

# AFRICA

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## IDA19 DELIVERED

### TIME TO FOCUS ON IMPLEMENTATION

**T**he international community has come together to express its commitment for inclusive and sustainable development by focusing on growth, people and resilience. To operationalize this commitment, on December 13, 2019, a global coalition of development partners announced \$82 billion funding for IDA19 to be used to fight against extreme poverty. Overall, the 19<sup>th</sup> replenishment of IDA concluded successfully, mobilizing contributions from 52 governments, including three countries from Sub-Sahara Africa, namely, Angola, Nigeria and South Africa. The financing will be channeled towards investment in IDA countries to address the needs of the targeted people, boost economic growth, and bolster resilience to climate shocks and natural disasters.

Strong implementation under IDA18 has demonstrated there is capacity and strength to absorb resources by IDA countries. The robust replenishment realized under IDA19 requires even stronger commitment and readiness to deliver on the program and projects foreseen by the implementation framework, including increased volume of Performance Based Allocation (PBA), expanded Regional Window and the new Fragile, Conflict and Violence States (FCV) Envelope. Key in this respect will be preparations before the funding kicks in July 2020. IDA countries will be expected to prepare a pipeline of projects fitting with the vision and focus of IDA19. As the major themes remain the same as those of IDA18, the envisaged projects and programs will be by and large a continuation of those promoted in the last three years. To accelerate preparation, proactive use of the Project Preparation Facility (PPF) will need to feature prominently in the coming months and years.

Operationalization of new instruments such as the new FCV envelope is going to require finalizing the rules for accessing the resources under the envelope. As IDA19 requires scaling up staffing in Fragile and Conflict States (FCS), the refinement of country specific analytical frameworks for interventions in FCS, mobilization of adequate staffing and identification and preparation of priority projects will need to go hand in hand. In addition, coordination among the different partners operating in an FCS space is another dimension of the exercise.

On IDA Regional Window, strong regional strategies that have the buy-in of regional member countries is a requirement. As the demand to finance projects submitted by several countries is likely to be high, it is important to promote selectivity in identifying projects for financing. Here again, outreach and consultation will need to be used to bring onboard regional member countries around common set of interventions for the region. Due to the complexity of issues likely to be impacted by regional projects, countries should ensure good quality analytical works goes into the preparation of the pipeline projects.

# HIGHLIGHTS



THE ADOPTION OF ECO CURRENCY AND ITS IMPLICATIONS FOR WEST AFRICAN STATES

POLICY OPTIONS FOR COUNTRIES TO HAVE A SUCCESSFUL ECO CURRENCY

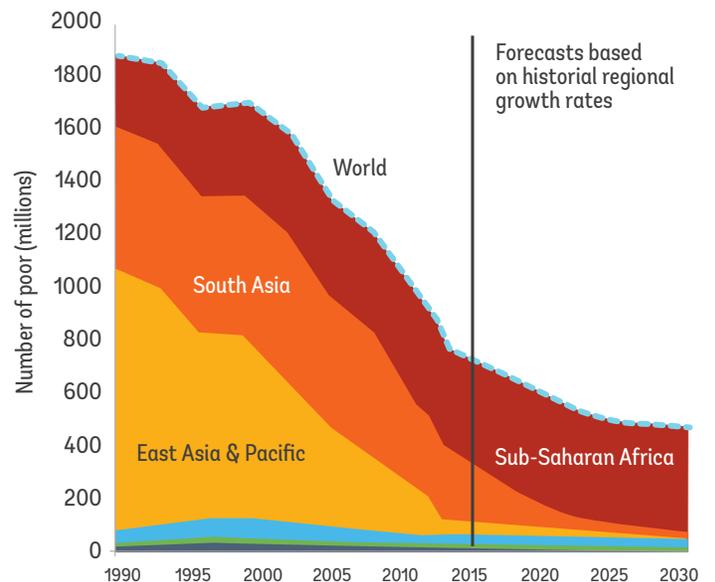
ED'S VISIT TO SIERRA LEONE

ED'S MISSION TO THE REPUBLIC OF THE GAMBIA

**IDA19** envisages further progress with the implementation of the International Finance Corporation (IFC) Private Sector Window (PSW). IFC has continued preparatory works including opening up of new country offices in several SSA countries. A significant pipeline of projects and transactions have also been built by IFC over the past few years, thereby laying the ground for speedy implementation after July 2020. By combining the Blended Concessional Finance principles and MIGA's pipeline of transactions as well as improved presence on the ground, more opportunities could be created for private sector investment under IDA19.

