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Group 1 Constituency Newsletter

SEPTEMBER - OCTOBER 2019

Constituency Engagements during the Annual Meetings 2019



The World Bank/ IMF Annual Meetings 2019 provided a platform for client countries and development partners to address global development challenges and to take stock of milestones that have been achieved by both the World Bank Group (WBG) and the International Monetary Fund (IMF). This year's Annual Meetings underscored the need for the global development community to work collaboratively to boost prosperity and ensure sustainable development. The World Bank Group has made significant strides in supporting institutional and policy reforms in client countries, placing more emphasis on the need for coordination, institutional development and governance reforms, creation of markets and jobs, spurring private investment and reducing barriers to doing business.

Governors of the WBG called for intensified engagement with member countries. The IDA19 replenishment negotiations saw the Governors express the need for the WBG to deepen its decentralization strategy to be closer to the clients, increase the International Finance Corporation's (IFC) footprint in Client Countries, especially in Fragile and Conflict Affected States (FCS), support Debt Sustainability and bolster the Jobs and Economic Transformation Agenda. They also called for

the promotion of effective regulatory and operational measures to foster tax transparency and combat illegal tax avoidance, money laundering, illicit financial flows and other challenges to the integrity of the international financial system, which include tackling corruption.

The Africa Group 1 Constituency (AfG1C) remained at the forefront of issues tabled at both the Development Committee and African Caucus fora. The AfG1C highlighted that intervention to address fragility, foster jobs and economic transformation, address debt burden, enhancing the role of the private sector, and promoting human capital development were critical in addressing the development challenges and leveraging opportunities.

At the Development Committee and the African Caucus Meetings with President Malpass, the AfG1 Constituency made the following as interventions:

- Supporting Africa to better integrate into Global Value Chains by, among others, promoting appropriate Regional Integration and Cooperation Assistance Strategies, which complement and reinforce the work going on under Africa Continental Free Trade Area (AfCTA)
- Closing financing gaps in Human Capital Development through strengthened partnership with development partners and the private sector;
- Preserving IDA's financial sustainability to meet client demands and to review IDA voting rights;
- Addressing global poverty, migration and fragility through IDA policy commitments, including those under the Jobs and Economic Transformation theme, and to embed these policies in country programs;
- Enhancing support to capacity building including through harnessing technology;

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- Accelerating the jobs and economic transformation agenda, as a key instrument for Africa's sustained growth and transformation objectives;
- Improving diversity targets at the WBG, with a greater focus of gender balance.

These engagements, if optimally exploited, would deliver on the Capital Package and Forward Look commitments of (i) serving all clients, (ii) leading on global public goods, (iii) creating markets and (iv) continually improving the business and operational model.

Constituency Meeting

The Executive Director provided a report to the Nineteenth Statutory Meeting of the AfG1 Constituency that highlighted the re-engagement of four Constituency Countries, namely, State of Eritrea, Republic of Sudan, Federal Republic of Somalia and Republic of Zimbabwe with the World Bank Group (WBG). Stating that significant progress had been achieved in enhancing dialogue between the respective Governments and development partners, the Executive Director underscored the urgency of delivering concrete and timely support by securing financial commitment from development partners to expedite progress in addressing fragility.

The Executive Director's report also highlighted the support received by the Republics of Malawi, Mozambique and Zimbabwe from the WBG and its development partners in response to the effects of Cyclone Idai. The three countries received a total of US\$545 million from the WBG and development partners.

The Executive Director informed the Constituency Meeting that the WBG had recently launched a Country Platform approach aimed at emphasizing unique country circumstances and enhancing engagement with non-

traditional donors, and the private sector. The pilot countries comprised eleven countries including Ethiopia and Kenya.



The Executive Director's report also updated Governors about the progress of the decentralization drive by the WBG aimed at increasing its presence in client countries by deploying 55 percent of its staff on the field by 2030. The IFC plans to open 9 offices in Africa. The IFC and the IBRD have signed a Memorandum of Understanding to have the IFC represented by WBG Country Managers on IFC matters in countries where it has no offices.

