African Successes - One Pagers

Achieving shared growth in post-stabilization Mozambique
Mozambique has been a strong economic and social performer in Sub-Saharan Africa.

Achievements

- Mozambique's growth episode is one of the longest for low-income countries in recent years. In the period following the end of the civil war in 1992 and free elections in 1994, Mozambique has posted strong economic growth—averaging around 8% a year.
- Sustained, broad-based growth has helped to substantially reduce income poverty—the poverty headcount index fell by 15 percentage points between 1997 and 2003, moving nearly three million people out of extreme poverty (out of a total population of 20 million).
- In addition, income inequality has remained relatively low by regional standards.
- Rural poverty fell slightly faster than urban poverty, albeit starting from a higher level
- Households improved their ownership of productive assets.
- Access to services has increased and human development outcomes have improved: net primary school enrollment has increased by 76% and infant and under-five mortality has fallen by 40%.
- Despite this progress, more than half of the population still lives in poverty. Also, the gap between rural and urban populations persists.

Key success factors/drivers of success
Several factors contributed to the country's impressive economic and social performance.

- A key driver of economic expansion was the government's pro-growth economic policies: sound monetary and fiscal policies to promote overall macroeconomic stability; lowering of restrictions on competition, such as price controls and inefficient monopolies; high levels of public investment in post-war reconstruction and infrastructure rehabilitation.
- The response of family farmers and family-owned businesses to the government's pro-growth policies was critical to growth. Rehabilitation of agricultural markets, marketing infrastructure, and rural services raised the productivity of labor and boosted crop income. Farmers had access to good-quality land and they used this access to expand the area farmed and to diversify crop production. Increased income from selling agricultural produce provided funds to invest in new small and micro business ventures. Rural households also invested in better housing and in sending their children to school. Higher rural and urban economic growth raised incomes and stimulated demand for nonfarm goods and services.
- Investment in public service provision, to address the severe lack of social services, produced improvements in access and outcomes.
- Focus on improving governance and accountability by getting government closer to its citizens.
- Donors strong support for the government's reconstruction and pro-growth efforts.

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Tanzania’s transformation to a market economy

Over the past 15 years Tanzania dramatically improved its economic performance, as a process of comprehensive economic reforms transformed the country from a controlled economy to an open, market-based one.

Achievements

- Beginning in the mid-1990s, the macro economy stabilized, inflation declined to single digits, and economic growth improved. Growth accelerated in recent years, averaging about 7% a year in 2001-07.
- Growth has been broad-based. Although agriculture remains Tanzania’s main economic sector-- employing 80% of the work force--other sectors have posted strong performances. Following privatization, manufacturing sector output rose briskly driven by an increase in the output of a number of commodities, including sugar, beer, soft drinks, cement, and steel. Tourism has emerged as an important sector contributing to over 10% of the GDP.
- Mining is growing in impact and importance. Although its contribution to GDP is still small, at around 3%, the sector is one of the most important foreign exchange earners. Annual gold output increased from five to 50 tons between 1999 and 2007, making Tanzania the fourth largest African gold producer.
- Liberalization of trade and exchange regimes boosted non-traditional exports and reversed large external imbalances.

- Tanzania has been successful in attracting FDI. A large share of FDI is directed to the mining sector, but manufacturing, tourism, and financial sectors have also attracted FDI.
- Establishment of a competitive banking system has facilitated increased availability of credit for productive activities.
- There has been remarkable progress in enrolment in primary and secondary schools.

Key success factors/drivers of success:

- Tanzania's reform process began gradually in 1986 and intensified beginning in 1996. The first phase saw a partial liberalization of the economy. The second phase saw far-reaching structural reforms. The reforms, which were a response to the dismal economic performance of the country in 1970-85, transformed the country to market economy.

- The major reforms since 1996 include the following: sound fiscal and monetary policies to control inflation; fiscal consolidation and stronger public financial management; privatization and reform of state-owned enterprises; reduction in the level of state intervention in the economy—trade reform, liberalization of the financial sector, and creation of market-oriented regulatory framework.
- Macroeconomic stabilization and structural reforms were instrumental in attracting FDI, which was a key factor in fostering higher growth in the nonagricultural sectors. Fiscal incentives to foreign investors—especially in the mining sector—such as generous depreciation allowances, indefinite loss carry forward, exemptions from import duties and the value-added tax, and some income tax holidays were instrumental as well in attracting FDI.
- Donors supported the government's reform efforts through large inflows of official donor assistance.

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Rebuilding Local Governments in Post-conflict Sierra Leone
Background

- Elected local governments were abolished in 1972; power was centralized in Freetown leading to marginalization and neglect of the rural periphery.
- Together with patrimonialism, rampant corruption and mismanagement this led to a brutal eleven year civil war from 1991 – 2002.
- At the end of the war SL ranked next to last in the HDI with huge regional inequality.
- The SLPP government elected in 2002 decided to reestablish local government and following consultations, enacted the Local Government Act 2004; this was followed by local council elections in May 2004.
- Decentralization of political power and devolution of resources was a necessary though not sufficient first step in addressing patrimonialism, centralization and urban bias.
- At the same time, the World Bank, DfID and EC supported the GoSL's efforts to establish a functioning local government system through the "Institutional Reform and Capacity Building Project."
- To compensate for the lack of capacity, the project using a unique and unusual approach supported the establishment of three new units/departments of government - a Decentralization Secretariat (Dec Sec), a Local Government Finance Department (LGFD) and a Public Financial Management Reform Unit (PFMRU) - in addition to a Project Coordinating Unit (PCU).

Achievements

- All nineteen local councils have been established and are functioning.
- Although still somewhat short of what was laid out in the LGA 2004, most functions have now been devolved and are being performed by the LCs.
- Core staff, including accountants and procurement specialists, have been provided to the LCs. Although line staff associated with devolved functions have not yet been devolved, their activities are now overseen and coordinated by the LCs.
- The basics for an equitable and transparent intergovernmental fiscal transfer system are in place with a combination of formula-based tied and untied grants to fund the devolved functions. There is scope for simplification and improvement.
- Although transfers to LCs have regularly fallen below budgeted amounts and predictability is an issue, these are now a regular feature of the budget, the execution ratio has improved from 56.5% (2005) to 74.6% (2008) and the volume has increased from about US$ 3.4 million (4.4% of discretionary budget) to US $ 14.1 (12.1% of discretionary budget).
- There is evidence that healthy democratic practices are getting established. Although turnout was low, second round of LC elections took place in 2008 which were by all

accounts free and fair. This together with the peaceful handover of power at the national level in 2007 makes SL quite unique as a post-conflict country.

- Service delivery:
    - There is evidence that the availability of basic services improved dramatically between 2005 and 2008. The improvement is not, however, consistent or across the board. For example, health quality improved sharply and then slowed down. Two major concerns: the dearth of supervision and the negative impact of fees on service take-up. It is not possible to directly attribute the observed improvements to decentralization but there are some positive signs. There are concerns that local councils have not used their geographic proximity to services to improve supervision of service providers.
    - Availability of services (primary schools, clinics, water) improved sharply with more schools and more clinics since 2005. The one area where there has been a sharp decline in services is agricultural extension where the percentage of households who have spoken to an agricultural extension worker in the last year has declined consistently and dramatically from 23 to 9 percent.
    - Services have improved most where the "distance to power" has fallen (i.e., far from Freetown but near district capitals)

Drivers of Success

- At least on the surface both the SLPP government and the APC government have been committed to decentralization and there was some loss of momentum during the transition, the process is moving forward.
- The IRCBP and the strong donor support for decentralization has helped to keep the momentum and to develop capacity in the LCs.
- The process has been supported by public servants at least in some of the line departments at the LC level who find that the relative autonomy from Freetown has helped to enhance their efficiency.
- The Dec Sec and the LGFD have played a key role in driving the process. In the absence of these units and the commitment of their staff it is unlikely that implementation would have progressed at this pace.
- An active and dynamic civil society in Sierra Leone.

