ANNUAL REPORT 2017

AFRICA GROUP I CONSTITUENCY

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Executive Director

Botswana – Burundi – Eritrea – Ethiopia – Gambia, The – Kenya – Lesotho – Liberia – Malawi – Mozambique – Namibia Rwanda – Seychelles – Sierra Leone – Somalia – South Sudan – Sudan – Swaziland – Tanzania – Uganda – Zambia – Zimbabwe

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Acronyms and Abbreviations

AfDB	African Development Bank
AFG1	Africa Group 1 Constituency
AIMM	Anticipated Impact Measurement and Monitoring
CRW	Crisis Response Window
D&I	Diversity and Inclusion
DFF	Development Finance Forum
DRM	Domestic Resource Mobilization
DSA	Debt Sustainability Analysis
DSF	Debt Sustainability Framework
EAP	East Asia and Pacific
ECA	Europe and Central Asia
EMDEs	Emerging Markets and Developing Economies
ESSF	Environmental and Social Safeguards Framework
FCS	Fragile and Conflict-Affected States
FCV	Fragility, Conflict and Violence
FDI	Foreign Direct Investment
FY	Fiscal Year
GCI	General Capital Increase
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IFIs	International Financial Institutions
IMF	International Monetary Fund
LAC	Latin American and Caribbean
LICs	Low Income Countries
MCPP	Managed Co-Lending Portfolio Programs
MDBs	Multilateral Development Banks
MENA	Middle East and North Africa
MICs	Middle Income Countries
MIGA	Multilateral Investment Guarantee Agency
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
PSW	Private Sector Window
SAR	South Asia Region
SCI	Selective Capital Increase
SDGs	Sustainable Development Goals
SDR	Special Drawing Rights
SMP	Staff Monitored Program
SSA	Sub-Saharan Africa
US	United States
WBG	World Bank Group

Foreword by the Executive Director

It is with great pleasure that I present the 2017 Annual Report of the Africa Group 1 Constituency at the World Bank Group (WBG). This Annual Report is issued at a time when most regions of the global economy are showing signs of recovery, with the prospect for further growth over the medium term remaining positive despite lingering downside risks. As an economic regional bloc, Sub-Saharan Africa is poised to rebound to 2.6 percent in 2017, from the low growth of 1.3 percent in 2016, and strengthen over the medium term. Notwithstanding this positive outlook, the region remains vulnerable to spillover effects of fragility, shocks due to extreme weather conditions, and uncertain developments in commodity markets. Against this backdrop, it will be key for African countries to undertake the necessary measures to build resilience against these external headwinds, as they seek to sustainably uplift the welfare of their populations.

If African countries are to succeed in this quest, a fundamental reorientation in their economies must take hold. Africa's economic transformation must focus on the production and export of high-value products. Closing the infrastructure gap, especially in the energy and transport sectors, will be critical to facilitate this transformation agenda. Scaling up of investments in human capital development, and health will lay a strong foundation for sustained growth and inclusion. Further, improving the business environment, increasing agricultural productivity, and promoting agribusiness are other important aspects of Africa's economic transformation agenda, which need attention.

On its part, the WBG continued, in the fiscal year 2017 (FY17), to make efforts to become a bigger, better and more agile Bank that meets the needs of all its clients in an ever-evolving global landscape. The 18th replenishment of the International Development Association (IDA), or IDA18, with its historic package of US$75.0 billion is a welcome development for Africa's Low-Income Countries (LICs), countries facing Fragility, Conflict and Violence (FCV), and Small States. The notable inclusion of the special theme that was advanced by IDA's clients on Jobs and Economic Transformation presents an important opportunity for countries in our Constituency to raise their productivity, integrate their economies into regional and global value chains, deliver on poverty reduction and shared prosperity.

Under the WBG's Forward Look Strategy, progress has been made in streamlining internal processes with the view to enhancing the timeliness and efficiency of project delivery and to strengthen overall institutional agility. Noting the limitations of public sector financing and overseas development assistance (ODA), the WBG has adopted the *Cascade Approach*. This is a systematic model that seeks to maximize financing for development by crowding-in private sector financing, given the huge investments needed to achieve the Sustainable Development Goals (SDGs). This model is anchored on creating market opportunities for the private sector.

Other necessary efforts to make the WBG fit-for-purpose, however, remain critical. Of notable concern are the constraints being placed on WBG lending capacity by the existing capital base of the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC), coupled with the prolonged discussions around the 2015 Shareholding Review. In a bid to preserve its Triple A status, IBRD commitments have been strategically reduced as the institution's lending capacity approaches its limit. In view of the strong client demand for investments to meet the SDG targets, my Office is calling and advocating for a capital increase at the IBRD and IFC and a decisive conclusion of the 2015 Shareholding Review by the 2018 WBG/IMF Spring Meetings. The Constituency Office has also continued to advocate for an engagement strategy with Middle-Income Countries (MICs), given the commitments in the Forward Look Strategy to attend to the needs of all client groups. The Office continued to seek progress with the re-engagement of four of our Constituency countries (State of Eritrea, Federal Republic of Somalia, Republic of the Sudan, and Republic of Zimbabwe) with the WBG. These countries have special needs. Progress has been made for some countries and we are cautiously optimistic for successful outcomes for all these countries.

The Constituency Office continues to call on the WBG to meet the needs of all its clients and shareholders in the critical areas of need, including those relating to the refugee crises, Domestic Resource Mobilization (DRM) and illicit financial flows. I am pleased to inform Governors that Board consultations on the application of the Refugee Sub-window, to repond to the needs of refugees and host countries, commenced in September 2017. This will see engagement in the first round targeting eight countries with assistance, including the Republic of Uganda and the Federal Republic of Ethiopia in our Constituency. We are hopeful that through these operations the pressing needs of refugees and host countries will be urgently addressed. The Office continues to advocate for the plight of the Internally Displaced Persons, that remain at risk of being forgotten in these crises. As regards DRM and illicit financial flows, admittedly, more efforts are required by the WBG and other Multilateral Development Banks (MDBs) that jointly committed in the Addis Ababa Action Agenda to respond to this important matter at the country, regional and international levels.

This Annual Report provides further highlights on these, and other, issues pertinent to our development agenda. I hope Honorable Governors and other interested shareholders will find the 2017 Annual Report both informative and useful.

Andrew N. Bvumbe
Executive Director

Executive Summary

The global economy continued to expand slowly in 2016, growing by 2.4 percent, from 2.7 percent in 2015. This was the lowest growth ever registered in the post-crisis period, and was primarily due to stagnant global trade, subdued investment, and heightened policy uncertainty in major economies. Growth in advanced economies decelerated markedly while growth in Emerging Markets and Developing Economies (EMDEs) eased slightly. The global economy is projected to recover to the 2015 level, by growing at 2.7 percent in 2017, as world trade picks up. Growth is forecast to increase further to 2.9 percent in both 2018 and 2019. However, downside risks remain, including elevated policy uncertainties in major economies, such as trade protectionism, and possible disruptions in the global financial markets.

Commodity prices started rising in 2017, reflecting the combined effects of strengthening demand and OPEC-led oil production cuts. Price indices for all commodities rallied, with their knock-on effects expected to boost economic activity in commodity exporting countries. Against this backdrop, growth in EMDEs is projected to pick up to 4.1 percent in 2017, and increase further to 4.5 percent and 4.7 percent in 2018 and 2019, respectively. This positive outlook will offset the dampening effects of the gradual tightening of the global financial markets.

The Sub-Saharan Africa (SSA) region registered dismal economic performance in 2016, growing at 1.3 percent, due to subdued commodity prices. The growth outlook for the SSA region largely depends on the pace of recovery in commodity prices, investments in infrastructure development, and improvements in agriculture. Owing to these factors, growth in SSA is projected recover modestly in 2017, growing at 2.6 percent, then expanding to 3.2 percent and 3.5 percent in 2018 and 2019, respectively. The growth outlook for countries in Africa Group 1 Constituency in 2017 is broadly favorable, with 16 of the 22 countries expected to grow above 2.6 percent, the average for the SSA region.

In fiscal year 2017 (FY17), the World Bank Group (WBG) registered a decline in the lending operations by the International Bank for Reconstruction and Development (IBRD). This offset the increased commitments by the International Development Association (IDA). Total IBRD commitments declined by US$3.7 billion to US$42.1 billion, reflecting the impact of the reduction of commitments in all regions, except in SSA, where IBRD commitments rose by 26.9 percent. As with commitments, total IBRD and IDA disbursements in FY17 declined, falling by 17 percent to US$30.6 billion, from US$35.6 billion in FY16. The decline in the total disbursements was due to the combined effects of the fall in IBRD commitments, as well as changes in the World Bank Portfolio, which favored slower-disbursing Investment Project Financing (IPFs), over Development Policy Loans (DPLs). The decline in DPLs was partly due to the improved global economic.

The performance of the International Finance Corporation (IFC) in FY17 improved slightly, with an increase in both commitments and disbursements. Total commitments edged up by 2.4 percent to US$19.3 billion, from US$18.9 billion in FY16. Commitments in SSA rose to US$3.5 billion, due to expanded engagements with existing clients and entry into untapped markets. IFC disbursements in FY17 increased slightly to US$10.4 billion, from US$10.0 billion, due to the rise in commitments and improvements in clients' compliance with conditions for disbursements. In contrast, the amount of investments approved by the IFC Board dropped to US$16.0 billion, from US$18.3 billion due to uncertainties stemming from political and global economic developments. The operations of the Multilateral Guarantee Agency (MIGA) picked up in FY17, with new guarantees growing by 13.7 percent to US$4.8 billion, from US$4.3 billion in FY16. In FY17, MIGA supported 11 projects in the SSA region, of which six were in the Africa Group 1 Constituency.

During FY17, the Board of the Executive Directors discussed and approved key policies and strategies, including the Forward Look Strategy, the 2015 Shareholding Review and Capital Adequacy, and the Review of the Debt Sustainability Framework for Low Income Countries (DSF-LICs). The WBG registered progress in implementing the Forward Look Strategy across all its pillars. For instance, WBG has initiated pilots to improve the World Bank's internal processes. Discussions on the 2015 Shareholding Review and Capital Adequacy resulted in further convergence around the principles for the Selective Capital Increase (SCI) for IBRD and IFC. Executive Directors will continue with these discussions with the view to reaching agreement on a set of proposals that will consider both the objective of the Voice Reform to realign shareholding with economic realities as well as the need to meet the capital requirements of IBRD and IFC. In accordance with the timeline set in Lima Peru in 2015, Governors will be presented with a package of proposals at the 2018 WBG and International Monetary Fund (IMF) Spring Meetings.

The Boards of Executive Directors of the WBG and IMF approved the Review of the DSF-LICs, aimed at enhancing the predictive capacity of the Framework. The review responds to calls by stakeholders to preserve sustainable debt levels, while leveraging borrowing opportunities to finance growth-enhancing investments. The DSF-LIC will take effect in July 2018, preceded by the issuance of an updated Staff Guidance Notes and capacity building for client countries.

Constituency Governors met for their 14th Statutory Constituency Meeting on April 20, 2017, on the sidelines of the 2017 WBG and IMF Spring Meetings. They discussed the outcome of the IDA18 Replenishment and the attendant policy package and implementation issues. They further approved their statement to the Development Committee, which focused on climate change; refugee crises; rising client demand for WBG resources; as well as the need to protect small and poor states against dilution in the 2015 Shareholding Review process. In August 2017, Governors of the IMF and the WBG, converged in Gaborone, Botswana for the 2017 African Caucus Meeting. They discussed economic policies and strategies under the theme "Economic Transformation and Job Creation: A Focus on Agriculture and Agribusiness". The outcomes from these deliberations are reflected in the *Gaborone Declaration* and the *2017 Memorandum of African Governors to the Heads of the Bretton Woods Institutions*.

Lucia Boki fetches water at a borehole in the village of Bilinyang, near Juba, South Sudan. Photo- Arne Hoel./World Bank Group

Farmers harvest their crops near Kisumu, Kenya. Photo- Peter Kapuscinski/ World Bank Group

Chapter 1

Economic Developments and Prospects

- **Global Economic Performance**
- **Economic Performance in Advanced Economies**
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- **Economic Performance in Africa Group 1 Constituency Countries**
- **The Medium-Term Outlook**

Chapter 1

Economic Developments and Prospects

1.1 Overview

This Chapter takes stock of economic developments in 2016 and presents an interim assessment of global economic developments in the first half of 2017. The Chapter also presents the medium-term outlook and the risks thereof for the various global regions.

The global economy, which hit a soft patch in 2016, grew by 2.4 percent, marking the slowest growth ever recorded in the post-crisis years. The slower growth reflects the combined effects of sluggish global trade, weak investment and heightened policy uncertainties in major economies.

Activity in the global economy is expected to slightly improve to 2.7 percent in 2017, and is projected to pick up further to 2.9 percent in both 2018 and 2019. The anticipated uptick in global economic activity is premised on the modest recovery of commodity prices, on the back of a pickup in global trade and industrial production.

1.2 Global Economic Performance

The global economy grew at its slowest pace in 2016 since the global financial crisis, at 2.4 percent, reflecting a significant slowdown in advanced economies and a modest softening of growth in Emerging Markets and Developing Economies (EMDEs). Growth in advanced economies decelerated to 1.7 percent in 2016, as the pace of economic activity in the United States dipped to 1.6 percent, from 2.6 percent in 2015 (Table 1.1). Economic expansion in the Euro Area and Japan during 2016, remained broadly unchanged at 1.8 percent and 1.0 percent, respectively. Collectively, economic growth in 2016 in advanced economies slowed down by 0.4 percentage points to 1.7 percent, compared to the 2.1 percent growth outturn in 2015.

In comparison, growth in EMDEs in 2016 marginally inched downwards by 0.1 percentage point to 3.5 percent, as performance in the commodity exporters remained subdued, while commodity importers broadly maintained their pace of expansion. Growth in commodity exporting countries edged upwards to 0.4 percent from a low 0.3 percent in 2015, while the commodity importing countries maintained a strong pace of growth at 5.7 percent. Brazil, Russia, and Venezuela remained trapped in recession for the second year in succession as their economies contracted amid mounting domestic and geopolitical challenges.

Commodity prices, particularly of fossil fuels, remained low in 2016, reflecting a supply glut among commodity producers, amid continued weaker demand from the slowly growing EMDEs (Figure 1.1). The price of crude oil fell by more than 50 percent to US$42.80 per barrel, when compared to the five-year average of US$92.00 per barrel. The persistently low oil price in 2016, weighed down the performance of oil exporters, narrowing their fiscal space for social and economic spending. Low commodity prices accounted for some of the slowdown of growth in the Sub-Saharan Africa (SSA) region, which recorded its lowest post-crisis growth of 1.3 percent in 2016, as economic activity in the region's largest economies of Angola, Nigeria, and South Africa remained subdued.

In 2016, the prices for metals and minerals fell modestly from their 2015 levels, with the commodity price index shedding 7.2 percent. This fall was driven by the supply glut in producing countries, as demand in EMDEs softened. In contrast, prices of agricultural commodities remained broadly unchanged from their 2015 levels.

During the first half of 2017, commodity prices started edging upwards, helped in part by the strengthening demand in advanced and emerging economies and the cap in oil supply spearheaded by the OPEC-led oil production cuts. Consequently, the market for crude oil rallied causing the average price to climb to US$51.20 per barrel in the first half of 2017, from an average of US$42.80 per barrel in 2016. The base metals index garnered 17.0 percent, while the index for agricultural commodities increased marginally by 0.3 percent. As commodity prices firm, growth in commodity-exporting EMDEs is projected to notch up to 1.8 percent from a lackluster 0.4 percent in 2016. Further impetus to growth in the commodity-exporting economies hinges, however, on continued recovery in advanced economies, as well as on robust growth in commodity-importing EMDEs.

Global inflation declined slightly in 2016 to 1.3 percent, down from 1.4 percent in 2015, partly reflecting the secondary effects of subdued energy prices on core inflation in major economies. Annual inflation in EMDEs fell to 2.3 percent in 2016, from 2.5 percent in 2015. In the first half of 2017, global inflation rose modestly to 2.3 percent, reflecting the effects of rising oil prices. Over the same period, the general pace of price increase in EMDEs edged upwards to 3.4 percent.

The medium-term prospect of the global economy is broadly favorable, with real activity forecast to recover to 2.7 percent in 2017, from 2.4 percent in 2016, and then strengthening to 2.9 percent in both 2018 and 2019. Growth is forecast to gather momentum in both advanced economies and EMDEs due to the strengthening in global trade, firming commodity prices, and benign financing conditions. Growth in the SSA region is forecast to strengthen to 2.6 percent in 2017, from 1.3 percent in 2016, and is forecast to strengthen further to 3.2 percent and 3.5 percent in 2018 and 2019, respectively. Nevertheless, the global economy faces downside risks that cloud this upbeat outlook, including trade protectionism, elevated policy uncertainty in major economies, and possible disruptions in the global financial markets.

