



The Africa Catalytic Growth Fund

The ACGF is a key tool to scale up aid in a partnership model.

The fund targets:

- removing binding constraints to growth
- tackling the hard to reach MDGs
- strengthening regional integration

Scaling Up Aid to Africa

The Africa Catalytic Growth Fund (ACGF) was launched in March 2006 to provide rapid, targeted support to countries with credible programs to accelerate growth, poverty reduction, and attainment of the Millennium Development Goals (MDGs). The fund is designed to complement efforts by African leaders and Africa's international partners to respond to the diversity of experience across the continent, using an innovative approach to achieve demonstrable impact.

The ACGF can be a key tool for scaling up aid in a harmonized and effective way. The ACGF is highly selective, focusing on a few countries at a time where an infusion of capital can scale up results by supporting outcome focused programs, catalyzing efforts by development partners, and identifying opportunities for spillover effects.

Targeting Resources and Achieving Results

The Fund targets countries and investments that can deliver results. There are three categories of entry points for accessing ACGF funds.

- **High performing countries** that can achieve higher growth rates and become regional "star players" by breaking a binding constraint to growth or reinforcing new export opportunities. Success in these cases would directly benefit neighboring countries in two ways: (a) growth externalities from fast-growing neighbors can substantially help landlocked, resource-scarce countries, and (b) demonstrating to other African states that growth acceleration is possible – with strong leadership coupled with substantial international support. High performers could be provided with a large temporary increase in aid, enabling them to solve immediate problems that present barriers to their development. Examples include increasing reliability of energy supply, or lowering exporting costs through key transport corridors.
- **Transformation countries** that can demonstrate recent and sustained commitment to reform based on strong political leadership, but where success may be limited by lack of capacity and resources to implement critical reforms. Success in these cases would motivate other countries to emulate improved economic governance leading to increased growth and poverty reduction. These countries can be provided with technical and financial assistance to lay the basis for sustained growth and help deliver hard to reach MDGs.
- **Regional integration** initiatives that can increase the supply of multi-country public goods or deliver growth opportunities. This is an area of great strategic need for Africa, due to its large number of land locked resource-poor economies and cross border issues. Success in these cases would address multi-country shared constraints to growth, bring together fragmented investments, and support missed opportunities in a regional context. Regional integration funding can be provided to participating countries or to regional institutions.

Enhancing IDA Support

The ACGF targets opportunities beyond those that can be supported by IDA. The Fund is intended to *augment* the impact of IDA assistance in a way that allows for flexibility to target support in a selective, systematic manner. Whereas an expansion of finance for IDA offers the prospect of *incremental* improvements in many countries based on demonstrated performance, the ACGF is intended to facilitate transformational change in a few countries at a time. The ACGF:

ACGF augments IDA assistance and is intended to facilitate transformational change in a few countries at a time.

- Enhances, does not replace, the IDA funding structure and objectives by maintaining country ownership and an integrated expenditure management system.
- Facilitates incipient transformational change in just a few countries at a time, through rapid and focused provision of funds.
- Maintains IDA quality.

Some Examples of ACGF Investments

The Fund targets countries and investments that can deliver results. Three examples of ACGF investments are:

Energy for a High Performing Country

The country is regionally important and has shown good growth performance over the past several years. Additional growth is constrained by poor reliability of electricity and inadequate coverage (especially in rural areas). Today, the country is poised at a cross-road, where it could make a quantum leap in electricity access (54% to 100%). This would require leveling the playing field among multiple providers and options. The ACGF would be used to accelerate this shift through both initial capitalization of strategic investments and institutional strengthening. The results would also help Government implement a new commercially-oriented and sustainable framework for increased access to affordable, reliable and adequate electricity. ACGF support can also be used as part of a broader approach to scaling up aid at the country level.

Accelerated Child Survival in a Transforming Country

The country has just emerged from decade long internal conflict. Since the end of the conflict, the conduct of macro policy has been conducive to sustained medium-term growth. The Government has a credible strategy for sustained reform which outlines the critical need to address shared growth and key health outcomes. The country is no longer eligible for IDA post-conflict or LICUS trust fund resources. The ACGF project would support the implementation of an Accelerated Child Survival and Development Program in order to reduce the level of under-five child mortality. The proposal would scale up the interventions that already exist in family and community-based care, population and outreach services, and individually oriented clinical care, focusing on under five mortality and child survival. The project would complement an on-going Health Reconstruction and Development Project (HRSDP) and leverage additional funding from UNICEF, both at the central and country level. It would additionally help to harmonize activities by different donors in the health sector, and across sectors in the country.

Better Governance at a Regional Level

The Africa Peer Review Mechanism (APRM) is a uniquely African initiative of the African Union (AU) to improve governance, voice and accountability, and accelerate socio-economic development through high level peer reviews of policies, institutions, and public actions in AU member countries. The APRM has completed the first reviews of Ghana and Rwanda. The initial results of the Ghana and Rwanda reviews are encouraging both for the depth and quality of the work underpinning the review and for the seriousness of the reviewed governments' response to their peers. ACGF would supplement the funds available for the technical work underpinning the peer review process and implementation of programs to address the problems identified by the reviews. ACGF funding offers an opportunity to accelerate the pace of the APRM, thereby attracting additional support from the development community.

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