Risks

- Political commitment to real decentralization may not be deep enough.
- The central government (and this is arguably more pronounced under the current APC leadership) has been ambivalent in resolving the tensions between the Chiefdoms and the LCs. The tensions are most evident over revenues. Non-resolution of this issue could threaten decentralization.
- There is some evidence that MPs feel increasingly threatened by LCs as resource allocation decisions are gradually transferred to the LCs. This is probably more of an issue with single member constituencies (since 2007) than it had been with proportional representation.
- The lack of significant own source revenues at the local level.

- As the Dec Sec and the LGFD are mainstreamed into government, their staff may lose the high level of commitment they have had.

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Mali Makes a Breakthrough in Mango Exports

The Agricultural Competitiveness and Diversification Project (ACDP), implemented by the Ministry of Agriculture of Mali, is helping expand markets for mangoes and other crops—and building good business practices within the country's agricultural sector.

One of the key objectives of Mali's poverty reduction strategy is to increase rural incomes and employment opportunities by promoting agricultural diversification and developing exports of high-value commodities. Mangoes are especially favored for this development because of the excellent agro-climatic conditions in the southern regions of Bougouni and SIkasso, and because of the fast-growing demand for this produce in European markets.

But, despite the high quality of the country's fresh fruit and vegetables, the high cost of air-freight has limited marketing and exportation. And because some Malian products, including mangoes, passed through Côte d'Ivoire—through the many pack-houses established at its northern border with Mali—before being exported to Europe, there was little return to Malian producers, and few incentives to invest in the horticultural sector.

Linking farmers to markets therefore required the creation of strong supply-chains that could bring innovative practices upstream and downstream.

REDESIGNING THE SUPPLY CHAIN

In 2005 the government of Mali, with World Bank assistance and IDA funding, launched the implementation of the Agricultural Competitiveness and Diversification Project, a 6-year investment project aimed at increasing the revenues from a whole set of agricultural products with growing markets and strong demand, yet so far mostly untapped, thus diversifying the economy's foreign exchange earnings that are extremely concentrated with 90% of income represented by only three products (gold, cotton and livestock). The project's development objective is to improve the performance of supply chains for a range of non-traditional agricultural, livestock, fisheries, and gathering products, such as mangoes, cashews, shallots, potatoes, dairy products, beans, papayas, sesame, sheanuts for which Mali enjoys strong comparative advantage.

The project was both a follow-up and up-scaling of two IDA-funded pilot projects implemented between 1996 and 2003 with mixed results by the Agricultural Value Chain Promotion Agency (*Agence pour la Promotion des Filières Agricoles***—***APROFA*). Its five components include activities that aim to support private sector stakeholders (farmers, traders, processors, exporters, service providers) improve (a) farm-level production, technologies and productivity for high value crops, (b) agricultural supply chains, (c) access to financing, and (d) commercial and communication infrastructure. The fifth component is for project management, coordination, and M&E.

Among the activities supported by ACDP is the scaling up of an innovative new model of supply-chain for the export of fresh mangoes. This innovation was introduced by the predecessor project at the beginning of the 2000s, in partnership between private business investors and by the government-supported project. It entails a new mode of shipment, using **multi-modal transport** (combination of road, rail and sea shipment) and refrigerated and sealed containers all the way to European ports. This new mode of transport reduced transit times compared to more conventional transport routes like the classical road and sea-freight, proved feasible and profitable and capable of delivering a product of excellent quality and highly appreciated by the European importers. Moreover, it represents **a revolution for a land-locked country** which was before that condemned to exporting limited quantities of fruit by air-freight, or to let the raw product be collected at a low price by neighboring Ivorian traders, who had market access. It has completely changed the size of the potential market which Mali can continue to tap into.
In order to strengthen the capacities – human but also physical – and improve the competitiveness of mango exports a packhouse and logistics facility known as the PLAZA (Périmètre Logistique Aménagé en Zone Aéroportuaire), with capacity to handle 2,000 tons of fresh produce per year, was built in 2007 near the Bamako airport thanks to funding from the World Bank ACDP and Dutch embassy. The PLAZA has been used since then by professionals to prepare their products for export through pre-cooling and storage rooms, meet international standards for quality and safety, and get trained. Discussions are ongoing to transfer the management of the PLAZA to a specialized private operator and its ownership is due to be taken over by the nascent inter-professional organization.

MORE MANGOES FOR THE EUROPEAN MARKET, MORE REVENUES FOR MALIANS

This project and the innovations it has introduced and supported have prompted the strong growth of the export of fresh mangoes from Mali. Total exported volume of mangoes in 2008 reached 11,995 tons, an all time record. Estimated revenue generated was 9.7 billion FCFA ($25 million), already a significant fraction of the earnings generated by Mali's traditional exports like cotton lint. The graph below shows the evolution of exports to the EU between 2000 and 2008. The rate of increase has been an impressive 24 percent p.a.

In the mango value chain, which is one of the value chains targeted for ACDP's intervention, a range of stakeholders have been and are benefiting from the expansion in trade and value addition along the value chain **—**from farmers to harvesters to collectors to processors and exporters. This means increased market share, value creation, and improved prices at all stages.

The expansion of the mango sector has also brought about a change in business practices—namely, more professionalism and attention to product quality management, better compliance with trade standards, and a surge in private investment. For example, AHOLD, a major Dutch supermarket chain, is now present in Mali and has been providing technical assistance to Malian exporters during the last three campaigns.

STEPS TOWARDS DEVELOPMENT OBJECTIVES

Mali's development agenda places a high priority on agricultural growth and diversification. The achievements under this project have made a direct and tangible contribution to this agenda. A whole range of stakeholders involved in the value chain —small farmers, traders, agro-processors, exporters, service providers (technicians, financial and accounting specialists), input and equipment providers—have been involved since project launch and are benefiting from the expansion and improvements brought about by the project.

BANK CONTRIBUTION AND PARTNERSHIPS

The World Bank's financial commitment to the ACDP project is in the form of an IDA credit of US$46.4 million. In addition, the Bank played a critical role in helping the government and other stakeholders design and launch the project, and it contributes to provide assistance and expertise in supervising implementation. One visible benefit is the creation and building up of capacities at national level.

The project's primary partners are the actors of the supply chains themselves, i.e. farmers, local and foreign private agribusiness enterprises. The project is demand-driven and private sector led. No activity is undertaken unless there is ownership by and contribution of private sector actors through a matching grant mechanism.
Other development partners supporting the competitiveness and diversification program of the Ministry of Agriculture of Mali include USAID, CIDA, the Dutch cooperation and GTZ.

NEXT STEPS

The project is now focusing on strengthening stakeholder involvement and private sector partnerships to ensure sustainability. Within the sector a mango task force has become active, and promises to become a permanent trade/business association capable of handling the issues facing the industry.