Table 1.1: Global Economic Performance and Outlook

	2014	2015	2016^{e}	2017^{f}	2018^{f}	2019^{f}
Real GDP Growth (%)[1]						
World	2.8	2.7	2.4	2.7	2.9	2.9
Advanced Countries	1.9	2.1	1.7	1.9	1.8	1.7
Emerging Markets and Developing Economies (EMDEs)	4.3	3.6	3.5	4.1	4.5	4.7
BRICS[2]	5.1	3.9	4.2	5.0	5.2	5.4
Commodity Exporting EMDEs	2.2	0.3	0.4	1.8	2.7	3.0
Inflation (%)[3]						
World	2.1	1.4	1.3	2.3	-	-
Emerging Markets and Developing Economies (EMDEs)	4.5	2.5	2.3	3.4		
Commodity Exporting EMDEs	3.6	3.9	3.5	3.6	-	-
Other EMDEs	2.9	1.0	1.1	3.1	-	-
Commodity Prices						
Non-Energy Commodity Price Growth (Percentage Change)	-4.6	-15.0	-2.6	4.0	0.7	1.0
Oil Price (US$ Per Barrel)	96.2	50.8	42.8	55.0	60.0	61.5
Oil Price Changes (Percentage Change)	-7.5	-47.3	-15.6	23.8	5.7	5.4
Interest Rates						
US Dollar, 3-Months	0.23	0.3	0.7	-	-	-
Euro, 3-Months	0.0	0.0	-0.3	-	-	-

Source: World Bank

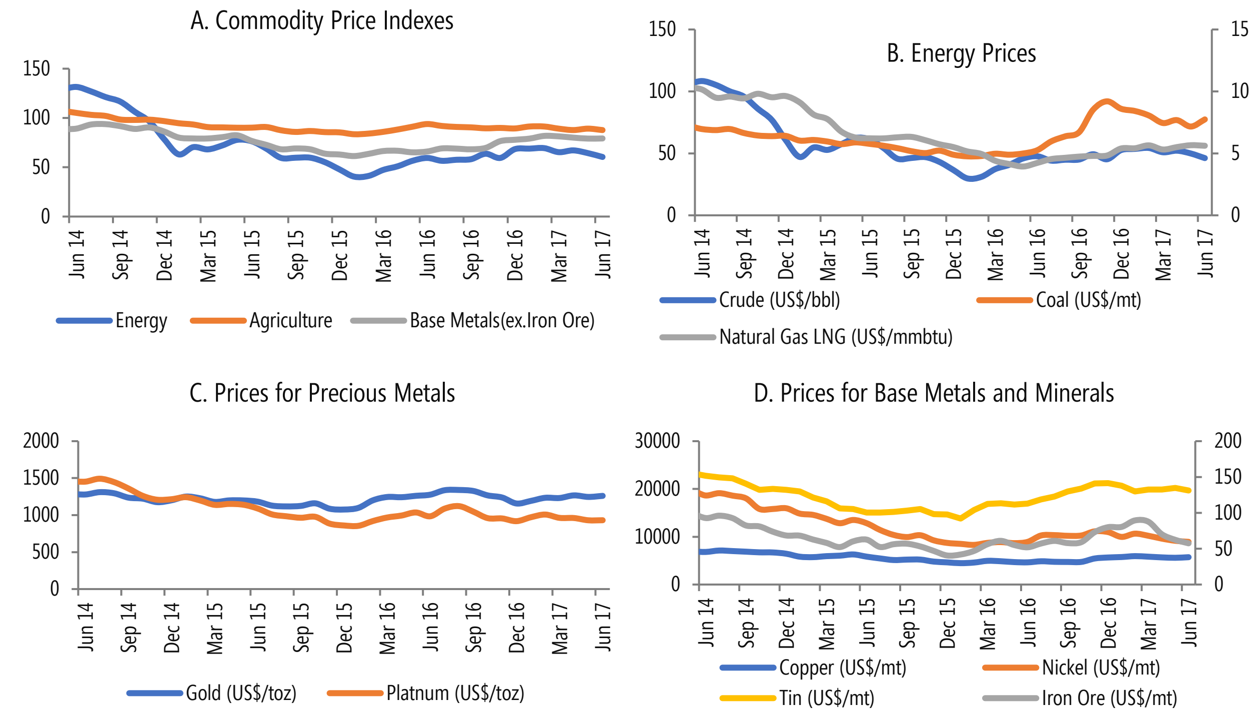
Notes: e=estimate, f=forecast

(1) Real aggregate GDP growth rates are calculated using constant 2010 US dollar GDP weight.

(2) BRICS block comprises Brazil, Russia, India, China, and South Africa.

(3) Inflation figures for 2017 are up May.

Figure 1.1: Commodity Prices



Source: World Bank

1.3 Economic Performance in Advanced Economies

Growth in advanced economies slowed to 1.7 percent in 2016, down from 2.1 percent in 2015, owing to renewed policy uncertainty, weak productivity growth, and sluggish external demand, which dampened export growth (Table 1.2). Economic activity in advanced economies is expected to expand by 1.9 percent in 2017, as investment and exports gain steam. Growth is projected to pick up in the United States and Japan, and remain broadly stable in the Euro Area.

The US economy hit a soft patch in 2016 after growing by 1.6 percent, a percentage point below the 2.6 percent growth outturn in 2015. Weak private investments, particularly in the energy sector was triggered by low oil prices, while export and manufacturing growth eased due to an appreciation of the US dollar. The US labor market tightened as activity picked up in the run up to the November 2016 elections, culminating in a gradual increase in wage growth. Notwithstanding the subdued growth, the economy gravitated towards full employment[1].

Economic growth in the US is forecast to pick up pace to 2.1 percent in 2017, despite transitory weaknesses in consumer spending in the first quarter induced by higher inflation, unusually warm weather and slower tax refunds. The uptick in economic activity during the rest of 2017 is due to a modest strengthening in consumer spending, which is supported by the improving labor market, gains in capital stocks and housing prices, lower household debt service, and modest firming of business investment, and trade.

[1] Full employment in the US economy is estimated at an unemployment rate of 5.0 percent.

The Euro Area economy grew by 1.8 percent in 2016, as manufacturing and goods exports benefited from the strengthening global trade, investment and domestic demand. This was slightly below the 2015 growth of 2.0 percent. Accommodative monetary policy continued to support domestic demand by stimulating credit, lifting inflation expectations, and spurring gradual recovery.

Growth in the Euro Area in 2017 is projected to remain below the 2016 level, declining slightly to 1.7 percent. This growth is supported by buoyant domestic demand, driven by accommodative monetary policy. GDP growth in 2018 and 2019 is projected to remain around 1.5 percent, with domestic demand being the key driver of this growth. Business investment should rise as foreign and domestic demand improves and financing conditions remain supportive. Residential investments are expected to keep recovering, supported by growing disposable incomes. Household spending will continue to be robust, aided by favorable bank lending and improving labor market conditions. However, higher inflation could limit gains in real disposable incomes. Exports are projected to strengthen as global trade picks up. The current account surplus for the Euro Area is likely to decline marginally, with a projected continuation of large current account surpluses in Germany and the Netherlands.

The Japanese economy grew by 1.0 percent in 2016, as investments and exports rose modestly, while private consumption recovered partially. While labor shortages led to a modest pickup in wage growth, the rising share of part-time employment and low inflation expectations partly reversed the gains. In addition, the appreciation of the Japanese yen in the first months of 2016 weighed in on the country's export and investment growth. The yen, however, depreciated rapidly towards the end of 2016.

Economic growth in Japan is projected to edge upwards to 1.2 percent in 2017, 0.2 percentage point higher than in 2016. This will be aided by improving global trade and a weaker yen that is expected to boost exports and business investments as corporate profits rise. While monetary and fiscal policies are expected to remain supportive, solid employment growth is expected to boost domestic demand. However, private consumption may remain weak, with modest wage growth despite a tight labor market. Since the impact of structural reforms on the economy accrues gradually, and the ability of the monetary policy to stimulate the economy by buying government debt will become increasingly limited, the Japanese authorities will, therefore, be compelled to rely heavily on fiscal stimulus to spur growth and/or counter any significant shock to the economy. However, fiscal tools are likely to encounter two limitations: first, Japanese demographics are unfavorable owing to shrinking and ageing population amid unusually low net immigration; and second, the unprecedently high public debt, at 219 percent of GDP, will limit the room for more fiscal stimulus[2].

Table 1.2: Real Output Growth in Advanced Economies (%)

	2014	2015	2016[e]	2017[f]	2018[f]	2019[f]
Advanced economies	1.9	2.1	1.7	1.9	1.8	1.7
Euro Area	1.2	2.0	1.8	1.7	1.5	1.5
Japan	0.3	1.2	1.0	1.2	1.0	0.6
United States	2.4	2.6	1.6	2.1	2.2	1.9

Source: World Bank
Notes: e = estimate; f = forecast

[2] OECD (2017), *OECD Economic Surveys: Japan 2017*

1.4 Economic Performance in Emerging Markets and Developing Economies

Output in EMDEs grew by a record post-crisis low of 3.5 percent in 2016, as low commodity prices held back commodity exporters, and country-specific factors weighed on commodity importers (Table 1.3 and Figure 1.2). Growth in all EMDE regions decelerated, except for the Middle East and North Africa (MENA) region. Output growth in SSA nosedived to 1.3 percent, from 3.1 percent in 2015. The Latin America and Caribbean (LAC) economy further contracted by 1.4 percent in 2016, from -0.8 percent in 2015. Economic activities in EMDEs are expected to expand by 4.1 percent in 2017, as global trade firms up, and commodity prices recover.

Economic growth in the Europe and Central Asia (ECA) region rose to 1.5 percent in 2016, following a record low growth of 1.0 percent in 2015. The Russian economy contracted by 0.2 percent in 2016, a slower contraction than the 2.8 percent registered in 2015. The slower contraction was driven by accommodative fiscal policy in which the fiscal rules were suspended, and capitalization of the banking sector. Due to Russia's economic dominance in the region, its contraction overshadowed the performance by other countries. Excluding Russia, ECA's growth rate was 2.3 percent, with most economies growing, except Azerbaijan and Belarus.

Economic activity in Eastern European countries recovered from the 2014-15 recession, with the Ukrainian economy growing by 2.3 percent, from a contraction of about 10.0 percent in 2015. This reflected an easing of the conflict in eastern Ukraine and the reforms implemented to stabilize the economy. Growth in the commodity importers in the region remained solid, due to strong domestic demand, supported by low energy prices, stronger investment, robust exports to the Euro Area, and improved labor market conditions.

In the first half of 2017, the ECA region gained growth momentum as economic activity and trade benefited from rising oil prices, benign global financing conditions, and robust growth in the Euro Area. Growth was also boosted by the supportive policies implemented by major economies in the region, including modest monetary easing in Russia. An acceleration of economic activity is expected in commodity exporters based on the strengthening of private consumption and investment, amid a rebound in commodity prices. The Russian economy is expected to expand by 1.3 percent in 2017, supported by consumption, as easing inflation raises real disposable incomes.

Growth in ECA, commodity importers is expected to move up modestly, and variations among countries will prevail. The accommodative fiscal policy will drive the Turkish economy to grow by 3.5 percent. Continued recovery in Russia is expected to benefit countries in the Eastern sub-region, except for Belarus, which faces growth constrained by higher public debt repayments and tighter fiscal policy. Infrastructure financing from the Euro Area will drive much of the growth in Central Europe's growth rate of 3.4 percent. On average, the regional economy is forecast to grow by 2.5 percent per annum, albeit with variations among countries.

The pace of economic growth in the Latin America and the Caribbean (LAC) region disappointed in 2016, as its contraction deepened further to 1.4 percent, from 0.8 percent in 2015. This contraction was mainly driven by lower commodity prices, rising costs of external financing, limited capital inflows, as well as domestic challenges. There were, however, variations in the growth rates across countries, reflecting different economic management strategies. The Brazilian economy continued to shrink in 2016. It contracted by 3.6 percent, slightly below the 3.8 percent contraction in 2015, due to subdued commodity prices and political uncertainty characterized by a multiplicity of corruption scandals. Similar factors led to the contraction of economic activities in Argentina and Venezuela. Tighter policies and reforms constrained growth in Argentina and Brazil, while persistent distortionary policies and low oil prices took a toll on Venezuela.

Data for the first half of 2017 point to the strengthening in the region's economic activity as global trade recovers. The LAC economy is projected to recover from a two-year recession, to register a growth rate of 0.8 percent in 2017. Regional private consumption and net exports are expected to contribute to growth, as commodity prices improve, countering possible declines in investment. The average growth, however, masks variations among LAC countries, given the significant influence of the Brazilian and Mexican economies in the region. Economic activity in Brazil is expected to moderately recover to 0.3 percent in 2017, after contracting by 3.6 percent in 2016. Growth in Mexico is expected to decelerate to 1.8 percent in 2017, amid uncertainty about US economic policy, particularly the potential impact of a renegotiation of the North American Free-Trade Agreement (NAFTA). Argentina's economy is projected to recover from a contraction of 2.3 percent in 2016, to register an expansion of 2.7 percent in 2017, which is supported by a scale-up in public investment, against a background of expected fiscal consolidation, and improved business sentiment.

Economic growth in the MENA region picked up in 2016 at 3.2 percent, from 2.8 percent in 2015, reflecting the continued impact of low oil prices. Low oil prices, accompanied by fiscal consolidation, translated to slow growth in the Gulf Cooperation Council (GCC) economies. Reduced budgets, due to low oil prices, and tightened liquidity in the banking sector, which relies on the public deposits, have weighed in on the non-oil sector. However, stronger-than-expected growth in the non-GCC oil exporters, such as Iraq and Iran, offset slower growth in the GCC oil exporters. Improved peace in Iraq and the partial lifting of sanctions in the Islamic Republic of Iran resulted in an increase in oil production and a stronger-than-expected growth in these countries. In addition, stronger growth in Iran was also supported by a recovery in agriculture, automotive production, trade and transport sectors.

Growth in the oil-importing countries of the MENA region slowed by a percentage point to 2.8 percent in 2016, but with variations among economies. On a fiscal year basis, growth in Egypt edged down to 4.1 percent due to slowdown in manufacturing, triggered by foreign currency shortages, and a slow pickup in the tourism sector after a 2015 plane crash in the Sinai Peninsula. Terrorist incidents and conflict spillovers weighed on the tourism industry in most commodity importers, except in Lebanon where it picked up due to the recovery of arrivals from Europe.

In 2017, the pace of economic activity in the MENA region is forecast to soften to 2.1 percent, as the dampening effect of the OPEC-led oil production cuts, more than offset the modest pickup in growth of oil importers. The cut will weigh on the economies of Saudi Arabia and Iraq, which have benefited from the volume increase in 2016. In Iran, limited capacity to increase oil production, compounded by difficulties in accessing finance, is expected to constrain the country's growth. While non-oil sectors in most oil exporters are likely to recover modestly in 2017, their absorptive capacity may be constrained by low private sector participation and weak governance frameworks for investors and corporations. The growth outlook among oil-importers remains clouded, with fiscal consolidation characterized by spending cuts in some countries and political uncertainties in others.

In East Asia and Pacific (EAP) region, growth registered a slower pace in 2016, at 6.3 percent, reflecting the balance between a gradual deceleration of the Chinese economy and a modest pickup in the rest of the region. The Chinese economy grew by 6.7 percent in 2016, a deceleration from 6.9 percent in the previous year. This reflects ongoing adjustments as the economy rebalances from investment to consumption, from external to domestic demand, and from manufacturing to services. Moderation of the Chinese economy is set to continue, with growth expected to decelerate further to 6.5 percent in 2017.

Growth in the rest of the EAP region, excluding China, was 4.8 percent, reflecting the balance between modest growth gains in commodity exporters and weaker growth in commodity importers. Accelerated implementation of public investment and buoyant service exports boosted growth in the Philippines, while improved confidence and export performance supported growth in Thailand and Cambodia, respectively. On the other hand, growth in the exporting economies of Lao PDR, Malaysia, Myanmar, Mongolia, and Papua New Guinea was weak, thereby offsetting gains from commodity exporters.

Growth in EAP is expected to moderate to 6.2 percent in 2017, as the ongoing adjustment in China continues, offsetting a gradual rebound in commodity exporters. EAPs' growth, excluding China, is expected to improve to 5.1 percent in 2017, from 4.8 percent in the previous year, premised on continued adjustment to low commodity prices, rebound in exports and stabilization of investment to its long-run average.

Real output in the South Asia Region (SAR) expanded by 6.7 percent in 2016, due to improved exports, low oil prices, infrastructure spending, and supportive macroeconomic policies. Growth in India, the largest economy in the region, slowed in 2016 by one percentage point to 6.8 percent, amid an unprecedented monetary experiment in November 2015 to withdraw and replace large-denomination local currency notes. This growth was essentially driven by infrastructure spending, robust government consumption, and favorable monsoon rains that supported agriculture and rural consumption. Growth in Pakistan edged higher to 5.2 percent, partly due to the rebound of agricultural output, as the adverse effects of drought faded. However, growth in some countries, notably Bangladesh, Sri Lanka, and Afghanistan, was held back by lower remittance inflows, weather vagaries, and security challenges, respectively.

Data point to the strengthening of activity in the SAR region in 2017, with real GDP growth expected to slightly exceed the 2016 rate of 6.8 percent, reflecting a combination of robust domestic demand, strengthening external demand, and strong foreign direct investment inflows. Indian economic activity is set to accelerate to 7.2 percent, as cash shortages ease, exports firm up, and increased government spending partially offsets the weak private investment. The Pakistani economy is expected to grow by 5.5 percent in 2017, supported by a stable macroeconomic environment and favorable weather conditions that will bolster agriculture production. Private investments are expected to increase due to the China-Pakistan Economic Corridor Infrastructure project.

Growth in SSA region significantly decelerated in 2016 to 1.3 percent, from 3.0 percent in 2015, reflecting the compounded effects of the low commodity prices, weak external demand, drought and security problems. While commodity exporters were the most impacted group of countries, growth in commodity importers remained steady. Oil exporters were hardest hit, as Chadian and Nigerian economies contracted by 7.0 percent and 1.6 percent, respectively, while Angola's economy stagnated. Additionally, pipeline attacks in Nigeria and low investment in Angola eased oil output, compounding the effects of low oil prices.

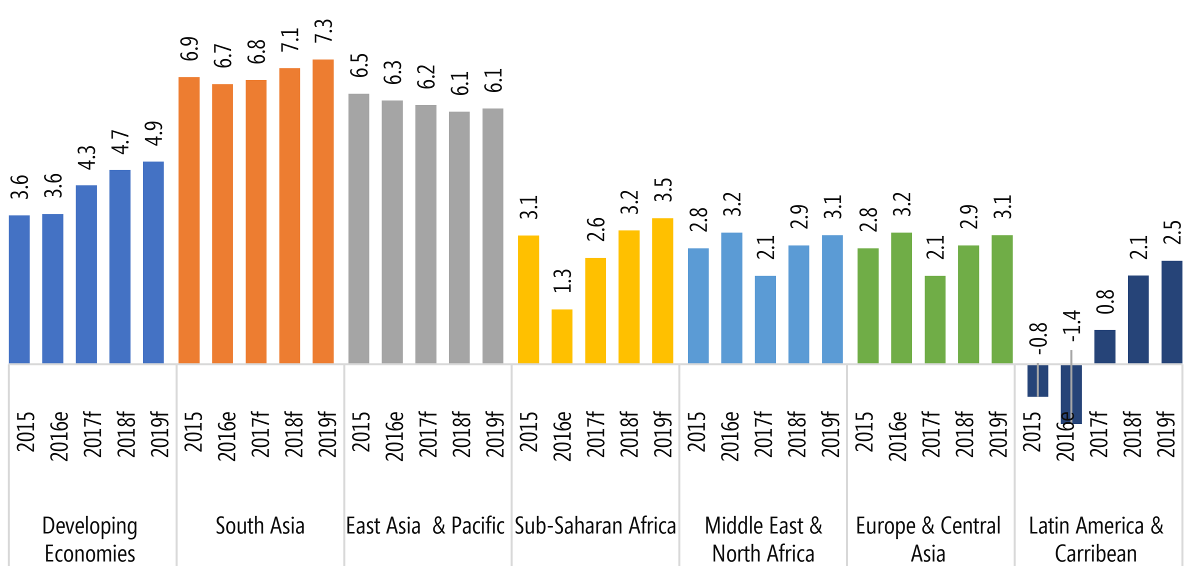
However, other oil exporters, notably Cameroon, maintained robust growth, bolstered by high public investment and oil production. Growth in South Africa, another powerhouse in the region, softened by a percentage point to 0.3 percent. The anemic growth was due to low commodity prices, heightened governance concerns, a debilitating drought and inadequate supply of power.