Regarding the implementation of the Sustainable Development Financing Program (SDFP), a new and strengthened focus on the issue of debt, is still in the works. While the SDFP is expected to build on the NCBP, the rules and concrete mechanisms informing decisions are yet to be clarified. In terms of principles, the SDFP is envisaged to have an accountability framework with clear roles regarding (i) defining SDFP performance and policy actions and assessing progress against them and (ii) establishing and releasing set-asides from IDA country allocations and/or adjusting financial terms based on progress against the performance and policy actions

**Figure 1. Millions of poor by region. 1990–2015 estimates, projections to 2030**

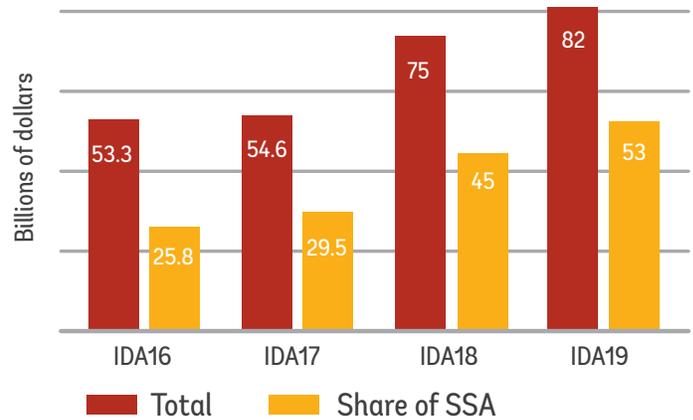


Source: World bank

Delivery of the ambition announced by IDA19's overarching theme of growth, people and resilience is anchored on the SDGs, and will be achieved through a combination of five special themes on Jobs and Economic Transformation (JET); Gender and Development; Climate Change; Fragility, Conflict and Violence and also, Governance and Institutions. It is important to note that two thirds of the world's poor—almost 500 million people—now live in countries supported by IDA, consistent with the observation that poverty is now concentrated in Sub-Sahara Africa (Figure 1). To address the concentration of poverty in poor countries, IDA's financing will advance agenda geared towards job creation and economic transformation, good governance, and accountable institutions. IDA19 will also back efforts to fight gender inequality, risks arising from climate change, and situations of fragility, conflict, and violence, including in the Sahel, the Lake Chad region, and the Horn of Africa.

At the core of the IDA19 mission is facilitating economic growth and regional integration, including through investments in quality infrastructure. More broadly, IDA financing will strengthen efforts to enhance debt sustainability and transparency, harness and adapt to transformative digital payment technology, promote inclusion of people living with disabilities, strengthen the rule of law; and invest in human capital. Furthermore, to address risks and vulnerabilities, IDA will focus more on crisis preparedness, resilience building, and supporting countries in their national climate-related action plans.

**Figure 2. IDA commitments to Sub-Saharan Africa**



Source: IDA and Sub-Saharan Africa

In conclusion, the IDA19 process confirmed the relevance of the special themes adopted for IDA18. The conversations and discussions validated the need to promote job-rich economic transformation, the urgency of fostering gender equality and empowering women, unleashing the potentials of markets, bolstering governance and institutions and provision wholistic support to address fragility, conflict and violence.

## THE ADOPTION OF ECO CURRENCY AND ITS IMPLICATIONS FOR WEST AFRICAN STATES

Six months after adopting the name "ECO" for the future single currency project in West Africa, ECOWAS leaders met on December 21, 2019, in Abuja to discuss progress in the region. The President of Ivory Coast, President Alassane Ouattara, had earlier announced that West African CFA franc would undergo significant reform and would be renamed ECO. The reforms were said to include (i) refraining from paying 50% of the foreign exchange reserves of the CFA Zone to the French Treasury; and (ii) France's withdrawal from management bodies of the CFA. These measures would have the consequence of seeing French representatives withdrawn from the Central Bank of West African States (BCEAO), Banking Commission, and Monetary Policy Council. These proposed measures notwithstanding, Banque de France would remain the guarantor of the convertibility between the ECO and the Euro with which it will keep a fixed parity. It is expected that its implementation will take place by the end of 2020.

The proposed reform has been supported by several voices embracing the economic opportunities that would result from adoption of a single currency. However, President of Ghana, President Nana Akufo-Addo among others has expressed his willingness to join the currency for its economic benefits for the region but urged members of the

currency union to completely abandon plans to peg ECO to the euro. The President of Benin, President Patrice Talon, also announced that the West African Monetary Union is poised to take back control of its currency, noting that there was unanimous agreement on the way forward to end the old model<sup>1</sup>. The Chadian President, President Idris Deby expressed that the move would serve to clear economic injustice heaped on the African countries, stressing that time was ripe to discuss issues with France with utmost transparency and to prioritize ECOWAS monetary sovereignty.