The Constituency Meeting was briefed on the ongoing IDA19 replenishment cycle discussions, during which maintenance of the special themes of IDA18 under IDA19, namely, Climate Change, Jobs & Economic Transformation, Gender & Development, Fragility, Conflict & Violence as well as Governance & Institutions were approved. In addition, IDA19 incorporated four cross-cutting issues, namely, Disability, Debt, Human Capital, and Disruptive Technology. The Governors noted the need for a robust IDA19 replenishment to fund the ambitious policy commitments, thereby, making a commitment to include IDA19 policy areas in their discussions with the development partners.

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The IDA Governors were encouraged to make full use of IDA18 resources and to work collaboratively to access resources as regional blocks.

The Constituency Meeting received an update on the progress of the Human Capital Project in Sub-Saharan Africa. The Africa Human Capital Plan ensures that the Bank supports countries to increase investments in human capital so as to enhance drivers of growth and productivity. The presentation to the Constituency highlighted the following:

- The work undertaken by the WBG to update the human capital index. This included having additional countries and division of sectors of focus along socioeconomic parameters.
- The reflection on Program for International Student Assessment (PISA) results to expand the coverage of the HCI program to focus on improvement of determinants of human capital as well as addressing environmental impacts on learning outcomes.
- Support for HCP countries to develop and implement accelerated priorities for human capital development through a new program of measurement, research, and analysis with the aim to support investments in human capital formation.
- The focus of the Africa HCP on accelerating demographic change by empowering women and girls, enhancing productivity and the labor market environment.

There are currently twenty-seven countries under the HCP, with which the WBG works to increase domestic and external investments through portfolio reviews, regional initiatives and development of partnerships.

IDA19 Replenishment Negotiations

IDA Deputies and Borrowers' Representatives met on the margins of the IMF/WBG Annual Meetings to continue negotiations on the 19th Replenishment of the International Development Association (IDA19). The objectives of the meeting were to get an update on the implementation of IDA18 and endorse the proposed reallocations of IDA18 resources, to review IDA Deputies' Draft Report and policy commitments therein, and to deliberate on the financing framework for IDA19. Additionally, Participants reviewed the architecture of the forthcoming Sustainable Development Financing Policy (SDFP), which builds on the completed review of the Non-Concessional Borrowing Policy (NCBP). The objective of the proposed SDFP, which will come into effect on July 1, 2020 is to present to countries, incentives for sustainable borrowing and promote coordination between IDA and other creditors in support of countries' efforts.



IDA18 implementation was at a record high, with the first two years of delivery recording unprecedented levels of disbursements and implementation. However, there were areas where demand has been stronger than anticipated and areas where resources have been underutilized.

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Specifically, the demand was strong for the Regional Window and Scale-Up Facility and are envisaged to fully utilize their IDA18 allocations. Demand for the Crisis Response Window, the Refugee Sub-Window, and the Private Sector Window fell short of expectations and their resources are not expected to be fully committed at the end of IDA18. Management's proposal to reallocate some resources from the three windows to country allocations was unanimously endorsed, with a caveat for caution to be exercised in reallocating resources from the Crisis Response Window due to the unpredictability of crises, while also taking stock learned from the implementation of other windows.

The updated IDA19 Operational and Financing Framework presented five financing scenarios, two of which were added after the second replenishment meeting held in Addis Ababa in July 2019. There was coalition around the Mid-High Scenario of US\$82 billion. Some IDA Deputies supported the Base Scenario of US\$80 billion in replenishment targets. However, IDA Borrowers' Representatives called for the High Scenario of US\$85 billion, giving the rationale that it would maintain the per capita level as in IDA18, has the highest level of concessional financing, and would be a significant resource scale-up for the Regional Window and FCV Envelope.

The final meeting of the 19th replenishment of IDA will be held from December 12-13, 2019, in Stockholm, Sweden, where Participants will review and endorse the IDA Deputies' Report and pledge their contributions for IDA19. The AfG1 Constituency will be represented by Dr. Denny Kalyalya, Governor of the Bank of Zambia; Prof. Benno Ndulu, former Governor of the Bank of Tanzania; and Mr. Sahr Jusu, Financial Secretary in the Ministry of Finance of Sierra Leone.