LEARN MORE

Mali Agricultural Competitiveness and Diversification Project (2005-2012)
PO81704

Rwanda: Growing the Coffee Sector

In the past two decades, the Rwandan coffee sector has been transformed from a highly controlled sector to one that is liberalized and that is rapidly developing a prized niche product. While the coffee industry is benefiting from increased entrepreneurship and freer trade, its coffee producers are improving their technical skills, and raising their standard of living.

Achievements

- Rwanda has revived and revitalized its coffee industry. In 1990, Rwanda exported 45,000 metric tons of coffee. At that time, just over half of all Rwandans produced some coffee. The Rwandan genocide left the nation, its people, and its economy in shambles. Even before the hostilities ended, the coffee industry faced tumbling world prices.
- Coffee remains Rwanda's major export crop. In 2006, coffee exports grew from 17,000 to 21,000 metric tons—a 23.5 percent increase.
- The amount of fully washed coffee is also rising as the number of washing stations increases. In spring 2006, there were 46 washing stations, a great increase from 2000, where there were only two washing stations in the country, neither of which worked.
- By growing better-quality coffee, coffee producers are earning more.
- Although there are fewer coffee producers today, close to 500,000 families are involved in the production of high-quality coffee.
- The growth of the coffee industry has enabled Hutus and Tutsis to work together on many initiatives toward an improved standard of living, suggesting that an important element of the post-conflict reconciliation may be informal contacts and relationships developed in entrepreneurial and business ventures.

Key success factors/drivers of success

- Several factors brought about important changes in the Rwandan coffee industry:
    - The RPF government targeted the coffee industry for support and liberalization.
    - Bilateral and multilateral development assistance provided funding to revitalize the coffee sector.
    - NGOs provided support to help establish coffee cooperatives and also train cooperative members to improve quality, processing, and marketing efforts.
    - The government, donors, NGOs, and the private sector have built more than 40 washing stations around the country to help improve quality.
- Liberalization reforms freed farmers from the legal obligation to grow coffee. Farmers are now free to interplant coffee with other, desirable crops. The government eliminated legal mulching requirements, and it also allowed coffee producers to work directly with buyers.
- Farmers were able to take advantage of economies of scale by creating cooperatives and unions
- The United States Agency for International Development provided of technical assistance, training, and financial support to the specialty coffee sector. Through this

support, 46 coffee washing stations were constructed and several hundred Rwandans were trained in improved coffee production and processing and in washing station management and marketing.
- Transportation costs in Rwanda are high. Adequately addressing the problems of poor infrastructure, bad roads, and associated high transport costs will facilitate further development and growth of the coffee sector.

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***Uganda* - Scaling up quantity and quality: success of the fish-processing industry**

By the end of the 1990’s, Uganda’s fish exports were in a tailspin as the country was unable to effectively cope with international fish standards. This crisis galvanized action and unprecedented collaboration ensued among a wide range of stakeholders. The fish industry was forced to embrace technological change to remain competitive.

Achievements

- Over the last decade, Uganda’s fish industry has shown a remarkable capacity to adapt and grow. Fish-processing plants have adopted and learned to comply with the higher food safety procedures and standards; and the taste, color, smell, texture and nutritional value of the fish has improved.
- The fish industry is now the country’s leading export: growing from $15 million in 1994 to about $120 million in recent years. Fish exports account for more than 6% of the national income. An estimated 700,000 Ugandans are involved in fisheries-related employment.
- As fish comprises the single most important source of animal protein available to the national population, the growth of the fisheries sector has also contributed to food security in Uganda.

Factor contributing to success

- The imposition of international fish standards created a severe crisis in the fish exporting sector in the late 1990s. The loss of jobs, livelihoods, and export revenues exerted pressure on industry players to respond.

- In order to improve the quality of output and comply with international standards, remarkable interaction and collaboration took place across the value chain—suppliers, fish-processing firms, buyers—foreign private companies, policy makers, and international development agencies.
- The public sector played an important role in supporting technological change—namely; it strengthened the inspection process by providing oversight and management. For example, it designated and approved laboratories, improved infrastructure and sanitary conditions at transportation sites, and provided the knowledge infrastructure for proper handling, packaging and transportation of fish. Through its intervention, the government was able to improve food-handling and safety in all parts of the value chain. The government played a central role in sustaining the pressure on firms to maintain standards.
- The United Nations Industrial Development Organization, in partnership with the EU, provided technical assistance to the government.
- The sustainability of the fish industry is threatened by overfishing and pollution.

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The Cotton Sector of Zambia

The Zambian cotton industry has proven to be a significant sector in the nation's transition to a market economy. The sector was liberalized in 1994—the Government of Zambia sold the state owned Lint Company of Zambia (LINTCO) to two private companies. Despite uneven performance post-liberalization, the sector has shown considerable dynamism.

Achievements

- Total cotton production rose briskly from 20,000 metric tons to over 100,000 MT during 1994-1998. After a temporary setback, output climbed to 200,000 MT in 2005. The increase in production represents an expansion in area under production and higher yields.
- Improvement in the quality of lint.
- Use of input credit supply by an increasing number of smallholder farmers. Following the repayment problems of the late 1990s, farmers' credit repayment rates have improved.
- Increased competition in the Zambian market with the entry of four new ginners in the late 1990s, which increased competition for seed cotton. The number of cotton ginners has continued to increase.
- Value-added sectors such as cotton spinning and weaving have lagged, but are significant export earners.

Key success factors/drivers of success:

- Private sector innovations in supply of credit to smallholder farmers for inputs such as seeds, fertilizer, and pesticides have been key to boosting performance of the cotton sector. Between 1999 and 2005, several initiatives are undertaken to improve input credit repayment as well as cotton production and export. Dunavant established a private "Distributor Scheme" which reduced input credit default.

- The government launched a Cotton Outgrower Credit Fund (COCF), a Cotton Board, and the Cotton Association of Zambia, which were meant to improve smaller farmer's credit facilities and increase exports and farmer profits.
- The COCF does not manage or control the distribution or acquisition of inputs. Instead, it leaves these activities to the individual private cotton companies through which funds are channeled and which work with farmers; thereby making the COCF solely a lending entity within the industry and lowering costs for private companies. Better disclosure and transparency on credit disbursements and recoveries is an issue, however.
- Progressive transformation of cotton ginning from a highly concentrated market structure to a more competitive one.
- A move towards improving sector-wide coordination—vertical and horizontal coordination. Recently, the government shifted from its laissez-faire approach to become a coordinator of sector-wide efforts to increase dialogue between public and private players in the cotton industry.
- Institutional bodies were created with focus beyond improving credit facilities but also on improving monitoring and evaluation of the cotton sector.

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Leveraging Regional Markets to Build a Domestic Manufacturing Sector in Africa

Although still small, intra-Africa regional trade is the fastest growing part of trade by African countries and most diversified in products. Regional trade in Africa has grown by 13% per annum over the past ten years, faster than overall trade worldwide, which has been growing by 10% per annum. Exports by African countries are still largely comprised of primary commodities. But African countries do trade manufactured products among themselves. Intra-Africa trade tends to be more diverse in terms of product composition, whereas exports to global markets are relatively concentrated on natural resources.

Regional trade provides a platform for manufacturing sector growth in Africa. Across individual countries within each of nine Sub-Saharan African neighborhoods, previous-year imports of intermediate goods from neighbors are positively correlated with total exports in the current year. There are more exports when countries cooperate regionally (in terms of scale economies, greater factor mobility, and lower transport costs) as well as integrating globally. In fact, firms exporting to regional markets are hurt by power outages and inefficient border procedures and are hurt marginally more than firms exporting to global markets in general.