A brief history of how the ECO was established is that in 2000, Heads of State of The Gambia, Ghana, Nigeria, Sierra Leone, Guinea and Liberia established the second monetary zone, known as the West African Monetary Zone (WAMZ) to increase intra-regional trade and Economic integration in the region. At that time, it was envisaged that the Zone would merge with the UMEAO (the CFA Zone) to form a single monetary zone in West Africa for the 15 ECOWAS countries. For this to happen, the West African Monetary Institute (WAMI) was set up in Accra, Ghana to undertake technical preparations for the establishment of a common West African Central Bank and the launching of a single currency in WAMZ.

1 <https://www.trtworld.com/africa/can-these-west-african-nations-dColonise-their-currency-31462>.



The initial date for the launch of the single currency was set for 2003, later postponed to 2005, then 2009 and further to 2015. After all these postponements since 2003, the ECOWAS Heads of State at their meeting in Abuja in June 2019 unanimously agreed that the “ECO” would be launched in 2020. The reason for the series of postponements was due to the inability of Member States to meet the convergence criteria. The criteria include both primary and secondary conditions necessary for the sustainability of the ECO currency. The primary convergence

criteria include: (i) Ratio of budget deficit (including grants) to GDP (be less than or equal to 3%); (ii) Annual average inflation rate (be less than or equal to 5% in 2019); (iii) Central Bank financing of the budget deficit be a maximum of 10 % of the previous year’s tax revenue, and (iv) Gross external reserves (be more than or equal to 3 months of imports). While the secondary criteria among others include: Debt-to-GDP ratio (be less than or equal to 70%) and nominal exchange rate variation of ( $\pm 10\%$ ).

## STRUCTURAL CHALLENGES

It must be noted that there are certain structural challenges inherent in the current set up that must be overcome to have a successful ECO. In his August 2019 article, Dr. Basil Jones<sup>2</sup> noted that for the Eco to be operationalized in the West African Monetary Zone (WAMZ), key institutions need to be in place such as the Authority of Heads of State and Government, the Convergence Council, the Technical Committee, the West African Monetary Institute, the West African Central Bank, the WAMZ Secretariat, the Stabilization and Cooperation Fund, the West African Financial and Supervisory Authority. Also, Osabuohien, E. et al (2017)<sup>3</sup>, noted that most of ECOWAS countries exports are of low value-added composition: mainly in their raw state or in few cases semi-processed state. The economic implication of this is that most ECOWAS countries experience limited value-chain development and low potential to trade among themselves. Similar view was expressed by Dr. Ousman Gajigo, in July 2019<sup>4</sup> when he noted that intra-regional

trade in West Africa is less than 10% of the total trade; and most countries in the sub-region trade mainly primary commodities, whose markets are mainly in Europe and Asia. He noted that intra-regional trade in Africa is highly correlated with the share of manufacturing in the economy. He further noted that manufacturing share of GDP is low for all ECOWAS countries. Data has shown that the main import/export destinations of ECOWAS is shifting to China, India and South America. Based on the above, it would be counterproductive for Banque de France to be the guarantor of the convertibility between the ECO and Euro to keep a fixed parity, as France is not the major trading partner of ECOWAS. The implication of this is that it would make ECOWAS exports expensive and contrary to productivity increases and trade in the region. According Debrun, X. et al (2010)<sup>5</sup>, The Gambia and Guinea are found to be losers by joining the monetary union due to their low export base.

2 <https://www.chronicle.gm/is-gambia-ready-for-the-Eco/>

3 Osabuohien, E., Efobi, U., Odebiji, J. and Fayomi (2017). Financial Development, Trade Costs and Bilateral Trade Flows: Connecting the Nexus in ECOWAS. In, Seck, D (Ed.) Investment and Competitiveness in Africa (pp. 153-176), Geneva: Springer International Publishing. DOI: 10.1007/978-3-319-44787-2.

4 <https://www.chronicle.gm/the-gambia-joining-the-Eco-monetary-union-is-ill-advised/>

5 Xavier Debrun, Paul R. Masson, and Catherine Pattillo, Should African Monetary Unions Be Expanded? An Empirical Investigation of the Scope for Monetary Integration in Sub-Saharan Africa, IMF WP/10/157.

# POLICY OPTIONS FOR COUNTRIES TO HAVE A SUCCESSFUL ECO CURRENCY

- Smaller countries need to strengthen institutions (energy and transportation and policy) to benefit from the ECO.
- ECOWAS need to establish its institutions such as headquarters, parliament and other decision-making bodies in smaller countries (The Gambia and Guinea who are poorer and expected to be worse off by joining the ECO) as a compensation to the flow of products/services from bigger and more industrialized countries. ECOWAS should learn from the European Union (which has distributed its Institutions across European Cities) for more inclusion and stronger integration.
- ECOWAS should expediate the creation of a West African Central Bank as well as the Regional Stabilization Fund. The Regional Stabilization Fund shall serve as a flexible funding instrument that can be employed to address stabilization needs arising from pre-existing or newly emerging socio-economic crises, conflicts and fragility in member-states, in a timely manner. This is very important for smaller countries in the ECOWAS Region.
- ECOWAS should maintain a floating exchange rate as stipulated in the convergence criteria to enhance productivity and competitiveness.