Moreover, metal exporters had difficulties in adjusting to the low commodity prices environment. Growth in the Democratic Republic of Congo and Mozambique slowed down markedly to 2.2 percent and 3.3 percent, respectively. In Mozambique, investor confidence waned amidst concerns about the extent of the public debt. The low price for iron ore affected the post-Ebola recovery in Guinea, Liberia, and Sierra Leone.

Strong public infrastructure investments, buoyant private consumption, and the windfall from low global oil prices, supported growth in many agrarian economies in SSA. This was particularly the case for Côte d'Ivoire, Senegal, Ethiopia, and Rwanda. However, growth was held back by drought in Malawi and Uganda, while growth in Burundi and The Gambia remained subdued due to election-related uncertainties.

Following a sharp drop in economic activity in 2016, the SSA economy is expected to recover to 2.6 percent in 2017, supported by modestly rising commodity prices, strengthening external demand, and more favorable weather conditions across the region. Economic activities in large economies, Angola, Nigeria, and South Africa, are expected to expand from their growth rates in 2016, but remain below the rates reached in 2015. The weak recovery in the big three may be influenced by two distinct factors, namely foreign exchange controls in Angola and Nigeria, and political uncertainty in South Africa. Despite a modest recovery in commodity prices, net exports may restrain growth in the SSA region.

Figure 1.2: Real Output Growth in Emerging Markets and Developing Economies (%)



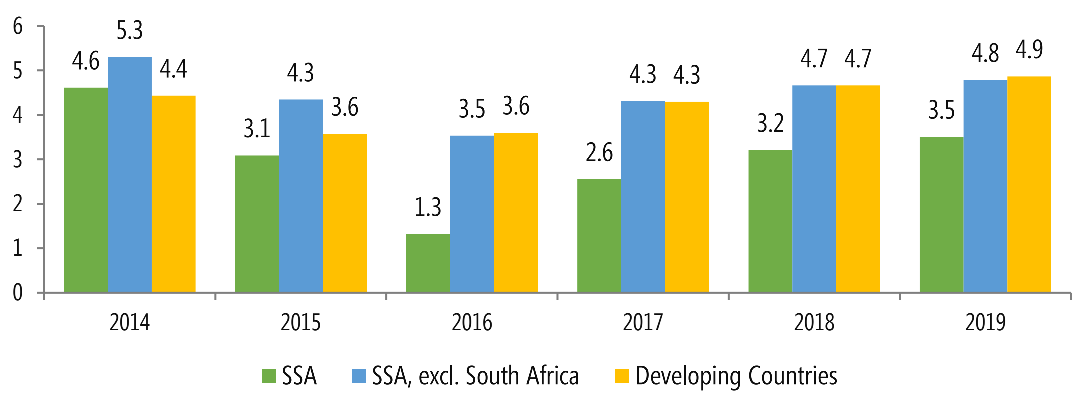
Source: World Bank

Table 1.3: Real Output Growth in Emerging Markets and Developing Economies (%)

	2014	2015	2016^e	2017^f	2018^f	2019^f
Emerging Market and Developing Economies (EMDEs)	4.3	3.6	3.5	4.1	4.5	4.7
East Asia and Pacific (EAP)	6.8	6.5	6.3	6.2	6.1	6.1
China	7.3	6.9	6.7	6.5	6.3	6.3
Europe and Central Asia (ECA)	2.3	1	1.5	2.5	2.7	2.8
Turkey	5.2	6.1	2.9	3.5	3.9	4.1
Latin America and Carribean (LAC)	0.9	-0.8	-1.4	0.8	2.1	2.5
Brazil	0.5	-3.8	-3.6	0.3	1.8	2.1
Middle East and North Africa (MENA)	3.4	2.8	3.2	2.1	2.9	3.1
Egypt	2.9	4.4	4.3	3.9	4.6	5.3
South Asia Region (SAR)	6.7	6.9	6.7	6.8	7.1	7.3
India	7.2	7.9	6.8	7.2	7.5	7.7
Sub-Saharan Africa (SSA)	4.6	3.1	1.3	2.6	3.2	3.5
Nigeria	6.3	2.7	-1.6	1.2	2.4	2.5
Memo:						
Low Income Countries (LICs)	6.3	4.7	4.4	5.4	5.8	5.8

Source: World Bank
Notes: e=estimate, f=forecast

Figure 1.3: Real Output Growth for Sub-Saharan Africa (%)



Source: World Bank

Table 1.4: Selected Indicators for Sub-Saharan Africa (%)

	2014	2015	2016^e	2017^f	2018^f	2019^f
Emerging and Developing Economies	4.3	3.6	3.5	4.1	4.5	4.7
All SSA GDP Growth	4.6	3.1	1.3	2.6	3.2	3.5
All SSA GDP Growth, excl. South Africa	5.4	4.5	4.1	4.8	5.2	5.2
GDP Per Capita (Constant 2010 US$)	1.9	0.4	-1.3	-0.1	0.6	0.9
Private Consumption	2.9	5.7	1.2	2.2	2.6	2.8
Fixed Investment	9.6	0.7	3.4	5.1	7	7.2
Exports, GNFS	7	2.4	1.1	2.7	3	3.3
Imports, GNFS	3.7	0.5	1.9	2.9	3.5	3.7
Net Exports, Contribution to Growth	0.9	0.6	-0.2	-0.1	-0.2	-0.1

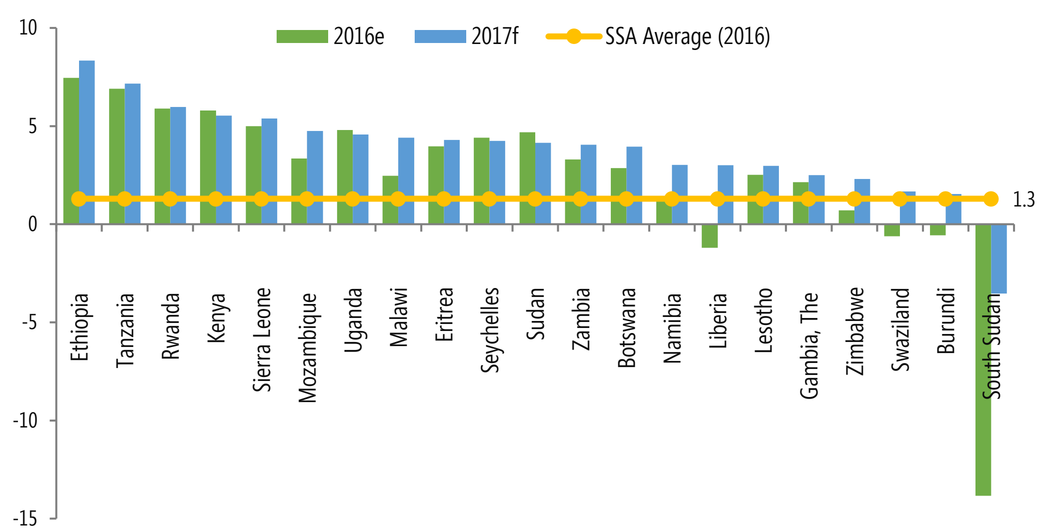
Source: World Bank
Notes: e=estimate, f=forecast

1.5 Economic Performance in Africa Group 1 Constituency Countries

During 2016, economic growth rates in 16 of the 22 Africa Group 1 Constituency (AFG1) countries were above the SSA average growth rate of 1.3 percent. This outturn compares favorably to 2015, when 10 countries outperformed that year's SSA average growth rate (Table 1.5 and Figure 1.4). Ethiopia, Tanzania, Rwanda, and Kenya emerged as the fastest growing economies in AFG1 Constituency, with growth rates of 7.5 percent, 6.9 percent, 5.9 percent, and 5.8 percent respectively. The brisk performance of the Ethiopian and Rwandan economies were driven mainly by the expanded investments in infrastructure, while a burgeoning services sector drove the performance of the Tanzanian economy.

However, some AFG1 economies contracted in 2016 mostly due to country-specific factors. The Liberian economy contracted by 1.2 percent in 2016, partly due to the lagged effects of the Ebola outbreak, as well as the depressed global price of iron ore and deep cutbacks in rubber production. Swaziland's economy contracted by 0.6 percent in 2016, from 1.9 percent in 2015, reflecting the compounded effects of a severe drought and weak performance of the South African economy, its primary trading partner. The slump in the textile industry weighed down performance, following the termination of Swaziland's eligibility under the Africa Growth and Opportunities Act (AGOA). Growth rates in Burundi and South Sudan fell by 0.6 percent and 13.8 percent, respectively. The shrinkage of the Burundian economy was mainly due to the slump in manufacturing and industrial output. Low oil prices, along with severe drought, worsened the contraction of the South Sudan economy. The growth outlook for 2017 is broadly favorable, against a backdrop of a recovery in commodity prices, and favorable weather conditions, though the risk of the impact of climate change remains.

Figure 1.4: Real Output Growth in Africa Group 1 Constituency (%)



Source: World Bank

Table 1.5: Real Output Growth in Africa Group 1 Constituency (%)

	2014	2015	2016e	2017f	2018f	2019f
SSA	4.6	3.1	1.3	2.6	3.2	3.5
Botswana	4.1	-1.7	2.9	4.0	4.2	4.3
Burundi	4.7	-3.9	-0.6	1.5	2.0	2.6
Eritrea	5.0	4.8	4.0	4.3	4.3	4.3
Ethiopia	10.3	9.6	7.5	8.3	8.0	7.9
Gambia, The	0.9	4.1	2.1	2.5	3.8	4.0
Kenya	5.3	5.7	5.8	5.5	5.8	6.1
Lesotho	4.5	1.6	2.5	3.0	3.4	3.6
Liberia	0.7	0.0	-1.2	3.0	5.3	5.7
Malawi	5.7	2.8	2.5	4.4	4.9	5.3
Mozambique	7.4	6.6	3.3	4.8	6.1	6.7
Namibia	6.5	5.3	1.2	3.0	4.0	4.2
Rwanda	7.0	6.9	5.9	6.0	6.8	7.0
Seychelles	3.3	3.5	4.4	4.2	3.8	3.5
Sierra Leone	4.6	-20.6	5.0	5.4	5.6	5.9
South Sudan[1]	2.9	-0.2	-13.8	-3.5	-1.1	3.9
Sudan	2.7	4.9	4.7	4.1	3.9	3.9
Swaziland	2.7	1.9	-0.6	1.7	3.1	3.2
Tanzania	7.0	7.0	6.9	7.2	7.2	7.4
Uganda	5.6	5.6	4.8	4.6	5.2	5.6
Zambia	5.0	2.9	3.3	4.1	4.5	4.7
Zimbabwe	3.8	0.5	0.7	2.3	1.8	1.7

Source: World Bank
Notes: e=estimate, f=forecast

[1] Data are from the IMF's World Economic Outlook (April 2017)

1.6 The Medium-Term Outlook

The global economy is expected to expand as the high frequency indicators suggest a pickup in the global economic activity. The global economy is, therefore, expected to grow by 2.7 percent in 2017, and at an average of 2.9 percent in 2018 and 2019. These favorable prospects will be underpinned by the continued recovery in commodity prices, and the expected implementation of sound fiscal and monetary policies in advanced economies.

Economic activity in advanced economies is expected to rebound to 1.9 percent in 2017, before cooling off to 1.8 percent and 1.7 percent in 2018 and 2019, respectively. The US economy is projected to grow by 2.1 percent and 2.2 percent in 2017 and 2018, respectively, before moderating to 1.9 percent in 2019. The projections are underlined by a pickup in investment and exports, as well as supportive fiscal and monetary policies.

Economic growth in the Euro Area is projected to expand by 1.7 percent in 2017, and average 1.5 percent in 2018 and 2019, as the European Central Bank (ECB) gradually eases unconventional monetary policy measures. The Japanese economy is expected to pick up in 2017 by growing at 1.5 percent, before moderating to 1.0 percent and 0.6 percent in 2018 and 2019, respectively. Growth moderation in 2018 and 2019 is mostly due to the anticipated hard landing in China, which will depress Japan's exports growth. In addition, the planned increase in consumption tax in 2019 will be a drag on the economy.

Economic growth in EMDEs is forecast to pick up to 4.1 percent in 2017, then to 4.5 percent and 4.7 percent in 2018 and 2019, respectively. The main drivers of this performance will be the continued recovery of commodity prices and a firming up of the global trade, which are expected to more than offset the anticipated dampening effects of the gradual tightening of the global financial markets.

The EAP economy is expected to grow by 6.2 percent in 2017, and settle at an annual average of 6.1 percent in 2018 and 2019. Deceleration of the Chinese economy is expected to dampen growth momentum in the region.

The ECA economy is expected to expand by 2.5 percent in 2017, and edge up to an average of 2.8 percent in 2018-2019. The region is also expected to benefit from the recovery in Russia and Turkey. The outlook is, nonetheless, prone to downside risks such as heightened policy uncertainties and geopolitical risks.

Activity in the LAC region is projected to recover in 2017 through 2019. Growth is projected at 0.8 percent in 2017 and to increase to 2.1 percent in 2018, as the recovery in Brazil and other commodity exporters gains traction. This will be supported by a strengthening of private consumption and investment. Downward risks include political and policy uncertainty, as well as uncertainties about US trade relations with the region.

Real activity in the MENA region is projected to pick up gradually to 2.9 percent in 2018, from 2.1 percent in 2017, before reaching 3.1 percent by 2019. This performance will largely be driven by a modest recovery in oil prices. Risks specific to the region could weigh on this outlook. These include continued geopolitical tensions and conflicts, a lower-than-expected rise in oil prices for oil exporters, and delays in structural reforms required to diversify most oil exporting economies.

Economic activity in the South Asia region is projected to edge up to 6.8 percent in 2017 and strengthen further to 7.2 percent in 2018 and 2019. The regional growth will benefit from the brisk performance of the Indian economy, which is forecast to grow at an annual average of 7.2 in 2017 and average 7.6 percent in 2018 and 2019, due to robust consumption and a rebound in exports. The outlook for the region could be clouded by region specific risks such as policy uncertainty related to upcoming elections, possible setbacks to reform progress, a slowdown in remittance inflows, and rising geopolitical tensions.

The SSA economy is expected to grow by 2.6 percent in 2017, and expand further to 3.4 percent in both 2018 and 2019. The growth will be supported by the recovery in commodity prices, increase in investments, and an improvement in agricultural production. This could further be supported by improved confidence occasioned by structural and institutional reforms.

The regional outlook could, however, be impacted by downside risks. Firstly, tightening of global financing conditions could constrain the issuance of sovereign bonds by SSA governments to finance domestic infrastructure. Secondly, weaker growth in major economies could weaken demand for exports, depress commodity prices, and curtail Foreign Direct Investments (FDI) in the extractive sector and infrastructure. Thirdly, FCS countries could be affected by the US government plan to scale back on official development assistance. Domestically, fiscal slippages could derail fiscal adjustments needed to restore macroeconomic stability and maintain the ongoing recovery, especially among commodity-exporters. Unfavorable weather could potentially disrupt agricultural production, thereby pushing food prices up and weigh in on food security.

Construction works in Chisamba, Zambia under the Mwomboshi Dam and Irrigation Project.

Rehabilitated landscape under the Productive Safety Nets Program (PSNP) in Sire District. Ethiopia. Photo- Binyam Teshome.jpg / World Bank Group

Chapter 2

World Bank Group Operations

- IBRD and IDA Operations
- IBRD Lending Operations
- IDA Lending Operations
- IFC Operations
- MIGA Operations

Chapter 2

World Bank Group Operations

2.1 Overview

This Chapter reviews the World Bank Group's (WBG's) financing operations during the fiscal year ending June 30, 2017 (FY17).

2.2 IBRD and IDA Operations

Total commitments of the Word Bank[3] declined in FY17, as lending operations by the International Bank for Reconstruction and Development (IBRD), more than offset the increase in commitments by the International Development Association (IDA). Total commitments declined by US$3.7 billion, to US$42.1 billion, reflecting the impact of the decline in IBRD commitments across the East Asia and Pacific (EAP), Europe and Central Asia (ECA), Latin America and Caribbean (LAC), and South Asia (SAR) regions. By contrast, in Sub-Saharan Africa (SSA), total commitments rose from US$9.3 billion, to US$11.8 billion during FY17. This was mainly due to the addition of US$3.9 billion to the IDA envelope for the pilot phase of the Scale Up Facility (SUF) in the last year of the IDA17 cycle. Commitments to the Middle East and North Africa (MENA) region rose marginally on similar grounds, from US$5.2 billion in FY16, to US$5.9 billion (Table 2.1).

Gross IBRD and IDA disbursements declined from US$35.7 billion in FY16, to US$30.6 billion in FY17, reflecting reductions in all regions except MENA. The overall drop in gross disbursements amounted to US$5.1 billion, or a 17 percent decline from FY16 levels (Table 2.2). This decline was driven by the fall in IBRD commitments and changes in the composition of the World Bank portfolio tilted towards slower-disbursing Investment Project Financing (IPFs)[4] . The change in portfolio composition reflects a significant decline in the demand for Development Policy Loans (DPLs) as global economic prospects improved over the year.

Table 2.1: Gross IBRD and IDA Commitments by Region (US$ billion)

Region	FY16	FY17
Sub-Saharan Africa (SSA)	9.3	11.8
East Asia and Pacific (EAP)	7.5	7.1
Europe and Central Asia (ECA)	7.3	5.3
Latin America and Caribbean (LAC)	8.2	5.9
Middle East and North Africa (MENA)	5.2	5.9
South Asia Region (SAR)	8.3	6.1
Grand Total	**45.8**	**42.1**

Source: World Bank

[3] The International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) are collectively referred to as the 'World Bank'.

[4] In contrast to DPLs, IPFs involve a more rigorous review and approval process and disburses funds over several years.

Table 2.2: Gross IBRD and IDA Disbursements by Region (US$ billion)

Region	FY16	FY17
Sub-Saharan Africa (SSA)	7.7	7.1
East Asia and Pacific (EAP)	6.4	5.1
Europe and Central Asia (ECA)	5.5	3.1
Latin America and Caribbean (LAC)	5.6	4.1
Middle East and North Africa (MENA)	4.5	5.8
South Asia Region (SAR)	6.1	5.4
Grand Total	**35.7**	**30.6**

Source: World Bank

2.3 IBRD Lending Operations

During FY17, the limitation of IBRD's declining capital base continued to constrain lending. In the absence of a capital injection in the ensuing years, IBRD's lending capacity will face severe financing risks as the equity-to-loans ratio could, by FY20, come close to the floor of 20.0 percent (the institution's self-established limit to preserve its Triple A rating). Against this backdrop and the ongoing discussions on the 2015 Shareholding Review and capital adequacy of the IBRD, World Bank management strategically reduced IBRD lending.