Regional trade provides an opportunity for both foreign and domestic indigenous manufacturers to participate in trade. While exports to the global market are still dominated by large foreign-owned companies, regional markets offer opportunities for smaller domestic manufacturing enterprises. Even microenterprises participate in regional exports to some extent, often in the form of indirect and/or informal trade through traders. Restoration of peace in a conflict-afflicted area leads to an influx of regional manufactured imports from neighboring countries—for example, Kenyan and Ugandan products in Southern Sudan.

In the business environment in Africa, where trade-related transaction costs are high due to poor market institutions and infrastructure to support trade, social networks and clusters work as alternative trade facilitation mechanisms for regional trade in manufactured goods produced by small-scale manufacturers. Even though formal market information for regional trade is limited, indigenous micro enterprises based in industrial clusters often attract customers from neighboring countries due to their locational advantage of being in clusters. In Suame Magazine (Kumasi, Ghana), for example, x% of sales go to customers from neighboring countries such as Burkina Faso, Côte d'Ivoire, Mali, Nigeria and Togo. Uhuru Market, a cluster of micro scale garment producers in Nairobi, has a portion of sales going to neighboring countries such as Rwanda, Tanzania, Brundi, and Sudan. Rather than directly exporting, micro garment producers in Uhuru are well integrated with small in size but active regional traders. Clusters attract such regional traders.

- **For more formal larger firms, the presence of cross-border transport bottlenecks encourages them to invest in the regional markets rather than trade.** In many cases, prohibitively high cross-border bottlenecks still hamper their exports, encouraging group company networks through foreign direct investments more to serve local markets rather than creating regional exports.

Barriers to Regional Integration Are Barriers to Africa's Export Prospects: Evidence from Chinese and Indian Business Case Studies

Several original business case studies of Chinese-owned and Indian-owned firms in Africa point to a number of difficulties that enterprises face in realizing the benefits that regional integration can bring to the continent. Without regional integration, the many small, landlocked countries of Africa will not be able to create unified economic spaces sufficiently large to achieve economies of scale. Without economies of scale, unit production costs will unlikely be low enough to allow for the successful penetration of export markets. Every Chinese and Indian business study noted the poor quality and high cost of transport services, the long shipping times, and the lack of effective logistics services such as insurance and transport intermediaries, all of which limited the commercial viability of intra-African trade. One Chinese firm operating in South Africa indicated that sending a product from South Africa to Angola costs as much as sending the product from China to Angola. An Indian firm in Tanzania noted that intra-African maritime shipping costs are three times as high as road shipping costs, in part due to the lack of competition. Another Indian firm, in Ghana, stated flatly that "ECOWAS does not work," as there are still high tariffs among ECOWAS countries. The firm reported that it costs about $1,000/TEU to send a container from Accra to Lagos, a distance of just over 200 miles. In fact, the high tariffs on trade induced this firm to make cross-border investments instead, an example where intraregional trade barriers gave rise to intraregional investment.

- Source: *Africa's Silk Road* based on the World Bank staff's original interview in 2006

Also, for large firms, including foreign-owned firms, affiliation with group company networks at the regional level internalize cross-border constraints in regional trade. In Southern Africa, for example, affiliation with corporate groups, as well as sub-regional foreign ownership, is a significant factor in facilitating intra-sub-regional trade. Firms in group company networks have a greater tendency to be a part of some form of corporate networks, which may also include transport and logistics service providers. Due to their vertical integrated structure in export supply chains at the regional level, they rely less on outside agents for trade logistics services.

Rwanda: Leveraging Gorilla Tourism for Development

Rwanda's tourism industry has emerged as the nation's top foreign currency earner, ahead of the coffee and tea sectors.

Rwanda's gorilla tourism—which drew 7,000 visitors to Volcano National Park in 1989—collapsed in the wake of the country's civil war, robbing Rwanda of much-needed cash to pay rangers and to provide financial incentives to protect the great apes. Foreign visits to the gorillas dropped to zero in 1994, when genocide swept across the nation. In 1999, the slowly recovering tourism industry plunged again, after eight gorilla tourists were murdered in Uganda's Bwindi Impenetrable Forest by Rwandan Hutu rebels.

Achievements:

- With the support of international groups, the country has managed to re-build its gorilla tourism. Rwanda's park rangers have managed to safeguard the gorillas and the Virunga reserve. Squatters were eventually persuaded to leave the national park, human latrines were cleaned up, and sick gorillas were darted, injected with antibiotics and protected against measles with vaccines provided by UNICEF.
- Rwanda is experiencing unprecedented global interest in its wildlife. It is home to around one third of the 700 mountain gorillas left in the world, and for several decades now the country has been at the forefront of gorilla conservation. The endangered mountain gorilla still survives in the Virunga Mountains, a mountain chain linking Rwanda to the Democratic Republic of the Congo and Uganda.
- In 2007, the tourism industry emerged as the top foreign currency earner, generating revenues of $42.3 million and overtaking proceeds from exports of coffee and tea--$35.7million and $31.5 million, respectively.
- The industry is also an important source of employment, directly employing more than 34,000 people (1.8% of the workforce).

Key success factors/drivers of success:

- The government is strongly committed to developing tourism and has been at the forefront of gorilla conservation.
- International groups have strongly supported conservation efforts.
- The national tourism strategy focuses on lower visitor numbers and higher receipts as its model for sustainable tourism in the country.
- The government offers a full package of incentives to attract international investment.
- Growth has been bolstered by strong investment in the sector. Tourism and hospitality were boosted by an expansion in the number of hotel rooms--from 1860 in 2006 to 2,391 in 2007--and in an increase in the number of restaurants--from 75 in 2006 to 82 in 2007.
- Improved marketing of the mountain reserves through high profile visits, such as those by Bill Gates and Bill Clinton, have built confidence and encouraged more visitors to travel to Rwanda.

Lessons learned:

- Tourism has helped Rwanda to recover from the economic collapse following the genocide.
- A strategy based only on gorillas has proven successful, at least in the early stages of the development of the tourism sector. The government is now starting to think about diversifying its tourism industry to include exotic birds, cave exploration and water tourism. Consultations to introduce new products such as a boat on Lake Kivu to step up water tourism, and establishing Cave tourism in Musanze, are underway.
- Security is an important issue that must be addressed in order to attract international tourists.
- Tourism has provided sources of income to the rural population, which is getting more and more involved in formal economic activities related to tourism.

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Cape Verde: Tourism and Development

The graduation of Cape Verde from a low-income to a middle-income country in 2007 can be attributed in large part to the development of the tourism industry. As in Seychelles and Mauritius, tourism has had important spillover effects over the entire economy.

Achievements

- Tourism is Cape Verde's fastest growing sector.
- In 1990, this sector contributed less than 2% to GDP. In 2008, tourism in Cape Verde accounted for nearly 16% of GDP (World Travel and Tourism Council) and for 14 000 jobs, representing 14.6 per cent of total employment.
- Since travel and tourism touches all aspects of this island economy, its real impact is even larger. WTTC estimates that tourism gross contribution to GDP was over 27%, in 2008.
- Tourism was also estimated to have accounted for 99% of foreign direct investment inflows in 2008.