Roundtable Discussions

East African Community Roundtable



The World Bank Governors of the East African Community (EAC) member states, Kenya, Rwanda, Tanzania and Uganda met on the sidelines of the 2019 IMF/World Bank Annual Meetings, to review their utilization of the IDA 18 regional window with a view to informing better coordination and prioritization of strategic investments for the IDA 19 cycle. The Roundtable facilitated an opportunity for the Ministers to reflect on the lessons learned from the IDA 18 cycle and provided an opportunity for preliminary discussions on the regional group's priority areas for IDA 19.

The World Bank's total commitments in the EAC portfolio stood at US\$15 billion, 20 percent of which were commitments earmarked for regional projects. The need for selectivity in the EAC regional program was critical to ensure coherence and alignment in the strategic focus areas. Governors were challenged to invest in the management of the regional portfolio to improve its quality and maximize the benefits that the member states can accrue from the programs.

The EAC member states have collaborated on various development projects intended to foster better integration through the use of the IDA 18 Regional Window. The IDA 19 policy package seeks to scale up the use of the

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regional window to support strategic investments and policy reforms that would bolster this objective.

The outcome of the meeting was a strong consensus on the following two priority areas, namely; investment in infrastructure to enable improved interconnectivity and also, trade facilitation. These, it was agreed, would be carried forward to the EAC Council of Finance Ministers meeting. They also decided that each member state would identify priority projects with a view to reaching a convergence for an EAC regional program during the April 2020 IMF/ World Bank Spring Meetings.

The meeting was chaired by the Governor of the Republic of Rwanda in his capacity as the Chair of the Council of Finance Ministers at the EAC.

Horn of Africa Roundtable

Horn of Africa Countries, of Djibouti, Eritrea, Ethiopia, Somalia and Kenya convened a Roundtable focused on the theme 'Deepening Economic Integration and Promoting Regional Cooperation', under which three pillars were identified to guide the broad strategy for intervention and action in the Horn of Africa. These pillars are regional infrastructure (economic corridor, energy and digital), trade and economic integration, resilience and human capital.

Within this broad theme and pillars, there was agreement to identify areas for creating a mechanism to prioritize projects to be submitted for financing under IDA 19. These would be facilitated by speedy and harmonious progress with regard to dialogue, preparation, and implementation, all of which require coordination and robust facilitation.

The Ministers also discussed on the challenges of bringing other HOA countries to be part of the initiative. The import of having more countries would bring development partners on board and stem duplication of

efforts and resources aimed at supporting the coordination of HOA regional issues, especially the coordination and facilitation of technical as well as political level engagements among the members and development partners.

In the preparatory stage, the HOA Governors committed to do the following:

- Finalization of the priority list of projects as well as feasibility studies for projects to be submitted for financing from the regional window in FY21.
- To address delays arising from inadequate coordination and collaboration amidst the member countries, among partner organizations, and between member countries and partner organizations.
- Collaborate to enhance development partners readiness to avail financing for programs to ensure quick start up of activities.

The Ministers' agreement and endorsement of a list of projects and programs worth US\$15 billion on an initial basis to resume preparatory steps and implementation was an indication of their commitment to make the HOAI a success. This was strengthened, even more, by the WBG, African Development Bank and the European Union commitment to serve as joint secretariats for the initiative, with the WBG and African Development Bank each committing a minimum of US\$2 billion and US\$150 million financing for HoA projects. The three development partners also committed to reach out to other bilateral donors and potential partners to expand the funding and partnership framework for the HoAI.

Chairmanship of the HoAI would be held through a rotation arrangement. The Republic of Djibouti will chair the first round of the initiative, while the Republic of Kenya will serve as first vice-chair. The next meeting of

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the HoAI Ministers will take place in Djibouti in January 2020.