Consequently, total IBRD commitments decreased by 24 percent, from US$29.7 billion in FY16, to US$22.6 billion (Table 2.3). The decrease of US$5.6 billion was driven by a decline in DPLs, and a US$3.0 billion decline in Program-for-Results (PforR) operations, due to two large operations in FY16 in the Sustainable Development thematic cluster. The ECA and LAC regions accounted for the largest decreases in commitments of 34.3 percent and 32.5 percent, respectively. IBRD commitments to SSA, on the other hand, increased marginally from US$0.7 billion in FY16 to US$1.1 billion in FY17, with all the increases being attributed to increased lending to Botswana[5] .

Gross disbursements in FY17, at US$17.9 billion, were 31.0 percent lower than in FY16 (Table 2.4). Disbursements were lower across all the regions, with SAR accounting for the largest decrease of 69.4 percent, followed by the ECA region with a decline of 46.2 percent. Disbursements to the SSA region decreased by over 50.0 percent from US$0.9 billion in FY16, to US$0.4 billion in FY17.

Table 2.3: IBRD Commitments by Region (US$ billion)

Region	FY16	FY17
Sub-Saharan Africa (SSA)	0.7	1.1
East Asia and Pacific (EAP)	5.2	4.4
Europe and Central Asia (ECA)	7.0	4.6
Latin America and Caribbean (LAC)	8.0	5.4
Middle East and North Africa (MENA)	5.2	4.9
South Asia Region (SAR)	3.6	2.2
Grand Total	**29.7**	**22.6**

Source: World Bank

[5] It must be put into context that SSA has very few countries that are IBRD clients since most are classified as Low-Income Countries (LICs).

Table 2.4: Gross IBRD Disbursements (US$ billion)

Region	FY 16	FY17
Sub-Saharan Africa (SSA)	0.9	0.4
East Asia and Pacific (EAP)	5.2	4.0
Europe and Central Asia (ECA)	5.2	2.8
Latin America and Caribbean (LAC)	5.3	3.9
Middle East and North Africa (MENA)	4.4	5.3
South Asia Region (SAR)	4.9	1.5
Grand Total	**25.9**	**17.9**

Source: World Bank

2.4 IDA Lending Operations

Total IDA commitments increased from US$16.2 billion in FY16, to US$19.5 billion in FY17, thus fully exhausting IDA17 resources in its last year. The rise in IDA's commitments also reflected the establishment of the SUF within the year. All the regions, except SAR, registered an increase in commitments. Commitments in SSA increased from US$8.7 billion in FY16, to US$10.7 billion in FY17 (Table 2.5). The SSA region was the largest recipient of IDA resources, followed by SAR at US$3.8 billion.

Disbursements, on the other hand, declined across all regions in FY17, to US$12.7 billion, from US$13.2 billion in the previous fiscal year. This was mainly due to the lower number of DPL operations. The SSA region continued to be the main recipient of IDA resources, accounting for 52.0 percent of total disbursements (Table 2.6).

Over the medium term, IDA commitments are expected to significantly rise, beginning in FY18, due to the historic increase in the IDA envelope from US$52.0 billion in IDA17, to US$75.0 billion in IDA18. An amount of US$2.5 billion of this total IDA18 financing package, has been allocated to the Private Sector Window (PSW), which is expected to leverage additional private resources in IDA countries[6] .

As a result, total IDA commitments are projected to increase from US$19.5 billion in FY17, to US$25.4 billion in FY18. This will be the first time in the history of the WBG that IDA lending will exceed that of IBRD.

Table 2.5: IDA Commitments by Regions (US$ Billion)

Region	FY 16	FY 17
Sub-Saharan Africa (SSA)	8.7	10.7
East Asia and Pacific (EAP)	2.3	2.7
Europe and Central Asia (ECA)	0.2	0.7
Latin America and Caribbean (LAC)	0.2	0.5
Middle East and North Africa (MENA)	0.0	1.0
South Asia Region (SAR)	4.7	3.8
Grand Total	**16.2**	**19.5**

Source: World Bank

[6] Eligible countries include: (i) IDA-only, non-gap; (ii) Gap and Blend Fragile and Conflict-affected States and (iii) Gap and Blend Non-Fragile and Conflict-affect States with sub-national fragility. See Section 3.3.4 for further detail on the PSW.

Table 2.6: IDA Disbursements by Regions (US$ Billion)

Region	FY 16	FY 17
Sub-Saharan Africa (SSA)	6.8	6.6
East Asia and Pacific (EAP)	1.2	1.1
Europe and Central Asia (ECA)	0.4	0.3
Latin America and Caribbean (LAC)	0.3	0.2
Middle East and North Africa (MENA)	0.0	0.4
South Asia Region (SAR)	4.5	4.0
Grand Total	**13.2**	**12.7**

Source: World Bank

2.5 IFC Operations

In FY17, the International Finance Corporation (IFC), articulated its Strategy and Business Outlook FY18-FY20, *IFC 3.0: Creating Markets and Mobilizing Private Capital*. Under this new Corporate Strategy, it will continue to deliver on its mandate to alleviate poverty and promote sustainable economic development by catalyzing private sector investments in developing countries. Among other operations, IFC is working to scale up its support through the PSW, the Cascade Approach[7], and greater advisory services to clients, particularly in IDA countries. It has also begun the process of realigning its investments in key focus regions and areas to achieve greater development impact. This involves a commitment to raise the share of its portfolio in SSA, SA and MENA regions, as well in agribusiness, financial inclusion, health, education, and climate finance.

In FY17, the overall operational performance for IFC was mixed. Both total commitments and disbursements increased by US$0.4 billion, while approvals declined by US$2.3 billion.

2.5.1 Commitments

IFC's total commitments rose by 2.4 percent to US$19.3 billion in FY17, from US$18.9 billion in FY16 (Table 2.7). Of this amount, US$11.9 billion was in the form of long-term financing from its own books, while the remainder was mobilized through third party financing. Commitments rose fastest in the SSA and SAR regions, growing by 45.8 percent and 40.0 percent respectively, over their FY16 levels. Commitments in the SSA region rose to US$3.5 billion, due to expanded engagements with existing clients and entry into untapped markets, including pre-exporting financing to cotton growers in Cameroon and Burkina Faso.

2.5.2 Approvals

In FY17, the Board approved investments totaling US$16.0 billion, down from US$18.3 billion in the previous fiscal year (Table 2.8). Except for SAR and the LAC region, approvals for all other regions declined. Approvals for SSA and EAP regions declined by US$0.7 billion and US$0.5 billion, respectively, while approvals for the MENA region decreased by US$0.5 billion. The decline in approvals is largely explained by political and global economic developments, which influenced sentiments and affected the investment plans of potential investors.

[7] Refer to Section 3.2.3 for additional information on the Cascade Approach.

2.5.3 Disbursements

Total IFC disbursements marginally increased to US$10.4 billion in FY17, from US$10.0 billion in FY16. This change reflected marginal increments across all regions except the EAP region. The increase in disbursements was partly driven by the increase in commitments, as well as fulfilment of conditions for disbursements by IFC clients (Table 2.9).

2.5.4 Development Impact and Pipeline

IFC's investments are estimated to have had a notable development impact, with increased access to financial services for 29 million microfinance clients, improved infrastructure service for 33 million people and greater access to financial services for 600,000 Small and Medium-scale Enterprises. Though the percentage of investments rated to have a positive development impact fell to 55 percent in FY17, from 58 percent in FY16, the greater focus on development impact under IFC 3.0 is expected to improve the alignment of investments with the WBG twin goals. To assist this process, the IFC has developed a measurement framework, the Anticipated Impact Measurement and Monitoring framework (AIMM), to systematically assess development impact, on an ex ante basis.

IFC expects to outperform the FY17 outturn in FY18, based on a buildup in the pipeline in Manufacturing, Agribusiness and Services and Infrastructure Groups. This expectation however, may not materialize if IFC capital constraints persist.

Table 2.7: IFC Commitments by Region

Region	(US$ billion)		Share (percent)	
	FY16	FY17	FY16	FY17
Sub-Saharan Africa (SSA)	2.4	3.5	12.7	18.2
East Asia and Pacific (EAP)	5.2	2.9	27.7	15.1
Europe and Central Asia (ECA)	2.6	3.3	14.0	16.9
Latin America and Caribbean (LAC)	5.1	5.3	27.2	27.3
Middle East and North Africa (MENA)	1.3	1.4	6.8	7.5
South Asia Region (SAR)	2.0	2.8	10.5	14.5
World	0.2	0.1	1.1	0.4
Total	**18.9**	**19.3**	**100.0**	**100.0**

Source: IFC

Table 2.8: IFC Approvals by Region

Region	(US$ billion)		Share (percent)	
	FY16	FY17	FY16	FY17
Sub-Saharan Africa (SSA)	2.6	1.9	14.4	11.7
East Asia and Pacific (EAP)	2.8	2.3	15.4	14.1
Europe and Central Asia (ECA)	2.7	2.5	14.9	15.9
Latin America and Caribbean (LAC)	4.3	4.6	23.4	28.9
Middle East and North Africa (MENA)	1.5	1.0	8.1	5.9
South Asia Region (SAR)	1.7	2.4	9.2	15.0
World	2.7	1.4	14.5	8.4
Total	**18.3**	**16.0**	**100.0**	**100.0**

Source: IFC

Table 2.9: IFC Disbursements by Region

Region	(US$ billion)		Share (percent)	
	FY16	FY17	FY16	FY17
Sub-Saharan Africa (SSA)	1.2	1.2	11.7	11.7
East Asia and Pacific (EAP)	1.9	1.7	19.0	16.3
Europe and Central Asia (ECA)	1.7	2.1	17.5	20.3
Latin America and Caribbean (LAC)	2.1	2.1	21.0	20.3
Middle East and North Africa (MENA)	0.8	0.9	8.3	8.5
South Asia Region (SAR)	1.0	1.1	10.0	10.3
World	1.2	1.3	12.5	12.7
Total	**10.0**	**10.4**	**100.0**	**100.0**

Source: IFC

2.6 MIGA Operations

The Multilateral Investment Guarantee Agency (MIGA), issued a record US$4.8 billion in new guarantees in support of 33 projects in FY17. This reflected a 13.7 percent increment over the US$4.3 billion issued in FY16 (Table 2.11). Of the 33 projects supported, 45.0 percent were in IDA-eligible countries, and 21.0 percent in Fragile and Conflict-Affected Situations (FCS), while 12.0 percent of projects related to Energy and Climate Change. MIGA's FY15-17 Strategy regards these sectors as its priority areas.

During the period under review, new guarantees in SSA region declined to US$1.0 billion, from US$1.8 billion in FY16 (Table 2.11). However, the number of projects supported in this region increased from eight in FY16, to 11 in FY17. While six of these 11 projects were in the Africa Group 1 Constituency, they only accounted for 5.3 percent of new guarantees in the SSA region (Tables 2.12 and 2.13).

Table 2.10: MIGA Operations

	FY16	FY17
Number of Guarantees Issued	24	43
Number of Projects Supported	17	33
New Projects[1]	14	25
Previously Supported[2]	3	8
Amount of New Issuance, Gross (US$' billion)	4.3	4.8
Gross Outstanding Exposure[3] (US$' billion)	14.2	17.8
Net Outstanding Exposure (US$' billion)	6.7	6.8

Source: MIGA

1. Projects receiving MIGA support for the first time (including expansions).
2. Projects supported by MIGA in current fiscal year as well as in previous years.
3. Gross outstanding exposure refers to the maximum aggregate liability. Net outstanding exposure refers

Table 2.11: MIGA Guarantees by Region

	FY16			FY17		
	No of projects	Amount (US$' million)	%	No of projects	Amount (US$' million)	%
East Asia and Pacific	3	1,249.6	29.3	2	511.9	10.6
Europe and Central Asia	3	727.2	17.1	15	1,869.1	38.6
Latin America and Caribbean	1	439.3	10.3	1	962.9	19.9
Middle East and North Africa	1	15.3	0.4	1	215.6	4.5
Sub-Saharan Africa	8	1,757.6	41.3	11	1,043.6	21.6
South Asia	1	69.0	1.6	3	239.3	4.9
Total	**17**	**4,258.0**	**100.0**	**33**	**4,842.4**	**100.0**

Source: MIGA

Table 2.12: MIGA Guarantees in Sub-Saharan Africa – FY17

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

Source: MIGA

Table 2.13: MIGA Guarantees by Priority Area – FY17

Priority area[1]	No. of projects supported	Share (percent)	Guarantee Amount ($M)	Share (percent)
IDA-eligible countries	15	45.5	1,128.1	23.3
Fragile countries	7	21.2	611.4	13.7
Innovative Projects[2]	3	9.1	248.5	5.1
Climate and Energy Efficiency	4	12.1	244.6	5.1
Total Priority Area	29	87.9	2,232.6	52.9
Non-Priority Area	4	12.1	2,282.6	47.1
Total	**33**	**100.0**	**4,842.4**	**100.0**

Source: MIGA

1. Some projects address more than one priority area. As a result, share figures may not add up to 100 percent.
2. Innovative projects include public-private blend financing, state owned enterprises, sub-sovereign guarantees and new industries

Dar es Salaam Port, Tanzania. Photo- Rob Beechey / World Bank Group

Rambura LWH Site 1 - Rwanda. Photo- Simone D. McCourtie./ World Bank Group

Chapter 3

Selected Policy Issues and Updates

- Update on the Implementation of the Forward Look Strategy
- IDA18 Implementation Update
- Update on the Implementation of the new Environmental and Social Framework
- Update on the 2015 Shareholding Review and Capital Adequacy
- Update on the 2016 Review of the Debt Sustainability Framework for Low Income Countries
- Update on Diversity and Inclusion in the World Bank Group

Chapter 3

Selected Policy Issues and Updates

3.1 Overview

This Chapter provides summaries on key policies and strategies discussed by the Boards of Executive Directors of the World Bank Group (WBG). The Chapter covers Board discussions on the Forward Look Strategy, the 2015 Shareholding Review and Capital Adequacy, and the review of the Debt Sustainability Framework (DSF). It also provides updates on the policy package for the 18th replenishment cycle for the International Development Association (IDA18) and progress on the WBG's effort to meet the Diversity and Inclusion targets in the staffing compliment.

3.2 Update on the Implementation of the Forward Look Strategy

In FY17, the WBG made steady progress in implementing the Forward Look (Box 3.1), the Corporate Strategy, which was endorsed by the Development Committee at the 2016 Annual Meetings of the WBG and the International Monetary Fund (IMF). Progress was made across the following pillars of the Strategy:

(i) Building of a more efficient and effective business model;

(ii) Scaling up of resource mobilization and capital;

(iii) Serving all client groups; and

(iv) Taking stronger leadership role on global issues.

Since the endorsement of the Strategy, the resource envelope and policy package for IDA has been significantly scaled up, especially for support to countries facing Fragility, Conflict and Violence (FCVs) and Small States. The IDA18 package also established the Private Sector Window (PSW) that was launched in July 2017 and is managed by the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) (See Section 3.3.4). IFC has adopted a new Corporate Strategy, IFC 3.0, while the WBG continued to increase the size of its portfolio in low income countries (LICs), with MIGA making significant strides in IDA countries. Measures to make the WBG a more nimble and efficient institution have made steady progress, while important alignments have been made to the WBG's budget, with operational expenditures coming in line with its revenues. Other progress made includes the adoption and implementation of the Cascade Approach, which crowds-in private sector financing, the formulation of a Gender Strategy to mainstream gender into operations, and a People Strategy to guide strategic placement of human resource across the WBG. Details on the progress on these pillars are provided below.

3.2.1. Improving the Business Model - Building a more Efficient and Effective World Bank Group

In FY17, through the pilot "Agile Initiative" the WBG introduced policies, procedures and administrative reforms to reduce internal bureaucratic delays, speed up project processing, and facilitate greater "face time" with client countries. The WBG enhanced its adaptability in addressing client needs through policy changes such as the Multi-Phase Programmatic Approach (MPPA). Through the MPPA, the Board delegated more authority to Management to undertake a series of operations within Board-approved multi-year programs of engagement. This approach is expected to substantially increase quality of service to client countries and reduce the amount of time in the project preparation cycle.

At the IFC, an accountability framework initiative was launched to strengthen accountability and simplify decision making for its investment operations to ensure appropriate project sourcing, selection, processing, and supervision. Efficiency improvement measures at MIGA has focused on reducing costs and operational effectiveness.

Box 3.1: Forward Look Aspirations[8]

The Forward Look responds to key changes in the global context that affect the role of the WBG:

- Rising aspirations, as described by the 2030 Agenda and Sustainable Development Goals (SDGs), which are fueled by an increasingly connected and aware global population.
- A paradigm shift in development finance, in which the private sector plays an indispensable role in delivering development solutions and expanding funding from "billions to trillions."
- The growing importance of global development challenges – the health of our ecosystems, migration, public health, and increasing economic connectivity.
- More pronounced demographic challenges, primarily aging in wealthier countries while developing countries struggle to meet the needs and aspirations of their young people.
- Longer and more severe conflicts and fragility, resulting in long-term, large-scale displacement.
- A renewed political debate about globalization and the role of the multilateral system.

3.2.2. Forward Look Strategy and the World Bank Group Budget

Guided by the priorities set out in the Forward Look Strategy, the Board, in June 2017, approved the FY18 WBG budget that increased funding for operations, particularly for front-line engagement in IDA countries and countries facing FCV. This budget fully meets the commitments of the Expenditure Review to save over US$300.0 million in the World Bank[9] over the past three years and over US$400.0 million across the WBG. As part of the process of anchoring the budget to its administrative expenses, reforms to the framework for trust fund financing were initiated. The Board also continued discussions on strengthening the financial capacity of the International Bank for Reconstruction and Development (IBRD) and IFC to support the Forward Look (see Section 3.5).

3.2.3. Expanding the use of Private Sector Solutions in Development

Through the IFC, the WBG commenced the implementation of the Cascade Approach to development financing. The objective of this Approach is to maximize financing for development by leveraging private sector resources, while optimizing the use of scarce public resources. Among other issues, this Approach will involve an examination of the key constraints to private sector financing in projects, and the identification of suitable interventions to overcome these constraints, including upstream policy and regulatory reforms. As pilots in the application of the Cascade Approach in infrastructure projects, the WBG has selected the following countries: Cameroon, Cote d'Ivoire, Egypt, Indonesia, Iraq, Jordan, Kenya, Nepal and Vietnam.