Key success factors/drivers of success

- Since 1991, the Government has undertaken a series of initiatives with the aim of transforming a centralized economy into a market economy. A direct result of this new strategy was a focus on: privatization, FDI inflows, exports and tourism to compensate for the declining trend in development assistance.
- The Cape Verdean government has identified tourism as an important instrument of economic development and it has created several incentives to attract investors to this sector and to improve the business climate. These incentives include: a 100% fiscal exemption in the first five years of investment; a 50% discount in taxes in the following 10-year period; an exemption of import taxes on all the materials used in the construction and exploitation of the hotel and tourist facilities; and reduced taxes on profits that are reinvested in the same sector.
- The government of Cape Verde has established zones for integrated tourism development, where an investor can purchase the land from the state, and the state will reimburse the landowners. The purpose of these zones is also to target tourism investment in particular areas.
- The island's tourism sector is benefiting from its location (proximity to major European cities), its well developed transportation infrastructures, and its Diaspora.
- The downside risk of strong dependency on tourism is the sensitivity of the sector to economic conditions in tourists' home countries. This underscores the importance of promoting high-value tourism and expanding the customer base, which has so far been dominated by visitors from Europe.

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KickStart Irrigation Pumps: Adapting Technology to Development Challenges

KickStart International is a nonprofit organization with a mission to promote economic growth and employment creation in Africa by developing and promoting technologies that can be used by dynamic entrepreneurs to establish and run profitable small-scale businesses. KickStart's most popular technology are human powered irrigation pumps, enabling small-holder farmers to enhance productivity, thereby improving household incomes and sustainably contributing to a reduction in rural poverty.

Achievements & impact of the innovation

- Over 83,000 small scale agricultural enterprises have been created during the last 18 years using KickStart's irrigation pumps. These businesses generate new profits amounting to over $83 million annually and employ over 100,000 people.
- Irrigation pumps have helped over 400,000 people out of poverty thus far. Each pump is used to irrigate 0.56-acres (on average), and generates an average net annual income of US$1,100 per year for its owner. On average, this represents a tenfold increase in the incomes that poor rural farmers made from sale of crops before they began to irrigate with KickStart's irrigation pumps.

- In Kenya, over 23,000 hectares of land are irrigated using these pumps. Irrigation investment costs of less than $300 per hectare (compared to the conventional systems costing $3,000 – $5,000).
- The demand for the pumps has been increasing steadily over the last couple of years. By end of June 2009, KickStart had made and sold over 130,000 irrigation pumps.
- KickStart estimates that the potential across sub Saharan Africa exceeds 12 million families (over 60 million people).

Key success factors/drivers of success

- Most of KickStart's design work is done in Nairobi, Kenya, at its Technology Development Centre. The team of engineers, designers and technicians develop and test prototypes to ensure performance, cultural acceptability and durability
- KickStart applies a unique set of design criteria: income generation, return on investment, affordability, energy efficiency, portability, ease of use and installation, strength and durability, design for manufacturing, cultural acceptability.
- KickStart is spends a lot of time – and the majority of its resources (mostly from grants & donations) – building awareness, developing sales teams and marketing the irrigation pumps. It also employs labor intensive and innovative marketing techniques such as community pumping competitions during market days, demonstration set-ups at the retails shop and at the farm level.
- Private entrepreneurs and actors are a crucial component of KickStart's success model for scaling up the use of low cost irrigation technology in Africa. The private sector profit-making supply chain involving manufacturers, wholesalers, distributors and retail shops is the most cost-effective and self-sustaining way of delivering KickStart's low-cost irrigation pumps to the rural poor.
- The pumps are manufactured in large quantities in centralized factories, ensuring standardization and "first world" quality and extreme durability. The pumps are sold at over 200 retail outlets (mostly small agri-vet stores) in towns, villages and trading centers across Kenya, Tanzania & Mali. The profit margin for the retailers provides a strong incentive for them to increase pump promotion and sales. Some parts (like piston cups and bushings) do wear out over time – and spare parts are available at those same retail stores.

Lessons learned regarding applying technology-based solutions in agriculture

- Irrigation is a critical ingredient of efforts to increase agricultural productivity, reduce rural poverty and improve access to markets. A more reliable access to water through irrigation puts a high premium on the use of productivity enhancing inputs (improved seeds, fertilizers), provides a year round supply of produce, more flexibility, reliability, quality and product uniformity to satisfy the requirements of demanding markets, and enables producers to obtain higher seasonal prices. Thus, greater agricultural commercialization through irrigation could play an important role in reducing rural poverty.

- In addition, investments in treadle pumps irrigation have been shown to improve household food security and can provide a buffer to absorb shocks resulting from climate variability and climate change.
- Sustainability of private sector supply chain could be undermined by hand-outs and free giveaway projects from donors, governments, and NGOs.

Equity Building Society of Kenya Reaches Rural Markets

Equity Bank has been an innovator in providing access and financial products to Kenya's underserved, rural population.
On the verge of collapse in 1993, Equity brought in outside experts and committed to radical steps to turn the institution around. This commitment has led to improved financial performance and increased outreach.

Achievements:

- Equity Bank, a privately held Kenyan company, targeted the unbanked rural poor.
- Equity has grown from 12,000 depositors in 1993 to over 1.84 million depositors in 2008. Equity Bank is the leading microfinance institution in the country (with total assets in excess of $1 billion), serving 3.3 million micro and small clients.
- Through its social approach to banking, Equity Bank has rolled out unique and affordable financial products and services to support farmers and to commercialize farming.
- Equity has collaborated with various development partners in the private and public sector to support the agricultural value chain.
- In 2000, with the support of DFID and other international partners, Equity successfully launched a mobile banking program to reach remote rural areas. There are now more than 120 villages covered by mobile units, a six-fold increase over the original target of 20, and the units are servicing some 40,000 new customers, of which nearly half are women.

Key success factors/drivers of success

- Developing a market-driven, customer-focused approach was a prime factor in turning around a poorly performing portfolio, increasing deposits, and reaching rural customers.
- The bank has been innovative, creating new products to cater to the needs of agricultural customers.
- The institution's growth can be attributed to staff commitment and leadership, high-quality customer service, effective marketing, low barriers to access (especially compared to traditional commercial banks), appropriate product design, and an enabling environment. More recently, external support from donors has also been a contributing factor.

Lessons learned:

- As with mobile phone service providers across the continent, Equity has proved the viability of the low-margin, high volume business model.
- Mobile banking units can be a viable way to reaching isolated clients in rural areas.
- Flexible rural delivery mechanisms such as mobile banking need not be restricted to credit and deposit services, but can be used to offer a number of different services, including inter-branch cash transfers.
- Loans secured by contractual agribusiness payments can be an effective method of extending credit to farmers without taking on extensive risk, although this practice can exclude many smaller farmers.
- Emphasizing institutional capacity building is a proven tactic for donors to effectively support long-term MFI sustainability and growth.

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***Ethiopia*'s Amhara Credit and Savings Institution: Providing Financial Products to Rural Communities**

The Amhara Credit and Savings Institution (ACSI) has successfully delivered much-needed financial services to remotely based, poor communities in the Amhara region. In doing so, ACSI has managed to achieve high levels of sustainability and financial independence.

Achievements

- ACSI has increased access to lending and savings services for poor, underserved communities. Its loan portfolio has grown to US$150m, with US$48m mobilized in deposits. Sixty percent of its borrowers are women.

