and vulnerable banking systems, sub-Saharan African financial systems have, so far, been generally insulated from global financial turmoil.

A second study reviews developments over the past decade in those countries where non-renewable natural resources are an important contributor to exports and government revenue. It considers the role played by natural resources in boosting incomes and the complex problems they present for macroeconomic management.

The outlook is subject to substantial downside risks. Renewed turbulence in euro area financial markets would adversely affect both exports and investment flows across the region. This would slow, but not derail growth in most countries.

A surge in oil prices, stemming from supply shocks, would pose serious challenges for oil-importing countries, squeezing real incomes and adding to external financing needs.

### **Inflationary pressures**

Over the past year, several countries in Eastern Africa saw inflation spike and remain high for much of the year. Twelve-month inflation in the East African Community countries rose by almost 16 percentage points to over 20 percent during 2011, while Ethiopia experienced a surge from 15 percent to 36 percent over the same period. Food price increases contributed significantly to this surge, although abundant local harvests helped to keep prices of staple foods low elsewhere in sub-Saharan Africa. In response to the inflation surge, most countries adopted monetary tightening, with sharp increases in

interest rates or tighter control of money supply helping to reduce inflation expectations. Despite receding in some of these countries, inflation still remains high in Ethiopia, Tanzania, and Uganda.

Going forward, monetary policy should remain focused on restoring price stability in countries still experiencing high inflation. In countries where inflation prospects are lower, a more accommodative stance might be advisable based on the strength of their recovery.

### **Rebuilding of fiscal space**

In a large number of countries, fiscal policy contributed to the generally accommodative policy climate in 2011. But since 2008, fiscal buffers have been eroded in many countries and will need to be rebuilt over time.

Non-oil fiscal deficits declined in all oil exporting countries except for Cameroon and Gabon in 2011. This improvement is projected to continue this year. In contrast, the overall fiscal deficit widened by 1 percentage point in 2011 among low-income countries, although fiscal consolidation is expected to occur in about two-thirds of low-income countries in 2012.

Moreover, in many countries where deficits are expected to widen, large new capital investments are expected to account for much of the change (e.g., Ethiopia, Tanzania, and Rwanda).

Countries continuing to experience strong growth in 2012 are likely to have room for some fiscal consolidation to gradually rebuild fiscal buffers. Fiscal tightening would be premature in economies where growth remains weak and financing constraints are not tight.

In such countries, there may be room for a limited counter-cyclical response in the event of further adverse external shocks. Policy responses include maintaining existing spending



plans in the face of lower revenue, and targeted additional support for the most vulnerable.

### Medium-term agenda

Sustained improvements in people’s living conditions require a capable state apparatus, delivering essential services—such as security—and high levels of well-executed public investment in infrastructure and human capital.

It must also provide a favourable business environment as well as an efficient and stable financial system that supports private sector activity.

There have been significant improvements in sub-Saharan Africa over the past decade in improving both the capacity of the state—including its financing via greater revenue mobilization—and the environment for private sector activity.

Further progress in both areas will be needed if the strong growth over the past 10–15 years, which was stimulated by strong global demand for Africa’s natural resources, is to be sustained and become more broad based in the years ahead.

<b>Robust growth</b>						
(percent change)						
	<b>2004-08</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Sub-Saharan Africa (total)</b>	6.5	2.8	5.3	5.1	5.4	5.3
Of which:						
Oil-exporting countries	8.6	5.2	6.6	6.0	7.1	6.1
Middle-income countries <sup>1</sup>	5.0	-0.8	3.7	4.3	3.4	4.0
Of which: South Africa	4.9	-1.5	2.9	3.1	2.7	3.4
Low-income countries <sup>1</sup>	7.3	5.5	6.3	5.8	5.9	5.9
Fragile countries	3.1	2.9	3.8	1.7	6.6	5.8
Memo item:						
World economic growth	4.6	-0.6	5.3	3.9	3.5	4.1
Source: IMF, World Economic Indicators database.						
<sup>1</sup> Excluding fragile countries.						

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## World Bank Events

**South-South Learning Forum 2012: Response to the Global Jobs Crisis**: October 30 – November 3, 2012, Hyderabad (India): The World Bank is organizing the 4th Social Protection and Labor Learning Forum, part of the World Bank's South-South Learning Series, jointly with the Jobs Knowledge Platform (JKP). The Forum aims to share knowledge amongst practitioners and to promote exchange on design and implementation issues relevant to current and future programming in low income countries (LICs) and fragile states (FS).

<http://go.worldbank.org/4TSADE9UU0>

## IMF Events

### **Labor Markets through the Lens of the Great**

**Recession**: November 8-9, 2012, Washington D.C.: The IMF will hold the Thirteenth Jacques Polak Annual Research Conference which is intended to provide a forum for discussing innovative research in economics, undertaken by both IMF staff and by outside economists, and to facilitate the exchange of views among researchers and policymakers. The theme of the conference is "**Labor Markets through the Lens of the Great Recession.**" The Program Committee welcomes papers that investigate the lessons of the crisis for labor market dynamics and policy challenges concerning employment growth and structural changes in labor markets.

<http://www.imf.org/external/np/res/seminars/2012/arc/index.htm>

## World Bank President Jim Yong Kim

Jim Yong Kim, M.D., Ph.D., became the 12th President of the World Bank Group on July 1, 2012. A physician and anthropologist, Dr. Kim has dedicated himself to international development for more than two decades. Dr. Kim comes to the Bank after serving as President of Dartmouth College, a pre-eminent center of higher education that consistently ranks among the top academic institutions in the United States. Dr. Kim is a co-founder of Partners In Health (PIH) and a former director of the HIV/AIDS Department at the World Health Organization (WHO).

Read questions asked to Jim Yong Kim and watch his answers: [live.worldbank.org/ask-jim-kim](http://live.worldbank.org/ask-jim-kim)

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