To facilitate this new Approach and to help countries strengthen their regulatory

[8] Forward Look Implementation Update – Development Committee, October, 2017

[9] The International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA) are jointly refers to as the World Bank.

environments, the IFC has begun an exercise to revise existing guidelines on country engagement and lending instruments. IFC has also set up implementation mechanisms for IFC 3.0, including the following:

(i) Creating Markets Advisory Window (CMAW) to scale up advisory services;

(ii) Anticipated Impact Measurement and Monitoring (AIMM) Framework to measure development impact in a more systematic way;

(iii) Country Private Sector Diagnostics (CPSD) to assess the state of private sector development; and

(iv) Managed Co-Lending Portfolio Programs (MCPP) for Infrastructure and Financial Markets to mobilize infrastructure financing.

IFC has since launched two Country Private Sector Diagnostic pilots in Kazakhstan and Ghana, while 15 more diagnostics, mostly in IDA countries, are expected in FY18.

As the world's largest global development financial institution focused on private sector development, IFC is well-placed to execute the Cascade Approach to advance the 2030 development agenda. IFC 3.0 requires new tools to de-risk investments, mobilize capital and strengthen the role of Advisory Services, particularly in FCV and IDA countries. IFC will work with MIGA in managing the PSW, committing to de-risk projects and make them bankable.

The MCPP will help IFC unlock and crowd-in significant amounts of new private capital for development financing. Private Sector Diagnostics and the newly developed AIMM framework are helping incorporate market creation goals in the early design of projects and decision making.

3.2.4. Taking Stronger Leadership on Global Issues

The WBG has made progress in taking leadership on global issues such as responding to climate change, natural disasters, pandemics, economic shocks, the refugee crises, and gender equality. In FY17, the WBG continued the implementation of the Climate Action Plan, and climate financing represented 22.0 percent of its total commitments. The WBG aims at achieving the 28.0 percent target by 2020, as pledged at the 2015 WBG/IMF Annual Meetings in Lima. This will help countries meet their Nationally Determined Contributions to the Paris Climate Agreement.

In FY17, the WBG issued bonds amounting to US$500.0 million to fund the Pandemic Emergency Facility, which will support countries facing pandemics. The WBG also launched the Women Entrepreneurs Finance Initiative (We-Fi). This initiative, with an initial amount of US$341.0 million from Development Partners' contributions, seeks to support women-led small and medium enterprises, through financing and advisory services.

3.3. IDA18 Implementation Update

The IDA18 cycle began on July 1, 2017, ushering in a historic scale up of available resources from the concessional lending arm of the WBG. With a replenishment of US75.0 billion, IDA18 not only represents a 50.0 percent increase in its resource envelope over IDA17 levels, but also introduced an enhanced policy package that aims at doubling the aggregate resources available for FCV countries and more than tripling the minimum base allocation for Small States, most of which are vulnerable to climate change and economic shocks. It also has provision for a new Refugee Sub-Window to assist refugee host nations.

Through this policy package, IDA presents its most ambitious agenda to date, with 46 commitments programmed to be delivered through five special themes, namely, Jobs and Economic Transformation; Gender and

Development; Climate Change; Governance and Institutions; and FCV. IDA18, with its new mandate to leverage financing from international markets, also extends support to high-impact projects, through the Scale Up Facility (SUF), and seeks to crowd-in private sector financing in the world's most economically challenging environments through the establishment of the PSW.

To facilitate an effective delivery of these commitments, the WBG has begun extensive internal preparations for delivery of the IDA18 package. As part of these efforts, the WBG launched the US$2.5 billion PSW in April 2017 and embarked on an outreach exercise to raise awareness in IDA countries. Overall, preparations remain on track with early indicators on lending volumes showing a strengthening pipeline for FY18-FY20. Further, on the financing side, the Treasury of the WBG is on schedule to issue IDA's maiden bond in 2018.

3.3.1. Preparations for IDA18 Implementation

Internal preparations for the scale up in IDA activity has involved the enhancement of the monitoring framework, a reallocation of financing towards greater FCV activities, staff training and the reorientation of incentives for staff working in countries facing FCV. In addition to the regular framework for monitoring portfolio performance, the WBG augmented this framework with a bi-annual review by senior management of the institution under the chairmanship of the World Bank Chief Executive Officer. Further, collaboration is ongoing across the various technical units and the Country Management Units within the WBG to monitor the buildup of the pipeline and performance of the portfolio. Efforts are also being made to translate the commitments under IDA18 into the results framework of the institution, buttressed with the associated tracking tools.

Regarding the budgetary resources, the WBG is reallocating resources towards areas that will support greater country engagement. Attention has been placed on increasing the presence and the footprint of staff in FCV countries and on enhancing project preparation and supervision. In view of the heightened exposure to security risks inherent in this approach, additional resources have been placed on enhancing staff security. Similarly, reallocations have been made to facilitate stronger engagement with Small States.

Staff training programs on the terms and facilities of IDA18 have been launched, while commitments have been made to increase the footprint of staff working in FCVs. As part of this effort, the incentive structure has been tilted toward the FCV agenda, by aligning it with the corporate compensation and reward system. Platforms for training and knowledge exchange have also been established to build a network of experts and allow for a smooth flow of information.

3.3.2. External Outreach: Development Finance Forum

The WBG is also undertaking external outreach programs to prepare clients, and raise awareness for the implementation of the IDA18 PSW. The outreach targets various stakeholders, including governments, private sector, Civil Society Organizations (CSOs) and Development Partners.

In this regard, the WBG launched a series of customized Development Finance Fora in May 2017 in Cote d'Ivoire and Sierra Leone. The aim of the outreach effort is to foster dialogue and engage key policy makers and CSOs on the new opportunities under the IDA18 PSW and to reinforce the message on the need for effective delivery, against a background of high expectations on the historic replenishment and the need to accelerate development in the Post-2015 Agenda.

Another Development Finance Forum (DFF) was held in Accra, Ghana, in June 2017. This Forum provided an opportunity for stakeholders to exploit the commitment by the International Finance Institutions to deploy innovative initiatives and instruments to catalyze private sector finance.

Participants identified key constraints and opportunities in the development of the West African private sector, including a potential pipeline of over 17 bankable projects clustered as follows:

(i) *Infrastructure Clusters,* such as renewable energy investment in hydro-power and solar energy in Sierra Leone and Ghana;

(ii) *Agribusiness Clusters,* through investments in value chain infrastructure including logistics, refrigeration, storage and packaging;

(iii) *ICT Clusters* investments, especially to upgrade network capabilities across the region, and opportunities for public-private partnerships to expand capabilities of mobile networks to process mobile banking and financial services; and

(iv) *SME Financing* to leverage funding by the local banks.

Similar outreach fora are planned for other regions in Africa, with the next DDF scheduled for Eastern Africa in the first quarter 2018.

As regards the outreach to IDA Deputies and IDA Borrowers' Representatives, the WBG will continue its regular engagements through the IDA Forum held on the sidelines of the WBG/IMF Annual and Spring Meetings. The IDA18 Mid-Term Review is scheduled for November 2018, at which updates will be provided on key deliverables under the special themes.

3.3.3. Indicative IDA18 Project Pipeline and Progress on Resourcing the Funding Envelope

The IDA18 cycle started off on a positive note, with a strong core pipeline of projects and programs. This reflects both the scale up in the financing envelope and strong client demand. Of the US$75.0 billion for IDA18, the WBG estimates lending will be between US$21.4 billion and US$25.4 billion in the first year of the IDA cycle. As of the first quarter of FY18, commitments stood at US$4.7 billion, significantly higher than the commitment level of US$1.7 billion in the corresponding period for IDA17.

The pipeline for the SUF under IDA18 is expected to be driven by a carryover of strong demand from the pilot phase in the last year of IDA17. After exhausting the commitment of US$3.9 billion in IDA17, the US$6.2 billion non-concessional facility in IDA18 is expected to be completely exhausted during its three-year cycle. By FY18, indicative demand registered by the Country Management Units is expected to be strong, particularly from Sub-Saharan Africa (SSA). Of the 16 projects in the indicative prioritized list, 13 are in SSA.

Similarly, the Crisis Response Window (CRW) and the Refugee Sub-Window are expected to experience full utilization of funds, with the rise in the frequency and intensification of natural disasters and the worsening refugee crises around the world. The CRW is expected to record some early drawdowns from its US$3.0 billion window, following the recent devastating hurricanes that hit some islands in the Caribbean. There has also been demand from Mongolia and Yemen.

The US$2.0 billion Refugee Sub-Window has registered robust demand from Sub-Saharan Africa, the Middle East and North Africa and the South Asia regions. The first round of operations in eight countries, namely Cameroon, Chad, Republic of Congo, Djibouti, Ethiopia, Niger, Pakistan, and Uganda, are scheduled to be presented to the Board shortly. These countries account for 4.1 million refugees or 60.0 percent of the total number of refugees in IDA countries, while the financing estimate for these interventions ranges between US$900.0 million and US$1.1 billion. Consultations are ongoing with the authorities of several other IDA countries that qualify for assistance[10].

[10]As of July 1, 2017, 30 IDA countries met the minimal threshold of refugee numbers (for a total of about 7 million refugees). The WBG is engaged in a dialogue with nine other countries: Afghanistan, Burkina Faso, Burundi, Democratic Republic of Congo

On the financing of IDA18, the WBG had, by the first quarter of FY18, received 64 percent of the total required Instruments of Commitments from Development Partners for the effectiveness of the financing package. Based on the expectation that all submissions of the Development Partners will be made by the end of 2017, the WBG has proceeded with efforts to issue IDA's first bond on the international financial markets. This inaugural bond is scheduled for issuance in the second half of FY18, after completion of the required legal documentation. The successful issuance of this bond will be instrumental in determining the pricing of future issuances and the financial sustainability of IDA's new financing model.

3.3.4. Operationalizing the IDA18 IFC-MIGA Private Sector Window

After its approval by the IDA Board of Executive Directors in April 2017, much progress has been made in operationalizing the PSW (Box 3.2). The IFC and MIGA, which are managing the PSW, are undertaking internal preparations for engagement. This involves finalization of the necessary documentation, such as internal guidelines and procedures, and legal agreements to govern collaboration across institutions and with private sector clients. It also involves finalizing the talent acquisition, formulating a results framework, establishing platforms for information exchange and launching of internal and external outreach events.

The PSW is structured to engage in client countries in a three-staged approach involving, upstream, midstream and downstream pipeline development. In the Upstream Stage, the WBG will undertake assessments to identify the challenges associated with private sector solutions. Activities under this stage would involve scoping exercises by IFC within economic sectors in collaboration with the World Bank's Global Practices and Country Management Units. IFC would, in the process, leverage its CMAW in line with the IFC 3.0 Strategy. At the Midstream Stage, the IFC will develop the initial development narrative with the relevant stakeholders and conduct early stage client engagements where possible. At this point, 'Strategic PSW Engagements' would be identified and their indicative individual PSW project sizes determined. Once potential projects have been screened and cleared for implementation, the Downstream Stage activities will commence, in which negotiations with clients enter an advanced stage and the proposed investment is presented to the WBG Board for approval.

So far, the application of this framework in the energy sector has resulted in identification of 19 countries in Sub-Saharan Africa for possible joint investment through the Cascade Approach. Several projects have since gone through concept stage and are being prepared for internal screening. For instance, at the Midstream Stage, a 1 GW solar PV renewable project in SSA's Sahel region has been identified as a Strategic PSW Engagement.

Indicative figures from the development of the PSW pipeline for IFC amounting to US$1.6 billion, show that the first round of scoping will mostly cover investments in SSA (US$920.0 million). When categorized by sector, the bulk of the activity will be in the infrastructure space (US$660.0 million) and in the financial sector (US$610.0 million). Similarly, the MIGA pipeline of US$490.0 million will mostly cover the Sub-Saharan Africa region (US$264.0 million) and will be concentrated in the energy and extractives sectors (US$230.0 million).

In finalizing the PSW framework, further steps are required, including an updated PSW Policy to be submitted to the WBG Boards for approval. This policy will cover the role of IFC as the lead Manager; clauses to update Conflicts of Interest provisions; and governance of the PSW facilities.

(DRC), Kenya, Mauritania, Rwanda, Tanzania, and Zambia. These countries together account for 1.6 million refugees. Dialogue with the remaining refugee-hosting IDA countries that are potentially eligible has been more limited. These countries include Bangladesh, Central African Republic (CAR), Gambia, Guinea Bissau, Liberia, Nepal, Papua New Guinea, Somalia, South Sudan, Sudan, Syria, Togo, and Yemen.

Box 3.2: Features of the Private Sector Window

The IFC-MIGA PSW was created in IDA18 to scale up the mobilization of private sector investment and create markets in the most difficult environments by increasing a pipeline of bankable projects, consistent with the ambitions of the Addis Ababa Action Agenda. The PSW facilities are the Blended Finance Facility; Risk Mitigation Facility; Local Currency Facility and the MIGA Guarantee Facility, with MIGA managing the latter and IFC managing the other facilities.

Table 3.1: Private Sector Window Facilities

Facility	**Risk Mitigation Facility**	**Blended Finance Facility**	**MIGA Guarantee Facility**	**Local Currency Facility**
Instruments offered to end-use clients	Project-based guarantees without sovereign indemnity, to private sector	Loans, subordinated debt, equity, guarantees and risk sharing (to private sector)	MIGA Political Risk Insurance (PRI) products to private sector	Local currency loans to clients in markets with limited hedging capabilities
On IDA balance sheet	Guarantee without sovereign indemnity	Loan, equity, subordinated debt; guarantees (to private sector or IFC)	Guarantees to MIGA projects (first loss, or risk participation akin to reinsurance)	Indemnity Agreement or Swap with IFC
Sector(s)	Infrastructure & PPPs	High-impact pioneering investments across sectors	Infrastructure, agribusiness, manufacturing and services, financial markets, PPPs	Sectors will be linked to the underlying loans
Indicative Allocation	**US$1,000 m**	**US$600 m**	**US$500 m**	**US$400 m**

Source: WBG

3.4. Update on the Implementation of the new Environmental and Social Framework

The World Bank continued to make progress in rolling out its new Environmental and Social Framework (ESF), which was approved by the Board in 2016. This Framework, which will be fully operational in 2018, seeks to enhance the sustainability of lending by protecting people and the environment from adverse impacts in the implementation of WBG-supported projects. The ESF aims to give disadvantaged or vulnerable groups greater access to the benefits of developmental projects. The ESF also seeks to strengthen systems and institutions in borrower countries. There has been progress on the development of ESF policies and procedures, management information systems, and monitoring and evaluations mechanisms.

Following the establishment of an Implementation Unit in 2016, in FY17 the WBG continued with Phase I of the ESF Implementation Schedule (Box 3.3 and Figure 3.1). The World Bank is developing relevant procedures and setting up accompanying management information systems and evaluation mechanisms to implement the new framework in 2018. The World Bank is also undertaking an extensive program of staff and client training, while establishing a methodology for assessing borrowers' safeguard frameworks.

In this regard, Borrower Awareness Raising workshops, which are scheduled to commence in January 2018 targeted towards Ministry of Finance officials, will focus on the following:

(i) General ESF knowledge and awareness;

(ii) Government requirements in the preparation of Environmental and Social Commitment Plan;

(iii) Alignment of the Framework with national development strategies;

(iv) Use of a common approach where projects are financed by more than one donor; and

(v) Goals to build support for longer-term capacity building through World Bank financed projects. Discussions will also highlight the implications of the new safeguard framework for project preparation, appraisal, and implementation.

Implementation is expected to proceed to the second phase in the Fall of 2018 with the launch of the new ESF. The final phase, in which the application of the framework would have reached its steady state, is expected to commence after 2021.

Box 3.3: Environmental and Social Framework Implementation Phases

The Environmental and Social Framework (ESF) will be rolled out in four distinct phases:

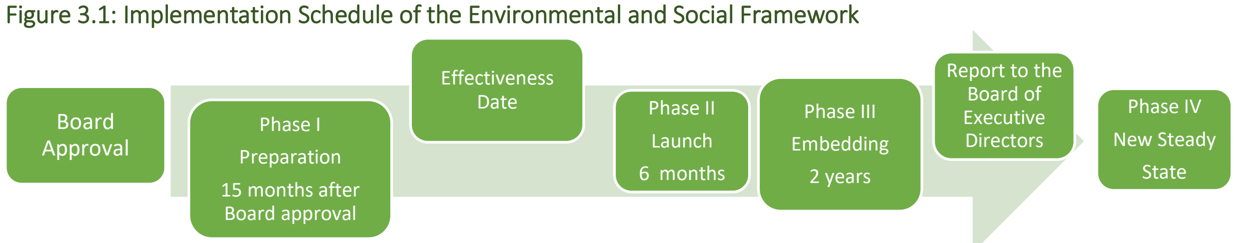
(i) Preparation (12-18 months) - The Bank will establish an Implementation Unit that will be responsible for the roll-out process. Activities will involve information updates to the Bank's clients, development of training materials for borrowers and Bank staff, publication of guidance notes, procedures and processes, as well as translation of the ESF and related materials into various languages. Borrower capacity building will occur concurrently and continue into the next phase.

(ii) Launch (6 months) – In this phase, all preparatory activities will be completed, leaving only ongoing efforts to build local capacity in environmental and social risk management.

(iii) Embedding (2 years) – This will involve an examination of borrower frameworks to check compatibility with the management of environmental and social risks in specific Bank-financed projects.

(iv) New Steady State (6-7 years) – at this point the ESF is expected to be the established practice.

Figure 3.1: Implementation Schedule of the Environmental and Social Framework



3.5. Update on the 2015 Shareholding Review and Capital Adequacy

Discussions on the 2015 Shareholding Review advanced in FY17, with some convergence of views on the Selective Capital Increase (SCI) for IBRD and IFC. These discussions continued to be conducted in an environment of collaboration between Executive Directors representing developed economies and those representing Developing and Transition Countries (DTCs). They also remained guided by the 2015 Roadmap that was endorsed by Governors in Lima and by the 2010 Istanbul Principles (Figure 3.2).

Areas of convergence outlined at the 2016 WBG/IMF Annual Meetings are clustered around three pillars:

(i) Agreement on a Dynamic Formula and consideration of capital adequacy concerns of the IBRD and IFC as a package in the Shareholding Review;

(ii) Agreement on core attributes of the Dynamic Formula; and

(iii) Preservation of the shareholding principles of 2010 and 2015.