- ACSI's average loan size has more than doubled to $218 during 2003-08.
- In spite of inadequate infrastructure, ACSI is dedicated to serving Amhara State's rural poor. The institution has grown its portfolio largely from retained earnings.

- ACSI's success is that is remains operational and profitable, when many micro finance institutions struggle to provide services to rural, remotely located and poor populations in developing countries.

- A detailed study (Garber et al., 2006) assessed the individual, household, enterprise and community level impact of ACSI's microfinance as follows:
    - Clients average income increased by 4740 Birr ($377)
    - Clients on average owned 7 livestock more than what they owned before ACSI

Key success factors/drivers of success

- ACSI is largely a self-funding institution, with savings deposits being an important component of its total funding.
- ACSI has attained a level of financial independence (thanks to healthy profits that can be reinvested in lending operations), which allows the institution to dictate and map out its own path, without heavy reliance on external funding sources.
- ACSI has been very innovative in the way it has used, adapted and replicated credit models to local conditions—this represents a combination of home grown solutions, an intimate understanding of the context, and maximizing the learning and experiences from other countries.
- The institution's profitability stems from the low cost per client, efficient operations, and client oriented staff. Its client focus has enabled ASCI to develop a range of diversified products that target different economic activities and production cycles, as well as financial needs of the rural poor.

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Kenya: Kenyan Women's Finance Trust

The Kenya Women Finance Trust (KWFT) is a microfinance institution established by Kenyan women. The goal of the Trust is to promote economically active, low-income women's access to sustainable financial and non-financial services so as to enable these women to improve the economic and social status of their households. IFAD, in partnership with the Belgian Survival Fund, has been a major donor since 1992.

Achievements

- KWFT re-opened in 1992, after being saved from the brink of bankruptcy by the trust's original donors – UNDP and the Ford Foundation – stepped in to help rehabilitate the fund, enabling it to reopen in 1992.
- By 2006, its financial self-sufficiency ratio had increased to 105% and the fund was able to use its own income for operating and financial expenses.
- The trust has expanded from 24 branches in 4 regions of the country in 1998 to 46 rural branches in 8 regions in 2008.
- Member savings have soared to $16.8 million from $2.2 million in 1998. In 2006, KWFT disbursed US$52 million in loans to its clients. Clearly, in the past decades the trust has surpassed all of its development objectives by a significant margin.
- More than 100,000 low-income Kenyan women are running small businesses with loans from KWFT, compared with 29,000 in 2000.
- Equally importantly, KWFT is still reaching its original target group of poor women. While some women have advanced through many loan cycles, creating bigger businesses and taking out larger loans, most of the trust's borrowers are poor women. First loans for newcomers still start at $100 to $200. The fact that most of the trust's clients continue to borrow shows that they consider KWFT's services beneficial for themselves and their households.
- Small business loans remain the focal point of the KWFT's operation, but new products have also been developed based on requests from clients. These include loans for school fees, solar panels, water tanks, cooking gas equipment and community phone lines, as well as voluntary life insurance.

Key success factors/drivers of success

- One of the keys to KWFT's success is its very clear message: all loans must be repaid on time. If any group member has an overdue balance, all new disbursements to everyone in the group stop immediately. However, if members of the group meet their repayment schedules, KWFT guarantees automatically bigger loans after the old credit is paid. This gives clients an opportunity to plan ahead for the development of their small businesses.
- KWFT has expanded its funding sources, going beyond donor grants. In 2000, bank loans financed just 2% of KWFT's portfolio. At the end of 2006, this figure had risen to about 50%. The ability to co-operate and borrow from banks has been crucial for KWFT's rapid growth.
- KWFT continues to evolve. For example, it beginning to transform itself into a deposit-taking financial institution, so as to reduce the overheads created by using other commercial banks and to pass on the savings in the form of cheaper loans to its members.
- KWFT's responsive to its clients' needs has also been a contributing factor to the institution's growth and success.
- Financial self-sufficiency was achieved thanks to aggressive strategy aiming for a bigger impact by expanding into rural areas, including the poorest parts of the country.

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Connecting a continent: Africa's mobile telecommunications success story

The mobile segment of Africa's information and communication technologies (ICT) sector has been a huge success. With remarkable speed and cost efficiency, mobile networks have connected the entire continent.

Achievements

- The ICT revolution in Sub-Saharan Africa is being led by mobile telecommunications.
- In less than a decade, mobile networks have covered over 90% of Africa's urban population. Coverage of rural areas is also growing. Overall, 62% of the population is covered by mobile networks. Although growth is widespread, there is considerable variation across countries.
- The number of mobile users has grown from 10 million in 2000 to over 180 million in 2007. In 2006 alone, Sub-Saharan Africa saw an additional 37 million new mobile cellular subscribers, equaling the total number of (fixed and mobile) telephone subscribers in the region three years earlier.
- SSA has the highest ratio of mobile to telephone subscribers of any region in the world.
- This remarkable growth in mobile telecommunications has occurred despite relatively high price of service.
- The success of mobile technologies has radically transformed the African landscape, changing the way people work, entertain, shop, communicate and organize their lives. For example, M-pesa provides affordable branchless banking services such as deposits and withdrawals, transfers, and payments to customers.
- The ICT sector has positively impacted the region's growth: The Africa Infrastructure Country Diagnostic study estimates that investment in ICT and increased use of ICT services by businesses added roughly one percentage point to per capita income growth over the last decade.
- The success of the mobile telecommunications has demonstrated the viability of a low-input cost and low-margin, high volume business.

Key success factors/drivers of success

- Demand- and supply-side factors (regulatory reforms, falling costs, and technological innovation) are behind the spread of mobile telecommunications.
- The growth of mobile telecommunications has been spurred by wide-spread market liberalization of the ICT sector in Africa. Liberalization has brought competition to the ICT market, especially the mobile segment.
- As countries have moved away from monopoly run operators to more competitive structures, the availability and quality of telecommunication services has improved. Competition has also reduced costs.

- Operators have adopted innovative pricing schemes to make mobile telecommunications less expensive and to expand usage, including customizing schemes for poor customers.
- The ability of mobile operators to rapidly install networks and provide coverage is an important factor contributing to the success of mobile telecommunications. Mobile telecommunications are also easier to manage and operate than fixed phone lines.

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Rural Electrification in Mali

The Household Energy and Universal Access Project (financed by IDA and GEF) is helping Mali to develop an adaptive and multi-layered approach to rural energy, combining bottom-up spontaneous small concessions with top down planned large concessions for electrification, and to develop community-based woodland management and inter-fuel substitution initiatives.

Achievements

As of June 30, 2009, a cumulative number of about 33,801 connections have been made and the project is on track to reach its original target of 40,000 connections. Through the project 735 public and community institutions and centers are connected including 122 schools and 103 health centers. In addition, the project is supporting the government to improve sustainability of woodland management, to implement demand-side management using compact fluorescent lamps (212,064 CFLs distributed), and to introduce energy efficient cooking devices (607,183 efficient wood and charcoal cook stoves distributed).

For participating rural communities, the availability of modern energy services is allowing children to do their homework at night, women to have better health services and security at night, and a whole range of income generating activities are emerging from ice making , food processing to rural telephony, with markets now open even at night for business.

Success factors

The effective mobilization of local private sector operators, women associations, and community organizations in the delivery of energy services has tremendously contributed to the success of this project.

