ANNUAL REPORT 2017

PRESENTED BY:
MR. ANDREW N. BVUMBE
EXECUTIVE DIRECTOR
ON THURSDAY 12TH OCTOBER 2017 IN WASHINGTON, DC
1. Matters Arising from the minutes of the last constituency meeting
2. Regional context
   2.1 Recent economic developments
   2.2 Outlook for the medium term
3. World Bank Group Operations in Africa in FY17
4. Updates on Selected Policies and Strategies
5. Update on the Office Agenda 24
6. Issues requiring the attention of Governors
7. Conclusion
1. **MATTERS ARISING**

1.1 WBG strategy for engagement with MICs

1.2 Reengagement with Constituency countries
   (The State of Eritrea, Federal Republic of Somalia, Republic of the Sudan & the Republic of Zimbabwe)
   - The Constituency office will continue to support the reengagement process for all four countries.
   - Lifting of Sudan’s sanctions by the USA

1.3 Update on staffing in the office of the Executive Director
   - Appointment of 5 new advisors recruited from Somalia, The Gambia, Lesotho, Tanzania and Kenya
   - Two advisors from Swaziland and Eritrea expected to join the office before the end of 2017.
2. ECONOMIC DEVELOPMENTS & PROSPECTS

2.1 The global economy grew at 2.4%, slowest pace since financial crisis

2.2 GDP in SSA grew by 1.3%, the lowest in over two decades
   - Low commodity prices
   - Weak external demand
   - Inadequate supply of power
   - Drought
   - Security problems

2.3 Economic activity in SSA is expected to recover to 2.6% in 2017, due to
   - Modest rise in commodity prices
   - Strengthening external demand
   - More favorable weather conditions across the region
C. Prices for Precious Metals

![Graph showing prices for gold and platinum from June 2014 to June 2017. The graph indicates a fluctuation in prices with gold generally higher than platinum.]
### GDP Growth Rates

**Lowest growth in 20 years**

<table>
<thead>
<tr>
<th>Year</th>
<th>EMDEs</th>
<th>SSA excl RSA and Nigeria</th>
<th>SSA</th>
<th>Sub-Saharan Africa (SSA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>5.3</td>
<td>4.6</td>
<td>4.3</td>
<td>3.6</td>
</tr>
<tr>
<td>2015</td>
<td>4.3</td>
<td>4.3</td>
<td>3.6</td>
<td>3.1</td>
</tr>
<tr>
<td>2016E</td>
<td>3.6</td>
<td>3.5</td>
<td>3.1</td>
<td>1.3</td>
</tr>
<tr>
<td>2017F</td>
<td>3.5</td>
<td>4.1</td>
<td>2.6</td>
<td>1.3</td>
</tr>
<tr>
<td>2018F</td>
<td>4.3</td>
<td>4.1</td>
<td>3.2</td>
<td>1.5</td>
</tr>
<tr>
<td>2019F</td>
<td>4.8</td>
<td>4.4</td>
<td></td>
<td>1.5</td>
</tr>
</tbody>
</table>

*EMDEs* stands for Emerging Market and Developing Economies, *SSA* stands for Sub-Saharan Africa, and *SSA excl RSA and Nigeria* stands for Sub-Saharan Africa excluding RSA and Nigeria.

**2014**

- **EMDEs**: 5.3%
- **SSA excl RSA and Nigeria**: 4.6%
- **SSA**: 4.3%
- **Sub-Saharan Africa (SSA)**: 3.6%

**2015**

- **EMDEs**: 4.3%
- **SSA excl RSA and Nigeria**: 4.3%
- **SSA**: 3.6%
- **Sub-Saharan Africa (SSA)**: 3.1%

**2016E**

- **EMDEs**: 3.6%
- **SSA excl RSA and Nigeria**: 3.5%
- **SSA**: 3.1%
- **Sub-Saharan Africa (SSA)**: 1.3%

**2017F**

- **EMDEs**: 3.5%
- **SSA excl RSA and Nigeria**: 4.1%
- **SSA**: 2.6%
- **Sub-Saharan Africa (SSA)**: 1.3%

**2018F**

- **EMDEs**: 4.3%
- **SSA excl RSA and Nigeria**: 4.1%
- **SSA**: 3.2%
- **Sub-Saharan Africa (SSA)**: 1.5%

**2019F**

- **EMDEs**: 4.8%
- **SSA excl RSA and Nigeria**: 4.4%
- **SSA**: 3.2%
- **Sub-Saharan Africa (SSA)**: 1.5%

10/12/2017
2.4 Downward risks to economic recovery

- Tighter global financing conditions
- Weaker growth in major economies
- Curtailed foreign direct investments (FDI)
- Uncertainty over US policy on development assistance
- Fiscal slippages
- Unfavorable weather
- Rising debt levels leading to debt distress
3. WBG OPERATIONS IN AFRICA

3.1 Total commitments of WB (IBRD & IDA) declined by USD 3.7 billion to USD 42.1 billion in FY17

- **IBRD**
  - Commitments declined by 24% to US$22.6 billion
  - Commitments to SSA rose by US$0.4 billion.

- **IDA**
  - Commitments rose by 20.4% to US$19.5 billion.
  - Commitments to SSA rose by US$2.0 billion
  - SSA accounted for more than 50% of the commitments in FY17

3.2 IBRD & IDA disbursements declined by USD 5.1 billion in FY17
CONT’

3.3 IFC
- Commitments rose by 2.4% to US$19.3 billion.
- Commitments to SSA rose by US$1.1 billion to US$ 3.5 billion.
- SSA represents 15% of IFC’s total committed portfolio.
- IFC expects to outperform FY17 based on a build up in the pipeline targeted at manufacturing, Agribusiness, services and infrastructure.