During the 2017 WBG/IMF Annual Meetings, Governors will be updated on the progress since October 2016. Over the year, Executive Directors have considered options on the possible size of SCI for the IBRD, with options on the issuance of shares ranging between 200,000 and 700,000. There is growing consensus around a range of 200,000 to 300,000 shares. They are also considering the appropriate allocation rules of these shares.

Options for the allocation rules include the following:

(i) Allocation using only the Dynamic Formula;

(ii) Allocation to under-represented countries only;

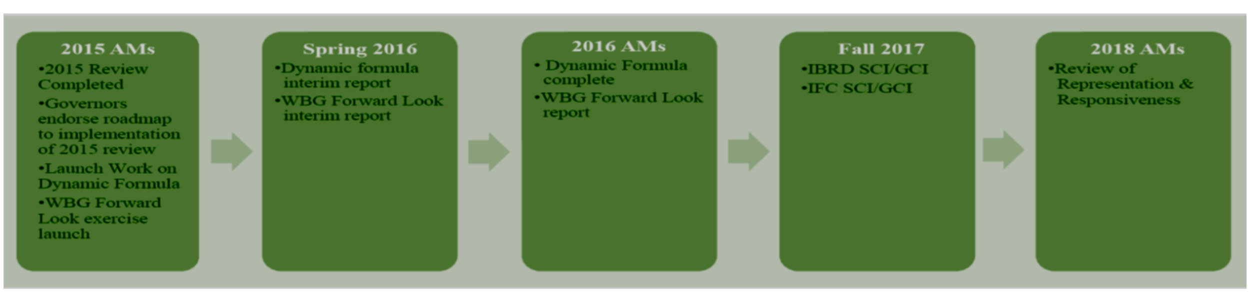
(iii) Equal allocation to all countries; and

(iv) Special Allocation to adjust for under-representation and offset dilution.

Consensus is building around the use of a combination of these rules, with the application of the Dynamic Formula and followed by the adoption of adjustment through a Special Allocation.

There is also consensus on limiting dilution to 10 percent and protecting the small low-income members from dilution, in the spirit of the 2010 Shareholding Review. However, Executive Directors continue to explore several options to achieve this goal. One option involves the issuance of Basic Votes to provide a durable and sustainable protection to the small low-income countries, though this would require an amendment to the Articles of Agreement of the IBRD. Another option involves the issuance of additional shares to these countries under the SCI.

Figure 3.2: Roadmap for the Implementation of the 2015 Shareholding Review



With regards to forbearance in the case of over-representation, two options considered involve voluntary forbearance and principle-based forbearance. Executive Directors note that forbearance is generally thought to be a voluntary matter and that its application should be weighed against other options. As such, discussions on this issue have been deferred to the end of the 2015 Shareholding Review.

Alongside discussions on the SCI, the Boards also explored the long-term financial sustainability of the WBG, particularly on raising capital of the IBRD and IFC. In the context of the Forward Look, client countries' expectations for increased financial and advisory capacity calls for further recapitalization of these institutions. To accomplish this, the Executive Boards explored options that would achieve a dual objective of raising capital and rebalancing shareholding, consistent with Istanbul Principles.

In shareholding discussions for the IFC, Executive Directors noted that the shareholding structure of the IFC has historically been loosely linked to that of IBRD. They further agreed on the urgent need to raise capital, given the near depletion of its Strategic Deployable Capital. Thus, shareholders will be required to pay for shares at the time of subscription. Two broad options have been identified in this respect. The first involves consultations with countries on their interest to increase their shareholding in the IFC. The second option is to pursue a rules-based allocation, applying shareholding rules to under- and over-represented countries. While there is no agreed formula for the IFC, Executive Directors may consider the actual and/or calculated IBRD shareholding as a baseline.

Executive Directors will continue these discussions with the view to reaching agreement on a balanced set of proposals that consider both the objective of the Voice Reform in realigning shareholding with economic realities, and the need to meet the capital adequacy requirements for IBRD and IFC. Governors will be presented with a package of proposals at the 2018 WBG/IMF Spring Meetings.

3.6. Update on the 2016 Review of the Debt Sustainability Framework for Low Income Countries

Recognizing the importance of debt sustainability to macroeconomic stability, the WBG and IMF, in 2016, launched a review of the jointly-administered Debt Sustainability Framework for Low Income Countries (DSF-LICs), to enhance the predictive capacity of the framework. Since its inception in 2005, the DSF-LICs has been reviewed in 2006, 2009 and 2012. However, the 2016 review is much more comprehensive, given the availability of a long track record of real data on debt distress and the significant changes in the financing landscape, with a growing number of LICs participating in the sovereign bond market.

The external consultation process on this review involved an outreach to various stakeholders, including LICs, CSOs, academia, as well as Paris Club and non-Paris Club members. Stakeholders called on the WBG and IMF to address technical gaps and complexities in the DSF-LICs. They called for the right balance between the treatment of risks and borrowing opportunities, particularly in the financing of growth-enhancing infrastructure. They also called for greater realism in the Framework and for better distinction between countries in the category of Moderate Risk.

Against this backdrop, the review was guided by two principles. First, that the core modeling of the Framework utilizes mechanical results complemented by judgement. Second, that the framework maintains a balance between triggering early warnings for debt distress, while ensuring that development finance is not unnecessarily constrained. The key reforms targeted the following:

(i) Improved quality of medium term debt projections;
(ii) Enhanced calibration of stress test shocks and debt thresholds;
(iii) Strengthened integration of country specific information into the framework; and

(iv) Improved methodologies for identifying and predicting external debt distress as well as deriving debt thresholds.

In the reformed DSF-LICs, the Country Policies and Institutions and Assessment (CPIA), as a measure of a country's debt carrying capacity, is replaced by a more comprehensive measure – a composite indicator that complements the CPIA, with relevant economic variables. The review further introduces new tools to improve accuracy in determining debt thresholds and predicting potential occurrences of debt distress, while reducing the probability of false alarms. Other key changes include the reduction of the number of indicators and the addition of other relevant factors. Specifically, the present value of external debt to revenues, which displayed little evidence of a correlation with episodes of debt distress, was dropped from the Framework. The flow of remittances was added to the Framework to give a better sense of exposure to liquidity risk.

The revised DSF-LICs was approved by the Executive Boards of both the WBG and the IMF in September 2017, to take effect in July 2018. Accordingly, the DSF-LICs Staff Guidance Note will be updated to help the application of staff judgement to the mechanical outcomes of the Framework. Also, in line with the WBG-IMF Medium-term Debt Management Strategy, efforts will be made to enhance capacity building in client countries.

3.7. Update on Diversity and Inclusion in the World Bank Group

Recognizing the significant gaps in the diversity of its staff and the absence of a deliberate strategy to address this anomaly, the WBG, in FY15, developed the FY15-FY17 Action Plan on Diversity and Inclusion (D&I). This three-year plan was crafted to reflect the WBG's commitment to improve diversity and inclusion within its establishment and attaining its D&I targets. This was anchored on the premise that the institution can best serve its clients when its staffing compliment is enriched by bringing together staff from different cultures, experiences, viewpoints and knowledge.

In FY17, the WBG made significant progress towards reaching its targets on racial/regional diversity, with an increase in the share of WBG employees, at professional level, from Sub-Saharan Africa and the Caribbean (SSA/CR), which rose to 12.4 percent, from 11.7 percent in FY16, against the target of 12.5 percent. This improvement was registered across all the three major institutions of the WBG, with progress made by IBRD/IDA, which recorded a share of 12.9 percent in FY17, up from 12.2 percent in the previous fiscal year. IFC registered an increase in SSA/CR staff to 10.9 percent, from 10.5 percent, while the share of this category of staff in MIGA rose to 11.2 percent, from 9.8 percent. Combined with other diversity indicators relating to nationalities and gender, the overall Diversity Index for the WBG rose to 0.90 in FY17, from 0.87 in FY16. This progress on racial/regional diversity was driven by an increase in hiring at all grades, especially at mid-management levels. Initiatives such as recruitment missions to Africa helped to achieve the target.

While the overall progress is commendable, challenges remain in building a pipeline of SSA mid-to-senior level career professionals - "the missing middle", with special emphasis on the inclusion of women in higher positions within the institution. This is an area that requires robust reexamination of recruitment methods and visitation of employment strategies to ensure well-balanced opportunities for career development for marginalized regions and groups.

Going forward, the WBG seeks to make further progress on diversity under a new action plan covering FY18-FY19. This plan involves efforts to ramp up training, undertake further outreach exercises and explore effective methodologies to strengthen retention and promotions for underrepresented groups.

Chapter 4

Constituency Issues

- Highlights of the Fourteenth Statutory Meeting of the Constituency
- Update on Country Reengagements with the WBG – State of Eritrea, Federal Republic of Somalia, Republic of the Sudan, Republic of Zimbabwe
- Update on the African Governors' Caucus
- Update on Staffing in the Office of the Executive Director

Chapter 4

Constituency Matters

4.1 Overview

Chapter Four summarizes the deliberations of the 14th Statutory Meeting of the Constituency and highlights milestones in the reengagement of selected countries in the Constituency with the World Bank Group (WBG). The Chapter further highlights the outcomes of the African Caucus Meetings in 2017.

4.2 Highlights of the Fourteenth Statutory Meeting of the Constituency

The Africa Group 1 Constituency Rules, Guidelines and Procedures (here after 'Constituency Rules') as approved in 2010, stipulate that the Constituency shall meet biannually to deliberate on issues of common interest and map out modalities for ensuring that these issues are factored in the broad policy and operational agenda of the WBG. Accordingly, the Constituency held its 14th Statutory Meeting on April 20, 2017 in Washington D.C, USA, on the margins of the 2017 WBG and International Monetary Fund (IMF) Spring Meetings. The Meeting was held under the Chairmanship of Honorable Amadou Sanneh, WBG Governor and Minister of Finance and Economic Affairs for the Republic of The Gambia. Governors considered the Interim Report of the Executive Director and discussed the Development Committee (DC) Member Statement, as well as the outcome and implementation of the 18th Replenishment of the International Development Association (IDA18). The following are highlights of the reports considered, issues discussed and decisions taken.

4.2.1 The FY17 Interim Report of the Executive Director

The Executive Director, Mr. Andrew N. Bvumbe, updated Honorable Governors on the matters arising from the minutes of the previous meeting and ongoing policy discussions at the Executive Boards of the WBG. He also provided the regional economic update for the first half of FY17 and outlook for the second half of FY17. In addition, the Executive Director reported on the WBG's operational delivery and resource flow to Sub-Saharan Africa (SSA) for the first half of FY17.

The Executive Director informed the Meeting that the Constituency Office continued to advocate for an outcome that will not dilute the voice of the smallest and poorest member countries in the 2015 Shareholding Review. He also informed Governors that the Selective Capital Increase (SCI) for International Bank for Reconstruction and Development (IBRD) had been successfully concluded in March 2017, while the General Capital Increase (GCI) was expected to be concluded by March 2018. Regarding the latter, Governors appreciated the importance of all member countries to complete the GCI process to preserve the shareholding and voting power of the Constituency.

Governors acknowledged the progress made in the application of the Constituency Rules on staffing in the Office of the Executive Director. They welcomed the two new Advisors from the Federal Republic of Somalia and the Republic of The Gambia. They also urged the Executive Director to continue implementing the Constituency rules on staffing in a fair and transparent manner.

Governors noted preliminary economic data that indicated that growth in the SSA region had slowed down to 1.5 percent in 2016, from 3.1 percent in 2015. They observed that this growth performance was the worst in over two decades, and that it was mainly due to low commodity prices, weak external demand from major trading partners, headwinds including policy uncertainty, drought and security concerns, as well as the effects of a slowdown in investments. Governors noted the continued challenges including natural disasters, and intensifying refugee and Internally Displaced Persons (IDPs) crises. They further acknowledged the dampened growth outlook and the risks this imposed on poverty eradication efforts.

Governors agreed on the need to revive growth and foster economic transformation, by promoting competitiveness and attracting private sector investment in the region. They further noted five ways in which the WBG would respond to client needs, as articulated in the Forward Look Strategy.

These include the following:

(i) Assisting all client countries;

(ii) Taking a leader role on global issues;

(iii) Mobilizing financing;

(iv) Improving the business model; and

(v) Ensuring adequate financial capacity.

The Executive Director highlighted the importance of approaching the refugee and IDPs crises in Africa as a developmental issue and reassured Governors of the Office's commitment to follow up with Management on their response. Relatedly, Governors were informed that the Constituency Office had organized a High-Level Panel discussion during the 2017 WBG/IMF Spring Meetings on the refugee crises in the SSA region and its impact on the host economies. The Panelists included Mr. Filippo Grandi, the High Commissioner of the United Nations High Commissioner for Refugees; Honorable Matia Kasaija, Minister of Finance and Economic Development of Uganda; Honorable Henry K. Rotich, Cabinet Secretary for the National Treasury of Kenya; and Honorable Ngweto Tiraina Yambaye, Minister of Economy and Development Planning of Chad. Other panelists were Mr. Mezgebu Ameha, Director of the Fiscal Policy Directorate in the Ministry of Finance and Economic Cooperation of Ethiopia; Ms. Melanie Robinson, WBG Executive Director for the United Kingdom; and Mr. Xavier Devictor, Advisor from the Fragile, Conflict and Violence Unit in the WBG.

The Executive Director informed Governors that the Constituency Office continued to advocate for the reengagement and resolution of arrears of four member countries, namely State of Eritrea, Federal Republic of Somalia, Republic of the Sudan, and Republic of Zimbabwe. In this regard, the Constituency Office had organized two roundtable fora for the Federal Republic of Somalia and the Republic of the Sudan on the margins of the 2017 WBG/IMF Spring Meetings. He further assured Governors of the Constituency Office's commitment to advocate for increased recruitment of Africans into middle management positions, as well as for a strategy for engagement with Middle Income Countries (MICs).

4.2.2 Update on IDA18 Replenishment Outcome and Implementation Issues

The Meeting discussed the outcomes and implementation of the IDA18 policy package. The World Bank Vice President for Development Finance, Mr. Axel van Trotsenburg, enumerated the five themes of IDA18 namely:

(i) Climate change;
(ii) Gender and development;
(iii) Governance and institutions;
(iv) Jobs and economic transformation; and
(v) Fragility, conflict and violence (FCV).

The Vice President informed Governors that IDA18 was transformative in that it introduces an innovative financial model that provided an opportunity for IDA to access international capital markets. It further establishes a Private Sector Window (PSW), through which IDA would collaborate with the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) to nurture the development of the private sector in client countries and de-risk private sector investments. IDA18 also scales up IDA engagement in countries facing FCV, and includes a Refugee Sub-window for support to refugee hosting nations.

The Vice President also noted that under IDA18, the resources for the Crisis Response Window (CRW) had been increased in response to the growing demand. He also informed Governors that under the IDA Scale Up Facility (SUF), client countries would access funds for transformative and innovative projects on non-concessional IBRD terms. In determining projects for SUF support, due consideration would be given to a country's debt sustainability situation, implementation capacity, as well as operations that can crowd-in additional resources from the private sector. Funding would also prioritize operations that build resilience, deliver benefits across borders and promote integration through infrastructure consistent with low carbon development. He informed Governors that the WBG would organize outreach events for the PSW in May and June 2017 in Accra, Freetown and Abidjan.

Governors welcomed the strong IDA18 replenishment and acknowledged the increased country allocations. They further noted the relationship between IDA allocations and the Country Policy and Institutional Assessment (CPIA) and, therefore, the need to improve their CPIA ratings. They also appreciated the urgent need to prepare robust pipelines of bankable projects in coordination with respective World Bank country directors to maximize the absorption of IDA18 resources. Governors welcomed the additional resources approved by the Board for the Project Preparation Facility.

Governors further expressed their views on various issues under IDA18. They acknowledged the implications for countries in special situations that need resources, but were ineligible to access IDA funding due to their arrears with the WBG. It was noted that the resources under the regional sub-window for refugees would be available with specific eligibility criteria. Governors also appreciated that a country's debt sustainability situation was a central element in the evaluation of countries in accessing resources. They also agreed on the need for prudent debt management within an integrated fiscal framework.

4.2.3 Constituency Member Statement to the Development Committee

The Alternate Development Committee (DC) Representative, His Royal Highness Prince Hlangusemphi Dlamini, WBG Governor and Minister for Economic Planning and Development for the Kingdom of Swaziland presented the Constituency Member Statement to Governors for their consideration and approval. The main messages of the Statement were on the impact of climate change on agriculture; the refugee crises in Africa and the impact on host countries; the concerns on the capital adequacy of the IBRD and IFC in light of rising client demand; and the need to protect small and poor states against dilution of their shareholding in the 2015 Shareholding Review exercise.

Governors reiterated the need for the Constituency Office to continue its advocacy for scaled up WBG support to MICs, which in most cases have characteristics similar to those of low income countries. They appreciated the comprehensive draft statement and endorsed it. Governors also endorsed the proposal to streamline the drafting process for the DC Member Statement. They agreed that DC Committee Members would approve the draft statement on the absence-of-objection basis, without a drafting session, unless a Governor requests for such a session.

4.2.4 Any Other Business

Governors were also briefed about the Junior Professional Officers (JPOs) Program, a WBG initiative that would aim at developing a diversified pipeline of professionals in the WBG, to actively contribute to the achievement of the diversity targets. This Program would support capacity building through two windows to cover the full cost of salaries, training, and benefits for JPOs. One window would be financed through a trust fund, with an initial envelope of US$2.0 million, while the second window would be co-financed by African Governments that are willing to support the development of this pipeline. The JPO Program is expected to be launched in 2018.

4.3 Update on Country Reengagements with the World Bank Group – State of Eritrea, Federal Republic of Somalia, Republic of the Sudan, and Republic of Zimbabwe

During the second half of FY17, the Office of the Executive Director followed through on its commitment to push for reengagement of the WBG with four Constituency member countries with special needs. Progress for each of these countries was as follows.

Somalia made significant progress in its re-engagement with the International Financial Institutions (IFIs). A roundtable meeting held during the 2017 WBG/IMF Spring Meetings outlined a broad macroeconomic reform roadmap that was aimed at accessing debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative. This roadmap hinges on a second one-year IMF Staff Monitoring Program (SMP), which the authorities signed in July 2017.

Efforts by the Government of the Republic of the Sudan to reengage with Development Partners continued in FY17. During the 2017 WBG/IMF Spring Meetings, the Sudanese Government held several meetings with bilateral and multilateral Development Partners, at which the Government expressed its commitment to normalize relations with the international community and clear debt arrears. A roundtable meeting on Sudan's external debt is planned to be held on the margins of the 2017 WBG/IMF Annual Meetings.

The Government of the Republic of Zimbabwe remains committed to reengagement with the IFIs based on the Lima commitments made during the 2015 WBG/IMF Annual Meetings. The Government has committed to undertake reforms aimed at stabilizing the economy and boosting business confidence by improving the investment climate and ease of doing business.