- *Local private operators are the driving force of this project*. They have provided an average matching co-financing of 25% of the financed schemes. Forty one (46) projects are financed so far through this approach, and about 30 business plans are under processing for their technical and financial viability.

- *Women associations are also playing an important role in remote communities as providers of energy services*. Women associations after receiving training in basic accounting in local language, provided by NGOs financed through the project, manage multifunctional platform pre-electrification initiatives. Sixty four (64) communities are currently benefiting from these services resulting in 7,200 connections.

- *Community organizations are at the center of the woodland management initiatives.* Through woodfuels supply master plans, community organizations are active in woodland management. About 717,094 hectares are under community-based woodland management and 252 rural wood markets have been created to help reduce pressure on the exploitation of forests for woodfuels production.

Lessons learned

- *Simple program design based on contextual conditions and constraints*. Experience in energy access expansion programs in Mali has demonstrated that simplifying design is important to ensure effective and successful implementation. Institutional arrangements should be functional, and subsidy mechanisms and delivery models should be easy to implement. Complicated designs usually fail because of weak institutional capacity in implementation and lack of readiness of legal and regulatory frameworks.
- *Importance of a clear Government energy strategy is required*.   A clear government strategy accounting for consumer choice, cost-reflective pricing, initiatives to remove first-cost barriers, and participation of local communities is required to promote the use of electricity services in rural communities.
- *Public/private partnerships and role of local communities*. Well-designed public/private sector partnerships are more effective in building and maintaining rural electrification services than public sector programs alone. The core of the rural electrification strategy is based on the Government setting up the objectives, policies, and regulations, whereas the implementation is left to the specialized public entities, local communities (in part through cooperatives), NGOs and to the private sector.

Scalability and replicability of experience

The successful experience of the spontaneous bottom up projects has demonstrated the potential of local private sector operators, women associations and community based organizations as key actors of rural electrification. Pre-requisites for scale-up and replication of this experience are: (i) a clear government strategy and commitment; (ii) an adaptable rural energy agency able to work with local as well as foreign operators; and (iii) an adequate and predictable financing through an established rural energy fund.

Turning the Water on in Burkina Faso's Capital City

The Ouagadougou Water Supply Project helps turn a public utility into a smooth operator.

Ouagadougou's clean drinking water was running out. The city's population had more than doubled between 1985 and 2000—from 436,000 inhabitants to 980,000 inhabitants—and it was now supporting 40 percent of the country's urban population. Moreover, this population surge promised to go on for at least another decade.

Water delivery was already sporadic, and only 30 percent of the population was connected to the water supply system. The National Water and Sanitation Utility (ONEA), a public utility, was responsible for water supply and sanitation in urban areas. But while ONEA was technically capable of managing the water supply systems, it didn't have the resources to quench the growing demand for water in Ouagadougou. The government knew it had to act to boost the city's water supply and strengthen management of its urban water sector.

Burkina Faso's government asked for support; and the response of the Bank and 11 other donors resulted in the IDA-financed *Ouagadougou Water Supply Project*, an integrated investment program.

Achievements

The project has succeeded in delivering a steady water supply to a wider population and is a major step on the path to meeting the water MDG.

- The number of Ouagadougou residents with household connections to piped water more than tripled in six years, from 300,000 in 2001 to 1,040,000 people in 2007. Ninety-four percent of the city's population—1,480,000 people—now has access to safe water.

- And the supply is dependable. Compared to 2001 when the water service in Ouagadougou was chronically intermittent and weak, full-pressure service is now ensured 24/7.
- Sector management has also improved significantly. One of the project's actions was to implement a service contract with a private operator. Now, in addition to providing a steady water supply, ONEA's accounting is in order: the annual financial reports are on time and in accordance with international standards; the bill collection ratio has increased from 86% in 2001 to 95.4% in 2007; and unaccounted-for-water (UFW) was stabilized at 18 percent, which compares well to the best performing water utilities in Sub-Saharan Africa.
- The financial equilibrium of the urban water sector has been restored, and ONEA is able to recover its O&M costs and its cash contribution to the capital expenditure program (Capex) from collected bills. The cash flow of the sector doubled from CFAF3 billion (US$6 million) in 2001 to CFAF6 billion in 2006 ($12 million, representing 30 percent of sales).
- Add to this the jump in the staff productivity index, which far exceeded the target of 230 connections per employee initially set for 2007 (the figure now stands at *810* connections), and it's no surprise that a 2007 survey of ONEA customers found that 85 percent of them were *highly satisfied* with their water service.
- Because of the Ouagadougou Water Supply Project, the ratio of access to safe drinking water in urban towns of Burkina Faso has increased from 57 percent in 1994 to 74 percent in 2007—a major step towards achieving the MDGs target of 80 percent in 2015

Key success factors/drivers of success

The *Ouagadougou Water Supply Project* was an integrated investment program that addressed technical and institutional factors, including the following:

- Developing new storage capacity to ensure a steady supply of water
- Expanding coverage by extending secondary and tertiary water distribution networks and by providing connections to low-income households

- Promoting efficiency by strengthening ONEA's capacity while using a service contract with an international water operator to manage ONEA's commercial, financial and accounting operations.

While assembling the technical and institutional features of the project, the project team addressed social and environmental aspects as well. Drawing on lessons from earlier projects in the region, they found the major risk factors then proposed ways to mitigate them.

Along with providing financing, the World Bank played a significant role in convening other donors around project preparation and funding, and guarantee the operation's technical soundness. Bank knowledge was also put to work to ensure that governance and fiduciary issues were addressed.

LEARN MORE
The Ouagadougou Water Supply Project (2001–2007) (Project ID P000306)

"Water for All" in Madagascar

The Rural Water Supply and Sanitation Pilot Project brings "eau pour tous" and revives a neglected sector.

Madagascar had big problems in the water supply sector in the 1990s: only about 12 percent of the 12.5 million people living in rural area in Madagascar had access to potable water and hygiene standards and community education were scarce, sporadic, and weak. Driving this already bad situation was a disorganized and uncoordinated sector that lacked any real policy, legal, regulatory, or operational framework. What the country needed was a strategy.

In May 1995, the government approved the Sector Strategy and Action Plan. The universal goal of this plan was to position the water supply sector as an engine of public health and social and economic progress. The immediate, local goals were to bring safe water and sanitation services to the country's population and ease the water fetching burden in rural areas. The strategy also hoped to raise the water supply level from 12% to 50% and the sanitation level from 5% to 30% by 2010.

But this agenda would require capacity, budget, and reform—especially as Madagascar struggled to meet its Millennium Development Goal of providing 52 percent of the rural population with access to potable water and sanitation by 2015.

The World Bank's Rural Water Supply and Sanitation Pilot Project was designed to support the country's strategy.

Achievements

With the project's help, the government passed a new water law that gave it the legal, institutional and policy framework to support its rural water supply strategy.

Meanwhile, on the ground, more water supply systems than originally planned were built and about 400,000 people (against 280,000 targeted at appraisal) gained access to safe water through the construction of 627 boreholes equipped with hand pumps and 320 gravity schemes.

In addition, Madagascar's sector delivery capacity increased as eight new NGOs were putting in about 300 new gravity systems per year, and international drilling companies were turning over about 350 boreholes per year.

A project impact survey carried out in May 2005 revealed the following (the result of several factors):

- Distance for fetching water decreased from about 3 kilometers to less than 500 meters.
- Average time spent fetching water was reduced by 40 minutes per trip.
- Water consumption almost doubled, from an average 9 lpcd to 17 lpcd.
- Water-borne diseases were reduced (cholera, by 100 percent; bilharzias, by 43 percent; and diarrhea, by 8 percent).
- The cost of medication was cut by 37 percent, equivalent to about US$9 per household per year.