Sudan Roundtable



The Sudan Roundtable brought together the Government of Sudan represented by His Excellency, the Minister of Finance, Minister Elbadawi Ibrahim, the Executive Director representing Sudan Anne Kabagambe, the Dean of the Board Merza Hassan, together with other World Bank Group Executive Directors of the UK, US, Norway, Sweden, Denmark, Germany, Italy, Russia, France, Turkey, China and Saudi Arabia. Senior representatives from US Treasury were also present. The IMF Mission Chief to Sudan also participated in the meeting.

The objective of the Roundtable was to listen the new Government of Sudan's priorities and recent developments on economic governance and policy reforms and agree on priority next steps to support Sudan's progress towards International Financial Institutions (IFI) arrears clearance. There was overwhelming support and commendation of the Sudan authorities in the formation of the civilian-led Government and developing a home-grown plan to reform the economy. A consensus was reached around the table in support of the Sudan reform road-map and called for the WBG and International Community to help the new Sudan. The co-chairs congratulated the Government

on the important milestones they have reached in rebuilding the country despite the challenges faced along the way and encouraged the country to undertake the necessary reforms to normalize relations, clear arrears and mobilize concessional financing. The chairs reaffirmed their commitment to help rebuild the state through mobilization of resources to the Sudan Multi-partner Trust Fund and any other instruments available through the WBG.

The Minister of Finance thanked the Executive Directors and the WBG for the support provided to Sudan over the years and provided an update on progress made on reforms and highlighted his government's priorities. The Minister discussed key priority areas, including: fiscal reforms, reforming the banking sector and civil service reform. The Minister called for arrears clearance and debt relief.

Executive Directors commended the Government for impressive economic reforms and agreed that now was the right time to support Sudan's reengagement with the International Financial Institutions (IFIs), which is a significant indicator for the normalization agenda. It was unanimously agreed that the international community should continue to support Sudan for the road ahead and start the steps towards debt relief which includes an Article IV consultation with the IMF and a Staff-Monitored Program. The timeline for debt relief was not specified, but the Government was urged to build a track record with the IMF.

The discussions also highlighted risks which continue to persist in the country, namely: (i) large numbers of people in dire humanitarian need, (ii) the cost of removing subsidies, (iii) the mistrust citizens have of the government. IFIs and partners were encouraged to help mitigate and manage the risks; one tool to use is to focus

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attention on protecting the poorest through providing social safety nets.

In closing, the Chairs highlighted and welcomed the strong support for the mobilization of resources for Sudan and unanimous pledge for its continued support.

Zimbabwe Roundtable

The Zimbabwe Roundtable brought together the Government of Zimbabwe represented by the Minister of Finance & Economic Planning, Hon. Prof. Mthuli Ncube, the Executive Director representing Zimbabwe Anne Kabagambe (Co-Chair), the Vice-President for Africa at the World Bank Group, Hafez Ghanem (Co-Chair), Representatives from the IMF, European Union, European Investment Bank and African Development Bank. Development partners from the UK, US, Sweden, South Africa, Germany, Italy, France, among others, participated.

The Minister of Finance informed the meeting that Zimbabwe has achieved modest progress on the implementation of the Staff Monitored Program (SMP) as well as on the implementation of the economic and political reform program. The Government has however, faced significant challenges brought about by shocks such as the severity of the drought, which has resulted in the allocation of a huge outlay of funds towards the

importation of grain. This has had a negative impact on the smooth implementation of the SMP and significantly decreasing resources available for social protection for the most vulnerable.

Political reforms were, however, moving on a slow pace, with two critical Acts in urgent need for repeal, namely, Public Order and Security Act and the Access to Information and Protection of Privacy Act. The former has cleared the Parliamentary processes and awaits Presidential Assent.

Despite the above challenges, development partners, particularly the G7 countries, committed to support the implementation of the SMP provided the Government showed its commitment to see the program through. Discussions to recalibrate the SMP targets and to include social protection for the most vulnerable are being considered by the development institutions.

Both the IMF and the WBG were considering ways to intervene by including social protection in the SMP. The quantum level has however not yet been decided. A second Staff Mission to Zimbabwe to continue the review will take place in November on a date yet to be announced. The objective of the mission will be to help authorities tailor and direct the SMP program in light of the shocks that have been enumerated.