The State of Eritrea and the WBG agreed on a roadmap at a roundtable meeting held during the 2016 WBG/IMF Spring Meetings, with steps towards reengagement. Recent efforts by the Eritrean Government and WBG were anchored on identifying the best approach to reengage with the State of Eritrea at minimal cost, and within a reasonable timeframe, particularly, prior to the end of the IDA18 cycle.

The Office of the Executive Director remains strongly committed in its advocacy for a full reengagement of these countries with the WBG. The Office remains cautiously optimistic of a successful outcome from this effort.

4.4 Update on the African Governors' Caucus

4.4.1 The 2017 African Consultative Group Meetings

The 2017 African Consultative Group Meetings (ACG) with Dr. Jim Y. Kim, President of the WBG, and with Madame Christine Lagarde, the Managing Director of the IMF, were held on April 23, 2017. These meetings were chaired by Honorable Ontefetse K. Matambo, Chairman of the African Caucus and Minister of Finance and Economic Development for the Republic of Botswana.

During the meeting with the WBG President, Governors focused their deliberations on the following four key issues:

(i) Climate change and water management;
(ii) Economic transformation;
(iii) Financing agri-business, and
(iv) Agriculture sector and job creation.

Governors noted that agriculture, which is the economic backbone for most African countries, had a strong potential to transform their economies and create jobs, especially for women and the youth. They observed that the WBG had a role to play in this transformation and called on Management to step up its technical and financial support to African countries.

In his response, Dr. Kim acknowledged that there was more that the WBG could do to support African countries. He highlighted the recent incidents of famine induced by droughts and other adverse weather conditions that had affected parts of the continent. He pledged continued technical and financial support to regional agricultural projects, focusing on countries that are vulnerable to climate change, and Fragile and Conflict-affected States (FCS).

Governors also discussed the issue of Diversity and Inclusion in the WBG. They noted that while the World Bank had met the diversity target of 12.5 percent, they, however, expressed concern that there were very few Africans in the lower and senior grades, “the missing middle”.

Deliberations with the IMF Managing Director focused on the following key issues:

(i) Public investment in infrastructure, its management, and implications on debt sustainability;
(ii) Domestic Resource Mobilization (DRM);
(iii) Enhancing job creation; and
(iv) Financial deepening and inclusion.

In their interventions, Governors noted that these were recurring issues in their engagement with the IMF. They highlighted the need to create more fiscal space to improve investments in infrastructure and support stronger growth and diversification. Governors also raised the issue of diversity in the IMF, noting that the institution had not moved at the same pace as the WBG.

In her response, Ms. Lagarde noted the ongoing discussions with African countries on the issues raised by the Governors. She agreed with Governors on the need for strong political will and commitment. She further concurred with the view that there was a need to step up the IMF’s support to Africa, through technical assistance. She underscored the ongoing support provided jointly with the WBG in the field of Public Private Partnerships (PPPs) and optimization of public finances. She noted that the IMF was ready to provide support for the Cascade Approach initiated by the WBG aimed at attracting private sector investment.

4.4.2 The 2017 African Caucus Meeting in Gaborone, Botswana

The 2017 African Caucus Meeting of Governors of the IMF and the WBG took place in Gaborone, Republic of Botswana during August 3-4, 2017. Governors met under the chairmanship of the Honorable Ontefetse K. Matambo, Minister of Finance and Economic Development, to discuss economic policies and strategies under the theme *Economic Transformation and Job Creation: A Focus on Agriculture and Agribusiness*.

The Vice-President of the Republic of Botswana, His Honor Mr. Mokgweetsi Eric Keabetswe Masisi, officially opened the Meetings on August 3, 2017. In his opening address, His Honor, Mr. Masisi, emphasized the importance of agriculture in transforming African economies. He observed that the agriculture sector had the potential to create jobs and eradicate poverty in most African countries. He noted that the sector lacked appropriate technologies and finance to support investment, as well as adequate technical and budget support from governments. These challenges were aggravated by drought precipitated by climate change and diseases, resulting in low productivity. In addition, he advised Governors to explore opportunities to diversify their economies to create jobs, particularly for women and the growing youth population.

Governors' deliberations focused on the following topics:

(i) Agriculture Policy Foundations – financing, land tenure and markets;

(ii) Technologies for Agricultural Development and Climate Smart Agriculture – role of the private sector;

(iii) Fiscal Policy to Support Agriculture Transformation in Africa;

(iv) Agriculture Value Chains and Sustainable Job creation for Youth and Women; and

(v) Financial Deepening and Inclusion to Support Agriculture Development.

Governors also discussed and endorsed their draft memorandum, which will be submitted to the Managing Director of the IMF and the President of the WBG during the African Caucus Meetings scheduled during the 2017 WBG/IMF Annual Meetings in October. During these Meetings, the chairmanship of the African Caucus will be handed over to the Arab Republic of Egypt.

At the close of the Caucus Meetings, Governors issued the Gaborone Declaration in which they committed to enhance the volume of investments and efficiency of expenditure in support of transforming agriculture and agro-processing (Annex 3). They urged the WBG and IMF to enhance their financing instruments to facilitate the transformation of the agriculture sector in Africa. Governors further called for support to capacity building, particularly in negotiating contractual arrangements for PPPs for rural transformation. Recognizing the need to promote value chains and access to regional and international markets in the transformation agenda, African Governors called on the WBG to support efforts to strengthening agribusiness regulatory environments and improve private sector participation in the sector.

4.5 Update on Staffing in the Office of the Executive Director

In line with the Constituency Rules on staffing, the Office of the Executive Director, embarked on a recruitment exercise, in November, 2016, to fill six (6) Advisor positions that would fall vacant in the ensuing year. This exercise was based on the principle of according equal opportunity to all member countries to serve in the Constituency, while promoting and preserving the effectiveness of the Constituency Office. Accordingly, Honorable Governors of under-represented countries were requested to nominate three high-caliber nationals, from which the Office of the Executive Director selected one candidate after conducting interviews. The overall evaluation process sought to assess candidates' strengths across various qualities relevant to the performance of the functions of an Advisor, including technical ability, organizational and diplomatic skills, as well as behavioral attributes.

The newly recruited Advisors from the Republic of The Gambia; The Federal Republic of Somalia; The Kingdom of Lesotho; The United Republic of Tanzania; and the Republic of Kenya commenced their assignments between April and August 2017. The Constituency Office plans to finalize this phase of the staffing exercise with the recruitment of Advisors from the Kingdom of Swaziland and State of Eritrea by the end of 2017.

Al Obaied Crop Market, North Kordofan, Sudan. Workers sort, repack and ship Gum Arabic lots. Photo- Salahaldeen Nadir /World Bank Group

Kigali Seed Plant - Photo A'Melody Lee / World Bank Group

Annexes

- Development Committee Member Statement
- Development Committee Communiqué
- African Governors' Caucus: Gaborone Declaration – August 2017
- Rotation Schedule for Constituency Chairperson
- Rotation Schedule for the Constituency Panel
- Rotation Schedule for Constituency Representation on the Development Committee
- Rotation Schedule for Executive Director and Alternate Executive Director

Annexes

Annex 1: Development Committee Member Statement – April 2017

95TH Meeting of the Development Committee
World Bank Group/IMF Annual Meetings
April 22, 2017
Washington, D.C.
H.R.H. Hlangusemphi Dlamini
Minister of Economic Planning and Development, Swaziland

1. Introduction

Sub-Saharan Africa (SSA) recorded in 2016, its worst economic performance in over two decades. Regional growth slowed down from 3.1 in 2015, to an estimated 1.5 percent in 2016, driven by low commodity prices, weak global demand, severe weather conditions, exchange rate depreciations and security related vulnerabilities. Fiscal vulnerabilities were experienced across the SSA region in commodity exporting countries. Adding to these external developments were challenging weather conditions led by a severe El Niño weather effect, which caused a severe drought in the East and Horn of Africa and the La Niña effect which caused flooding in Southern Africa. This has obviously affected agricultural production and gains made in growth and poverty reduction in some countries.

Regional growth is forecast to rise to 2.9 percent in 2017, and above 3.5 percent by 2018. Energy and commodity prices are expected to provide some respite for resource rich economies in the region. The vast natural resources and youthful population present opportunities for economic transformation in SSA. Unlocking this vast potential, however requires the region to address headwinds arising from ongoing geopolitical risks, climate shocks, and economic policy uncertainties.

2. Climate Change and its Impact on Agriculture

The intensity, frequency and duration of climate change-induced shocks comprising of droughts, floods and pestilences in different parts of the SSA region, threatens to derail the economic growth gains and progress in the reduction of poverty in the affected countries. The related unfolding human catastrophe in and around the Horn of Africa, covering South Sudan, Somalia, Northern Kenya and some parts of Uganda is devastating. The UN Office for the Coordination of Humanitarian Affairs estimates that 20 million people face starvation and famine in these countries, including Yemen and northern Nigeria, and that $4.4 billion would be needed in the next four months to address the worsening situation.

Reeling from the severe El Niño weather effects in 2016, Southern Africa bore the brunt of the La Niña effects in early 2017 which brought up unprecedented flooding causing heavy damage to agriculture, public infrastructure, roads and bridges. At the same time, the sub-region has experienced relatively good rains recently. The prospects of good harvest have, however, been undermined by the infestation of crops by the fall armyworm.

We therefore call on the World Bank Group (WBG) to urgently coordinate the humanitarian and development responses with other partners and come up with sustainable action plan to avert the looming famine in and around the Horn of Africa. We further urge the WBG to spearhead global efforts to mobilize resources for the reconstruction and development in Southern Africa following the devastating floods.

We also call on the WBG to collaborate with the African Development Bank (AfDB), to transform agriculture in Africa by increasing productivity, value addition and agri-business, including investments in key infrastructure such as irrigation. This will be critical to reversing the situation where the continent spends billions of dollars on food imports annually, despite having the bulk of the global undeveloped arable land.

3. Refugee Situation

The plight of refugees and forcibly displaced populations in several of our Constituency countries, notably, Ethiopia, Kenya, and Uganda, is heightening. These countries were among the top 10 refugee-hosting countries in the world in 2015 according to United Nations Commissioner for Refugees, with a total refugee population of over 1.7 million of the Constituency's 2.5 million refugees. The refugee situation continues to escalate with regional tensions resulting in over 1.5 million refugees flowing to Uganda and other surrounding countries recently. The influx is putting increased economic and social pressures on host countries.

We welcome the global concessional financing facility for refugees and the refugee sub-window under IDA18. We, however, note that no specific facility exists at the global level for situations of forced internally displaced peoples (IDPs). We therefore call on the development partners to fill this gap evolving from Fragile, Conflict and Violent (FCV) situations. The WBG also needs to enhance its capacity to work in these situations, in collaboration with other humanitarian agencies and development partners, to deliver the required services that will stimulate growth and create jobs.

4. Forward Look

In the wake of scaled up demand of its countercyclical development finance, it is crucial that the WBG remains fit-for-purpose to assist all client segments. In this respect, we welcome the Progress Report on the corporate strategy articulated in the 'Forward Look,' with an insight into challenges that lie ahead. We are pleased that the Forward Look framework intertwines with the WBG's twin goals of ending extreme poverty and promoting shared prosperity, as well as with the SDGs. We already see the benefits of this program through the streamlining of WBG operations to turn it into an 'Agile Bank' that is essentially primed to play a critical role in global economic development, making savings and channeling them towards core development programs. Similarly, the WBG should introduce a robust monitoring framework of the Forward Look which will ensure that all institutions of the WBG stay focused and engaged on these goals. In this regard, we call on the WBG to boost its engagement with the Middle-Income Countries (MICs), including those in SSA, which not only host over 70% of the world's poor, but are at the heart of the global challenges.

It is critical and urgent for our countries to address the continent's energy gap in order to unlock its development potential. In this regard, we call on the WBG, in collaboration with other MDBs, to come up with innovative and cost-effective instruments in providing necessary support to the energy sector in our countries. Mobilizing financing is critical to addressing Africa's energy gap. This will require instruments and strategic mobilization of resources from both public and private sources and from domestic and external markets. We, therefore, call on the WBG to urgently better leverage its financing capacity through both direct financing and catalyzing additional private sector financing to assist Africa to meet it huge energy investment needs, especially renewable energy.

5. Support to Africa's Middle Income Countries (MICs)

We are deeply concerned with the delay by the WBG to articulate an appropriate strategy tailored to the needs of the Middle-Income Countries (MICs) of SSA, which despite their attainment of middle-income status, remain home to significant poverty and inequality. As noted in the 'Forward Look,' to meet its twin goals and the SDGs, the WBG must boost its engagement and provide support to MICs, in general, and African MICs, in particular, to help spur economic transformation, promote growth, reduce inequality, address climate change, build basic infrastructure and robust institutions. We urge the Bank to respond to our repeated calls for appropriate support to African MICs and to the need to come up with a strategy and develop a mix of innovative instruments tailored to meet these needs. We, therefore, anticipate that, in the context of the pronouncement made in the 'Forward Look,' the WBG will urgently deliver on its commitments in this regard by our next meeting in the Fall of 2017.

6. IDA18 Implementation

We welcome the robust IDA18 replenishment package that leverages IDA's balance sheet. The policy commitments and various facilities under the special themes of jobs and economic transformation; fragility, conflict and violence; gender mainstreaming; climate change and resilience; and governance and institutional building offer a paradigm shift in IDA's engagement model. We, particularly, welcome the enhanced support to situations of fragility, Crisis Response Window, Regional program, the Scale-Up Facility and the new IFC and MIGA Private Sector Window.

As the focus shifts to implementation, we expect strengthened capacity, both within the Bank and at country levels, to ensure full absorption of the IDA resources. We encourage the Bank's management to ensure quality staffing especially in FCV countries. Increased attention is also needed to foster robust pipeline of bankable transformational projects with solid design features. With strong commitments level, attention must also be given to timely disbursements and active supervision. The regional and private sector windows hold strong promise for IDA/IFC and MIGA to leverage and attract private investments to IDA countries, especially FCVs.

7. Financial Capacity of the WBG

The imbalance in the financial strength of the respective institutions of the WBG require urgent attention. With the balance sheet of IDA well optimized in IDA18, we take note of and remain concerned with the increasingly constrained capital positions of the International Bank of Reconstruction and Development (IBRD) and the International Finance Corporation (IFC). We support the ongoing discussions to scale up the financial capacity of both these institutions. We would welcome consideration of all options to strengthen their financial capacity. Apart from the returns on investments, we are particularly supportive of a general capital increase, among other measures, to strengthen the financial standing of both IFC and IBRD. We recognize the need for a WBG that is financially well-resourced to meet the heightened client demand. We therefore look forward to the conclusion of the discussions by the 2017 Annual Meetings, to help close the equity gap of these two institutions.

8. Shareholding Review

We reiterate our strong support for a simple and transparent process of the Shareholding Review as endorsed by the Governors in Lima in 2015. We are pleased that our Board of Executive Directors has achieved commendable progress in this task and wish to appreciate the Progress Report presented to Governors during these Spring Meetings.

We reaffirm the need for the Small and Poor Protection (SPP) status, which guarantees protection for Small States from dilution during the Review process as agreed by the Governors in 2010, and reaffirmed at the Lima Meetings in 2015. This position should not be compromised. We also view the application of Basic Votes to achieve SPP as a more durable and sustainable option.

9. Reducing Inequality

We are concerned with the growing global inequality gap which continues to rise in many of our countries. SSA reflects huge levels of this phenomenon by housing 389 million of the world’s poor or 50.7% of the global poor. Since there is a strong correlation between poverty and inequality, it is clear that we cannot end poverty by 2030 until we reduce uneven economic growth across the world which lead to inequality. Goal 10 of the SDGs calls for reducing inequalities in income, as well as those based on age, sex, disability, race, ethnicity, origin, religion or economic or other status.

We concur with the UN, WBG and other international development agencies that this goal can be achieved through policy reforms. While solutions rest with national and regional policy makers, we urge both the WBG and the IMF to deploy the range of instruments at their disposal to respond to this social ill by providing advisory and financial support to client countries to promote income growth, job creation and diversification to reduce inequality. We support the inclusion of robust inequality tracking and monitoring indicators in the Systematic Country Diagnostics to guide and monitor progress towards the 2030 goal.

10. Conclusion

Our Constituency countries currently face a myriad of challenges, but remain committed to achieving our goal of economic transformation. We therefore call on the WBG to stay engaged and support our countries to restore sustainable economic growth, critical to eradicating extreme poverty, fragility and inequality, as we strive to meet the SDG targets by 2030.

Annex 2: Development Committee Communiqué – April 2017

DEVELOPMENT COMMITTEE
JOINT MINISTERIAL COMMITTEE
OF THE
BOARDS OF GOVERNORS OF THE BANK AND THE FUND
ON THE
TRANSFER OF REAL RESOURCES TO DEVELOPING COUNTRIES
Washington, DC, April 22, 2017

1. The Development Committee met today, April 22, in Washington, D.C.

2. The global economy is gaining momentum, but risks remain tilted to the downside. Further improvements in the global outlook will require policies that foster inclusive and sustainable growth, address financial vulnerabilities, and create jobs and economic opportunities for all. Actions to tackle the adverse impact of the decline in correspondent banking relations are an important priority for many countries. World Bank Group (WBG) and International Monetary Fund (IMF) advice and support are important to advance such policies, deliver the 2030 agenda, and protect the most vulnerable.

3. Reducing inequality is necessary to ensure long-term and sustainable growth. Technological change, trade, financial flows, and economic integration have helped boost incomes and have narrowed the economic gaps between countries. But these gains have not always been shared evenly within countries. We urge the WBG and IMF to redouble efforts to eradicate poverty and ensure that the benefits of international economic integration are shared widely.

4. We welcome the implementation update on the WBG Forward Look. In October, we endorsed a vision for a better, stronger, and more agile WBG and identified areas for improvement. We recognize the progress so far in becoming a better WBG. We encourage continuing efforts, in coordination with development partners, to implement and report on the Forward Look commitments and associated policies to (i) prioritize private sector solutions when deploying scarce public resources, including for infrastructure; (ii) strengthen domestic resource mobilization; (iii) support global public goods; (iv) assist all WBG client segments; (v) be more agile, responsive, and results-focused in working across the public and private sectors; and (vi) pay special attention to stabilizing the economy and supporting growth in situations of fragility, conflict, and violence, as well as to the development needs of small states.

5. We support the WBG's scaled-up activities in the area of crisis preparedness, prevention, and response, through investments to address the root causes and drivers of fragility by helping countries build institutional and social resilience. We encourage further efforts to mobilize and rapidly disburse support for countries, communities, and refugees that are affected by famine or forced displacement, in close coordination with the UN and other partners. We acknowledge the various initiatives by the WBG to strengthen the Humanitarian-Development-Peace nexus.