Drivers of success

The government's commitment to tackling the problems of lack of water supply and sanitation
The Bank's support confronted the issues of institutional support, capacity building, and infrastructure development.

- First, the project advanced sector reforms by building the capacity of public institutions, NGOs, and the private sector.
- The project's physical component then addressed the urgent needs of some rural populations, in particular where extreme lack of water resources threatened residents with famine.
- The project design also drew from other successful experiences in the country and the region—for example, it replicated the experience of NGOs already active in the sector for *th*e gravity and hand pump schemes.

Bank involvement in this project was instrumental in putting rural WSS on the government radar screen. This was because it helped execute a project that delivered more reliable and sustainable service than was anticipated and by helping prepare a roll-out strategy.

Because of the project, water supply has become a priority at every level of Madagascar's society, and access to potable water is among the top five priorities on the government's agenda. In 2005, the government had endorsed the national WSS program (Programme National d'Accès à l'Eau Potable et à l'Assainissement-PNAEPA) aimed at reaching the MDG for the water and sanitation sector. This became known as "*Eau Pour Tous"* (Water for All).
Learn more
Madagascar Rural Water Supply and Sanitation Project (1997–2005)

Improving Health Outcomes: Rwanda's Performance-Based Financing Scheme

Using innovative approaches such as performance incentives to improve delivery of health services in a low income, post-conflict situation

Achievements:

- The 1994 conflict took its toll on Rwanda's health sector, and by the start of this decade the country had poor health indicators and one of the weakest health care systems in world. In 2005, the authorities moved boldly to adopt an innovative approach—pay-for-performance to health service providers—to address problems of underutilization and quality of curative, maternal, and child health care, as well as to improve delivery of HIV/AIDS services.
- Rwanda was successful in nationally scaling up implementation of this approach in the health sector—at both public and private health facilities.
- Impact evaluation shows that performance incentives contributed to improved delivery of health services—utilization and quality of healthy care. Incentives increased use of preventive health care by 64% to 133% for children aged 0-23 months and 24-59 months, respectively; and use of institutional facilities for child deliveries increased by an estimated 21%.
- The plan promoted a results-oriented culture in the health sector and fostered innovative solutions.

Key success factors/drivers of success:

- Employing evidence from three donor-funded pilots to help promote the national scale up of a performance-based financing scheme.
- Key elements of the framework that enabled a scale-up were: designing an incentive approach to enhance effort and foster innovation; standardizing the strategy and its application (fee structure, contracts, coverage of a core set of services); incorporating a performance-based financing (PBF) approach in strategic plans; developing an implementation plan; developing reliable, participatory, and cost-effective mechanisms to monitor results; using rigorous impact evaluations to assess the performance of the incentive scheme and mobilizing stakeholder support.
- Also important was the strong government commitment to good governance. The Rwandan government adopted measures to strengthen accountability, transparency and cost effective measures in government agencies. It also increased spending in priority sectors such health and other health related reforms addressing demand and supply-side constraints and appropriate macroeconomic management of the economy.
- Donor support in terms of PBF pilots and quantity and effective delivery of aid.

Challenges in implementing and managing the PBF scheme:

- Ensuring appropriate design of the incentive scheme while simultaneously adapting the scheme to changing priorities, capacity constraints and targeting the poorest segment of the population
- Avoiding negative spillovers to other parts of the health system.

***Challenges moving forward*:**

- Sustainability (results and financial)
- Encountering financial and other limitations of pay for performance schemes

- Addressing demand-side constraints contributing to underutilization of health services and quality

Lessons learned:

- The Rwanda case demonstrates that supply-side performance incentives can improve health sector performance in low-income, post-conflict situations. How are these lessons different from those of other successful PBF schemes? What is the scope for transferring the Rwanda experience to other LICs?
- Strong government commitment along with the design, implementation, management, monitoring, and evidence-based assessment are key drivers of success.
- This incentive scheme has implications for vertical programs that have components for strengthening health systems.

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Making Zambia a Malaria-Free Zone

The Zambia Malaria Booster Project is showing that one of Africa's most intractable public health problems can be controlled.

Malaria is a big problem in Africa and an even bigger problem in Zambia. Malaria has been Zambia's leading cause of morbidity and the second highest cause of mortality. Until recently, malaria accounted for 45 percent of hospitalizations, 40 percent of under-five mortality, and 20 percent of maternal mortality. And the productivity losses and worker absenteeism spawned by the diseased have triggered an estimated 1.5 percent loss in GDP.

Achievements

In 2006, the government launched the 2006–2011 National Malaria Strategic Plan. With a program implementation budget of over $169.5 million through 2010, the plan set ambitious targets for scaling up the national response to the disease, including:

- Reduce the incidence of malaria by 75 percent and child mortality by 20 percent
- Find treatment for at least 80 percent of new malaria cases within 24 hours of symptom onset
- Provide protective measures, such as treated bed nets or indoor spraying, for at least 80 percent of those at risk of malaria, particularly pregnant women and children under 5 years of age.

To bolster the government's malaria control agenda, the World Bank responded with the *Zambia Malaria Booster Project*—a venture designed to work hand-in-hand with Zambia's National Malaria Program.

Survey data show that the project's impact between 2006 and 2008 has been remarkable:

- Households with one long-lasting insecticide-treated bed net increased from 48% to 72%.
- Indoor residual spraying coverage increased from 15 (2006) to 36 districts (2008) and population coverage increased from 1.2 million to 3.5 million people.
- The percentage of children with parasitemia decreased from 28.8% to 10.2% as did the percentage with anemia from 13.3% to 4.3%.
- Malaria cases and deaths in children under five declined to 29% and 33% respectively; for all age groups, malaria cases declined 31% while deaths declined 37%.

Key Success factors/drivers of success

It was important to design the right support project for the government's bold agenda. The booster project has three components: (a) Strengthening the national health system to improve service delivery; (b) Community Malaria Booster Response**,** which focuses on community demand-driven interventions; (c) Program management, which includes building institutional capacity in the Ministry of Health. Overall, the project intended to increase access to and use of interventions for malaria prevention and treatment by the target population, especially children under the age of five years, pregnant women, and everyone infected with malaria.

In order to address weaknesses in the health system, particularly the human resource crisis, planners incorporated several health system interventions in the project design, including an HR retention scheme and support for the district health management team.
Procurement presented another weak area, so the project structure had to include new ways of handling the large quantities of goods to be accommodated in the system.

Communities wanted support to develop activities that would promote health, including awareness campaigns, cleaning up breeding sites, and transporting malaria cases. Planners knew that empowering communities would be a vital part of making outcomes sustainable.

Attract support for the government's program from other key partners.

Looking ahead
The program has launched a number of core interventions:

- Maintain coverage of preventive activities through support for the IRS campaign and LLIN procurements and distribution

- Increase utilization of existing nets through the strengthening of IEC/BCC for effective implementation and behavior change
- Improve case management through improved diagnostic capacity (procurement of RDTs and capacity building for health workers) and the strengthening of the logistics management system to improve commodity availability at health facility level
- Strengthen epidemic response and operations research
- So far financing has been from multilateral donors, therefore there is a need for financial sustainability

LEARN MORE
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