3.4 MIGA
- New guarantees issued amounted to US$4.8 billion being a 13.7% increment.
- 45% were in IDA eligible countries and 21% in Fragile and Conflict-Affected Situations (FCS).
- US$1.0 billion went to SSA countries however representing a 20% decline from FY16.
- The Africa group 1 constituency benefited from only 5.3% of the SSA guarantees.
## MIGA Guarantees in Sub-Saharan Africa – FY17

<table>
<thead>
<tr>
<th>Name of beneficiary Country</th>
<th>No. of Projects</th>
<th>Sector</th>
<th>Guarantee Amount (US$ million)</th>
<th>In percent of SSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa Group 1 (Total)</td>
<td>6</td>
<td></td>
<td>55.3</td>
<td>5.3</td>
</tr>
<tr>
<td>Burundi</td>
<td>3</td>
<td>Agribusiness</td>
<td>5.6</td>
<td>0.5</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>1</td>
<td>Manufacturing</td>
<td>5.4</td>
<td>0.5</td>
</tr>
<tr>
<td>Zambia</td>
<td>2</td>
<td>Infrastructure, Agribusiness</td>
<td>44.3</td>
<td>4.2</td>
</tr>
<tr>
<td>Other SSA</td>
<td>5</td>
<td>Infrastructure, Oil and Gas, Financial</td>
<td>988.3</td>
<td>94.7</td>
</tr>
<tr>
<td><strong>Total SSA</strong></td>
<td><strong>11</strong></td>
<td></td>
<td><strong>1,043.6</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: MIGA
4. UPDATES ON SELECTED POLICIES & STRATEGIES

4.1 The 2015 Voice and Shareholding Review and Capital Adequacy

- Focus on the size of the Selective Capital Increase (SCI) for the IBRD, and the allocation rules.
- Consensus on limiting dilution to 10% and protection of the small low income members.
- Board is also exploring long term financial sustainability of the WBG particularly on raising capital of IBRD & IFC.
- IFC’s consultation process has commenced, awaiting feedback from Governors.
- There is an urgent need to raise capital for IFC given the near depletion of strategic deployed capital.
- The long-term capital adequacy of the IBRD is critical for delivery of the Forward Look Strategy.
CONT’

4.2 The Forward Look

◦ The Agile Bank
◦ The IFC-MIGA Private Sector Window (PSW)
◦ The IDA Refugee Sub-Window
◦ The Debt Sustainability Framework
4.3 The Environmental Social Framework (ESF)

- Development of procedures, systems and evaluation mechanisms for the ESF is underway
- WB in the process of determining the methodology for assessing borrowers safeguard frameworks
- Capacity building in borrower countries and use of country systems
- Borrower awareness raising workshops scheduled for January 2018
4.4 Diversity and Inclusion

◦ Targets achieved on racial diversity at the professional level, with nationals from SSA and the Caribbean, at 12.4%

◦ The challenge of the missing middle remains.
5. CONSTITUENCY OFFICE AGENDA 24

5.1 Country portfolio reports

- Office continues to follow up on the quality of country portfolio with Staff.
- Quarterly reports being shared with Constituency countries - need to monitor the performance of the portfolio for impact and results on the ground.
5.2 Financing for Development

(Enhanced WBG resource flow, support for stronger domestic resource mobilization and reduced illicit financial flows in constituency countries)

- Office is closely following up with Management on the available instruments to enhance domestic resource mobilization, including combating Illicit Financial Flows.
- Countries will be updated accordingly.
- Some countries have also benefited from the IDA Scale Up Facility
- The office continues to urge MIGA and IFC to scale up their operations in Africa Group 1. The PSW pipeline is critical.
5.3 The Office will continue to advocate for the pipeline of middle managers from Africa.

5.4 The Office stands for the protection of small LIC’s from dilution of their capital in the 2015 Shareholding Review

- The conclusion of the 2015 Shareholding Review and Capital Adequacy by 2018 (In accordance with the Lima Road map)
6. ISSUES REQUIRING THE ATTENTION OF GOVERNORS

6.1 General Capital Increase under the 2010 Shareholding Review

- The deadline is **March 16 2018**.
- Governors are reminded to subscribe to prevent dilution of shareholding and shrinkage of the voting power of Africa Group 1 Constituency.
- Letters were circulated to the Hon. Governors and we have included a copy of the same in your packages.
6.2 IFC Selective Capital Increase

◦ There is ongoing consultation on SCI for IFC.
◦ We circulated letters to Governors to consult on your position as regards the SCI for IFC and included the letters in your packages.
◦ The Board requires feedback to the question below by Oct 23, 2017;
  ❖ If a Selective Capital Increase for the IFC were to take place, would you be willing to participate? (Yes or No)
    ➢ If yes, would you be seeking to maintain or increase your current shareholding?
    ➢ If no, would you be supportive of others participating even if it resulted in a relative decrease in your shareholding?
6.3 Maintenance of value letters to Governors

- In September, the Corporate Secretariat sent out reminders on obligations to be settled on maintenance of Value on National Currency Capital Subscriptions.
- We have included copies of these letters in your packages for ease of reference.
- We urge Governors to settle the outstanding obligations by June 30, 2018.
6.4 African caucus survey

- We remind you Honorable Governors to kindly submit your responses to the Survey that we believe will help us to improve the conduct of business of the African Caucus.
7. CONCLUSION

Let me express my appreciation to you, Honorable Governors for your guidance and support.

I also appreciate your warm welcome to your respective countries during my missions.

I assure Governors that I will complete my mission to the countries I have not visited, in the remaining period of my tenure.

I am committed to enhancing engagement between our countries and the WBG.

Thank you.