6. We are encouraged by the WBG's efforts to become more efficient through reforms of its operational and administrative policies and its People Strategy. We welcome the budget discipline introduced by the Expenditure Review, acknowledge WBG efforts to ensure transparency and accountability in tracking and reporting how it uses its scarce resources, and urge continued commitment on these fronts.

7. We also welcome progress and discussions to strengthen the WBG's financial capacity. We are greatly encouraged by the successful IDA replenishment negotiations. IDA18 delivered a record $75 billion thanks to the generosity of partners and the plans to leverage IDA's equity. Innovative measures introduced, such as the Private Sector Window, will help catalyze additional resources for IDA countries. We look forward to successful implementation that maximizes development impact.

8. We take note of the ongoing discussions to enhance the WBG's financial capacity and enable it to deliver on the ambition of the Forward Look. We ask the Board and Management to develop a set of options by the Annual Meetings in October 2017.

9. We welcome the progress made in the Shareholding Review and recall our commitment to the principles we endorsed in Lima toward a WBG that reflects the evolution of the global economy and contributions to the WBG's mission. We are encouraged by progress on diversity and inclusion in WBG staff and management, and we support similar progress on gender diversity in the Executive Board.

10. The next meeting of the Development Committee is scheduled for October 14, 2017.

Annex 3: African Governors' Caucus: Gaborone Declaration – August 2017

AFRICAN GOVERNORS' CAUCUS
GABORONE DECLARATION

Having met in Gaborone, the Republic of Botswana, at our 2017 African Caucus Meeting on August 3-4, hosted and chaired by Honourable Ontefetse Kenneth MATAMBO, Minister of Finance and Economic Development of the Republic of Botswana and Chairman of the African Caucus of the International Monetary Fund (IMF) and the World Bank Group (WBG);

We, African Governors of the IMF and WBG, discussed economic transformation and job creation, with a focus on Agriculture and Agribusiness in Africa, in an integrated and holistic approach.

1. AGRICULTURE POLICY FOUNDATIONS: REFORMS AND AGENDA

Recognizing the need for sustained political will and the importance of standards and practices to continue structural transformation and diversification of African economies;

Aware that Africa remains the most undercapitalized region, with public spending in agriculture below its required level for inclusive growth; and public investments that are largely insufficient to transform the sector and allow it to increase its contribution to GDP; and

Observing that the current approach to move from subsistence to commercial agriculture has proven inadequate and often unsuitable for agriculture growth and for food security;

- **We**, African Governors commit to enhancing the volume of investments and efficiency of expenditure in support of transforming agriculture and agro-processing.
- **We** urge the Bretton Woods Institutions, in accordance with their respective mandates, to enhance their role and review their financing instruments so as to facilitate the transformation of the agriculture sector in Africa; while enabling policy frameworks conducive to de-risking investments and attracting private investors in agro-based manufacturing; improving marketing and exports; and promoting international trade of agriculture products.
- **We** also call on the Bretton Woods Institutions to continue supporting our countries in capacity building, particularly in negotiating contractual arrangements and "win-win" Public Private Partnerships (PPPs) and using innovative financial instruments to support rural transformation through agriculture.
- **We** equally invite the Bretton Woods Institutions to support our efforts to invest in skills, both technical and managerial; and enhance capacity for agricultural entrepreneurship and technology acquisition, use and transfer.
- **We** commit to enhancing South-South cooperation and foster learning and knowledge sharing from best practices elsewhere.

2. AGRICULTURAL TECHNOLOGIES, PRIVATE SECTOR PARTICIPATION, VALUE CHAINS, AND SUSTAINABLE JOB CREATION FOR YOUTH AND WOMEN

Working to strengthen agricultural production across the whole value chain, from input supply, production, post-harvest handling, to processing and marketing;

- **We**, African Governors, call on the World Bank Group to develop and implement plans in support of Africa's agriculture transformation agenda, with a particular focus on strengthening ICTs to facilitate access to finance, technologies, land acquisition and markets, at affordable cost to smallholder farmers.
- **We** also call on the WBG to support our efforts towards a coordinated regional initiative to strengthen agricultural education, skills, science and technology; especially targeting agricultural academic institutions across Africa to make them centres of excellence for agriculture transformation on the continent.
- **We** further call on the Bretton Woods Institutions to assist us in enhancing ongoing efforts and in sustaining progress towards gender equality, women empowerment, and rural electrification, in particular.
- **We** recognize the urgency of value chains to facilitate penetration into regional and international markets.
- **We** also call on the World Bank Group to support our efforts in strengthening agribusiness regulatory environment to improve private sector participation.

3. AGRICULTURE INFRASTRUCTURE FINANCING AND FINANCIAL INCLUSION

Noting that agriculture infrastructure financing and financial inclusion are crucial for boosting productivity in agribusiness;

- **We**, African Governors, welcome the historic IDA18 replenishment, of which about 60 percent of the resources have been allocated to Sub-Saharan Africa. In this context, we also welcome the scale-up in the policy package for IDA, as reflected by the doubling of resources for Fragile and Conflict-affected States (FCS) and greater focus on economic transformation and job creation. We look forward to the Bretton Woods Institutions' support commensurate with Africa's needs to help unlock commercial and long term financing for agriculture in Africa and improve our capacities for domestic revenue mobilization linked to this sector.
- **We** look forward to the 2018 review of the IMF Facilities for Low Income Countries to ensure that these instruments adequately respond to the actual or potential balance of payments needs faced by our countries.
- **We** request the Bretton Woods Institutions to support our efforts in creating an enabling environment for financial innovation, deepening and inclusion by increasing capital access to agro-dealers and farmers; promoting financial services technologies; putting in place the required regulatory frameworks to foster financial stability to ensure food nutrition, security, availability, affordability, and accessibility.
- **We** reiterate the urgency to address our concerns relating to illicit financial flows and domestic resource mobilization; and call on the Bretton Woods Institutions to engage with our governments in curbing these flows, recovering the assets, and enhancing domestic revenue mobilization in support of our national transformation agenda.
- **We** call on the WBG to enhance access to concessional financing through IDA, including through its Private Sector Window (PSW) to facilitate agriculture financing.
- **We** also call upon the Bretton Woods Institutions to exercise flexibility in accessing debt relief and Highly Indebted Poor Countries facilities for countries in arrears.

4. QUOTA, VOICE AND DIVERSITY

Acknowledging commendable progress in reaching the diversity targets of 12.5 percent for nationals from Sub-Saharan Africa and the Caribbean;

- **We**, African Governors, welcome the World Bank's commitment to raise this target to 15 percent in FY18; and anticipate that this new target will be reached or exceeded within the timeframe set. We urge IFC and MIGA Managements to follow suite and take the necessary steps to meet their diversity targets of nationals from Sub-Saharan and North Africa Regions.
- **We** exhort the IMF to enhance the representation of nationals from Sub-Sahara and North Africa regions.
- **We** request that the WBG and the IMF take deliberate steps to build a pipeline of Africans at mid to senior management levels to ensure that there is an adequate pool of Africans both at the technical and managerial levels.

ACKNOWLEDGEMENT

- **We**, African Governors, thank His Excellency the President, Lt. General Dr. Seretse Khama Ian Khama; the Government and People of the Republic of Botswana, for their hospitality and support throughout our deliberations and stay in Botswana.
- **We** thank His Honour, the Vice President Mr. Mokgweetsi Eric Keabetswe Masisi for the official opening of the 2017 Meeting of the Caucus of the African Governors of the International Monetary Fund and the World Bank Group.
- **We** acknowledge the continued participation of Republic of Haiti as an Observer in the African Caucus meetings.
- **We** welcome the announcement by the Minister of Investment and International Cooperation of Egypt and First Vice-Chair of the African Caucus, Honourable Sahar Nasr, that the Arab Republic of Egypt will host the African Caucus Meeting in August 2018.

Gaborone, August 4, 2017
The Caucus of the African Governors of the International Monetary Fund and the World Bank Group

Annex 4: Rotation Schedules for the Constituency Chairmanship

FIRST ROUND 2010 - 2052		
YEAR	CHAIRPERSON	VICE CHAIRPERSON
2010	BOTSWANA	BURUNDI
2012	BURUNDI	ERITREA*
2014	ERITREA	ETHIOPIA
2016	ETHIOPIA	GAMBIA, THE
2018	GAMBIA, THE	KENYA
2020	KENYA	LESOTHO
2022	LESOTHO	LIBERIA
2024	LIBERIA	MALAWI
2026	MALAWI	MOZAMBIQUE
2028	MOZAMBIQUE	NAMIBIA
2030	NAMIBIA	RWANDA
2032	RWANDA	SEYCHELLES
2034	SEYCHELLES	SIERRA LEONE
2036	SIERRA LEONE	SOMALIA
2038	SOMALIA	SOUTH SUDAN
2040	SOUTH SUDAN	SUDAN
2042	SUDAN	SWAZILAND
2044	SWAZILAND	TANZANIA
2046	TANZANIA	UGANDA
2048	UGANDA	ZAMBIA
2050	ZAMBIA	ZIMBABWE
2052	ZIMBABWE	BOTSWANA

NOTES:
1. Every country is given a turn for Chairmanship in alphabetical order from A to Z
2. Avoids duplication with IMF Rotation - Governors not serving on the IMF constituency Panel are given preference
*Since Eritrea elected to pass their turn as Vice Chair of the Constituency in 2012-2014, Ethiopia was advanced in its place. Accordingly, the Chair and Vice Chair advance a period up beginning 2014.

Annex 5: Rotation Schedule for the Constituency Panel

FIRST ROUND 2010 – 2052					
YEAR	CHAIRPERSON	VICE CHAIRPERSON	OTHER PANEL MEMBERS		
2010	BOTSWANA	BURUNDI	SEYCHELLES	KENYA	SIERRA LEONE
2012	BURUNDI	ERITREA	RWANDA	SWAZILAND	LIBERIA
2014	ERITREA*	ETHIOPIA	LESOTHO	ZAMBIA	SOUTH SUDAN
2016	ETHIOPIA	GAMBIA, THE	NAMIBIA	ZIMBABWE	SUDAN
2018	GAMBIA, THE	KENYA	MOZAMBIQUE	MALAWI	TANZANIA
2020	KENYA	LESOTHO	SWAZILAND	BOTSWANA	ETHIOPIA
2022	LESOTHO	LIBERIA	RWANDA	BURUNDI	SOUTH SUDAN
2024	LIBERIA	MALAWI	MOZAMBIQUE	ETHIOPIA	ZAMBIA
2026	MALAWI	MOZAMBIQUE	GAMBIA, THE	UGANDA	KENYA
2028	MOZAMBIQUE	NAMIBIA	ETHIOPIA	SOMALIA	ERITREA
2030	NAMIBIA	RWANDA	BOTSWANA	SOUTH SUDAN	LIBERIA
2032	RWANDA	SEYCHELLES	LESOTHO	UGANDA	TANZANIA
2034	SEYCHELLES	SIERRA LEONE	SUDAN	ZIMBABWE	LIBERIA
2036	SIERRA LEONE	SOMALIA	KENYA	BOTSWANA	MALAWI
2038	SOMALIA	SOUTH SUDAN	SWAZILAND	ZAMBIA	BOTSWANA
2040	SOUTH SUDAN	SUDAN	LIBERIA	MALAWI	BURUNDI
2042	SUDAN	SWAZILAND	SOMALIA	SIERRA LEONE	LESOTHO
2044	SWAZILAND	TANZANIA	UGANDA	ERITREA	NAMIBIA
2046	TANZANIA	UGANDA	ZAMBIA	SEYCHELLES	BOTSWANA
2048	UGANDA	ZAMBIA	ZIMBABWE	KENYA	GAMBIA, THE
2050	ZAMBIA	ZIMBABWE	UGANDA	BURUNDI	LIBERIA
2052	ZIMBABWE	BOTSWANA	LIBERIA	SUDAN	RWANDA

NOTES:
1. Every country is given a turn for Chairmanship in alphabetical order from A to Z
2. Avoids duplication with IMF Rotation - Governors not serving on the IMF constituency Panel are given preference
3. Other panel members reflects regional balance (East, South and West)
4. Schedule revised to include South Sudan following the country's membership to the Constituency in October 2012
*Since Eritrea elected to pass their turn as Vice Chair of the Constituency in 2012-2014, Ethiopia was advanced in its place. Accordingly, the Chair and Vice Chair advance a period up beginning 2014.

Annex 6: Rotation Schedule for Constituency Representation on the Development Committee

FIRST ROUND 2010 -2052						
YEAR	DC REPRESENTATIVE	ALTERNATE	ASSOCIATES			
2010	ZIMBABWE	ZAMBIA	TANZANIA	ERITREA	RWANDA	GAMBIA, THE
2012	ZAMBIA	UGANDA	GAMBIA, THE	MALAWI	LESOTHO	KENYA
2014	UGANDA	TANZANIA	NAMIBIA	MOZAMBIQUE	ZIMBABWE	SIERRA LEONE
2016	TANZANIA	SWAZILAND	LESOTHO	RWANDA	BURUNDI	LIBERIA
2018	SWAZILAND	SOUTH SUDAN	SIERRA LEONE	SOMALIA	LESOTHO	UGANDA
2020	SOUTH SUDAN	SUDAN	NAMIBIA	ZIMBABWE	GAMBIA, THE	BURUNDI
2022	SUDAN	SOMALIA	KENYA	ZAMBIA	SWAZILAND	SIERRA LEONE
2024	SOMALIA	SIERRA LEONE	ZIMBABWE	LESOTHO	NAMIBIA	GAMBIA, THE
2026	SIERRA LEONE	SEYCHELLES	SWAZILAND	ETHIOPIA	BOTSWANA	TANZANIA
2028	SEYCHELLES	RWANDA	SUDAN	TANZANIA	ZIMBABWE	SWAZILAND
2030	RWANDA	NAMIBIA	KENYA	SUDAN	ZAMBIA	SIERRA LEONE
2032	NAMIBIA	MALAWI	BURUNDI	KENYA	SIERRALEONE	SOUTH SUDAN
2034	MALAWI	MOZAMBIQUE	TANZANIA	GAMBIA	ETHIOPIA	BURUNDI
2036	MOZAMBIQUE	LIBERIA	LESOTHO	ZAMBIA	ERITREA	SEYCHELLES
2038	LIBERIA	LESOTHO	GAMBIA, THE	MALAWI	NAMIBIA	RWANDA
2040	LESOTHO	KENYA	MOZAMBIQUE	ZAMBIA	ZIMBABWE	UGANDA
2042	KENYA	GAMBIA, THE	BOTSWANA	NAMIBIA	ETHIOPIA	RWANDA
2044	GAMBIA, THE	ETHIOPIA	ZAMBIA	ZIMBABWE	LIBERIA	MALAWI
2046	ETHIOPIA	BURUNDI	SIERRA LEONE	LIBERIA	LESOTHO	SOUTH SUDAN
2048	BURUNDI	ERITREA	LIBERIA	SOMALIA	SWAZILAND	NAMIBIA
2050	ERITREA	BOTSWANA	KENYA	SIERRALEONE	SEYCHELLES	RWANDA
2052	BOTSWANA	GAMBIA, THE	SIERRA LEONE	KENYA	ETHIOPIA	MOZAMBIQUE

NOTES:
1. Avoids duplication with the other Panel membership
2. DC Representative and Alternate Members accorded opportunity in descending alphabetical order (Z to A)
3. Associate Members are selected on basis of providing regional balance
4. Schedule revised to include South Sudan following the Country's membership to the Constituency in October 2012

Annex 7: Rotation Schedule for Executive Director and Alternate Executive Director

FIRST ROUND 2010 - 2052		
Year	Executive Director	Alternate ED
2010	SUDAN	ZAMBIA
2012	ZAMBIA	SEYCHELLES
2014	SEYCHELLES	ZIMBABWE
2016	ZIMBABWE	BOTSWANA*
2018	BOTSWANA*	UGANDA
2020	UGANDA	BURUNDI
2022	BURUNDI	TANZANIA
2024	TANZANIA	ERITREA
2026	ERITREA	SWAZILAND
2028	SWAZILAND	ETHIOPIA
2030	ETHIOPIA	SOUTH SUDAN
2032	SOUTH SUDAN	SOMALIA
2034	SOMALIA	GAMBIA, THE
2036	GAMBIA, THE	SIERRA LEONE
2038	SIERRA LEONE	KENYA
2040	KENYA	RWANDA
2042	RWANDA	NAMIBIA
2044	NAMIBIA	LESOTHO
2046	LESOTHO	MOZAMBIQUE
2048	MOZAMBIQUE	LIBERIA
2050	LIBERIA	MALAWI
2052	MALAWI	

NOTES:

1. Sudan and Zambia accorded special dispensation to serve their turn under rotation system of the erstwhile Africa Group I Constituency
2. Seychelles which has never served the Constituency as Executive Director is accorded special dispensation on the rotation system
3. The rest of the countries follow an Alphabetical rotation alternating between Z and A until the first round is completed, taking into account South Sudan's membership of the Constituency in October 2012
4. This schedule proposed with a view to avoid duplication with IMF Rotation for EDs and AEDs
   * Botswana and Uganda agreed to switch turns for AED and ED for 2016-2018.

Executive Director and Alternate Executive Director

Mr. Andrew Ndaamunhu Bvumbe
Executive Director
ZIMBABWE

Ms. Anne Kabagambe
Alternate Executive Director
UGANDA

Senior Advisors to Executive Director

Wilson T. Banda
Malawi

Antonio Fernando
Mozambique

Solome Lumala
Uganda

Chola Milambo
Zambia

Allan Ncube
Zimbabwe

Advisors to Executive Director

Lamin Bojang
The Gambia

Kuena Diaho
Lesotho

Zarau Wendeline Kibwe
Tanzania


Naomi Rono
Kenya


Abdirahman Shariif
Somalia

Administrative Staff


Wubalech Mekonnen
Senior Executive Assistant
Ethiopia


Mohammed Ahmed
Program Assistant
Sudan


Lozi Sapele
Program Assistant
Zambia


Petronella Makoni
Program Assistant
Zimbabwe

AFRICA GROUP I CONSTITUENCY
FY17 Annual Report - October 2017

Office of the Executive Director, EDS14

Botswana | Burundi | Eritrea | Ethiopia | Gambia, The | Kenya

Lesotho | Liberia | Malawi | Mozambique | Namibia | Rwanda

Seychelles | Sierra Leone | Somalia | South Sudan | Sudan | Swaziland

Tanzania | Uganda | Zambia | Zimbabwe

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