## CONCLUSION

In light of the above, it is important for ECOWAS countries to embrace the ECO with strong political commitments for reforms to overcome the structural challenges. The challenges of ECOWAS should not stop countries from joining the monetary union, as one of the objectives of the ECO is to overcome the low level of integration in the region. There is more advantage in building alliances than going alone. Having muddy water should not make one to throw away the baby with the water. ... "there are ways to save the baby". Everyone can benefit from the ECO with the right structures in place as well as clear mechanism to compensate the worst-off countries. The principle of international trade shows us that, even if a country has a comparative advantage in all aspects, trade is still beneficial to all countries.

## ED'S VISIT TO SIERRA LEONE

**T**he Executive Director, Ms. Anne Kabagambe, accompanied by her senior advisor Ms. Solome Lumala undertook an official mission to the Republic of Sierra Leone on November 27 – 29, 2019. The objective of the mission was to consult with the Government on the country's development challenges and opportunities and to discuss ways to strengthen its relationship with the World Bank Group (WBG).

The Executive Director paid a courtesy call on His Excellency President Maada Bio. President Maada Bio highlighted his Government's focus on investing in human capital, particularly sound health and education, and ensuring food security as the foundation for economic growth and development. Relatedly, he acknowledged the partnership with the World Bank on the Human Capital Project. The President expressed the Government's determination to digitize the economy to reduce cybercrime and to fight corruption. In this regard, it was noted that the results of the ongoing diagnostics on the digital economy would enable the Bank to support the Government's efforts in building digital infrastructure.

The Executive Director held discussions with the Governor, World Bank Group and Minister of Finance, Mr. Jacob Jusu Saffa and Deputy Minister of Finance, Ms. Patricia Laverly. The discussions underscored the urgent need for budget support for the financial year 2020 and the finalization of the Country Partnership Framework (CPF). It was agreed

that the Government of Sierra Leone would finalize the implementation of the prior actions in support of the preparation of the Development Policy Operation (DPO), so that the Executive Board considers the DPO and the CPF simultaneously, in the first quarter of 2020. Further, the meeting mooted the idea of providing transitional support to countries that graduate from fragile, conflict and violent (FCV) situations with huge requirements to continue the recovery process. The Executive Director committed to explore ways to support the implementation of the National Strategy for reduction of Adolescent Pregnancy and Child Marriage (2018 – 2022) in support of teenage mothers. She also held discussions with Staff at the World Bank Group country office on personnel and portfolio matters.

The Executive Director attended two events; the launch of the World Bank-supported Integrated and Resilient Urban Mobility Project (IRUMP) and the Forum on Women's Entrepreneurship in Tourism. The IRUMP is a US\$50 million World Bank grant to support the government's efforts to improve access and quality of public transport, address climate resilience and road safety in selected areas in the Western Area, and to enhance institutional capacity in the transport sector. The Forum on Women's Entrepreneurship in Tourism discussed the second edition of the *UNWTO Global Report on Women in Tourism and the 2019 Women in Tourism Enterprise Survey in Sierra Leone and Ghana (WeTour)*, both supported by the World Bank through the Women's Entrepreneurship Financing Initiative (We-Fi).

## ED'S MISSION TO THE REPUBLIC OF THE GAMBIA

The Executive Director of The Gambia at the World Bank Group Ms. Anne Kabagambe, accompanied by her Advisor, Mr. Lamin Bojang, visited the Republic of The Gambia in November 24–27, 2019, to consult with Gambian Authorities on the country's development priorities and discuss ways of strengthening engagement between the country and WBG. The Executive Director paid a courtesy call to the President, His Excellency Adama Barrow and Minister of Finance and Economic Affairs, Mr. Mambureh Njie. The Executive Director also paid a visit to the World Bank Country Office.

The Executive Director travelled to Mamut Fana Village (250 km from Banjul - near Janjanbureh, in Central River Region) to meet the President of the Republic of The Gambia, President Adama Barrow on his annual "Meet the People's Tour". During the meeting, the Executive Director thanked the President for the gains registered so far by the Government of The Gambia after a challenging political transition. She had noted the huge challenges faced by the Government such as a fragile macroeconomic situation, high debt burden and youth unemployment. She informed the President that the WBG Board had approved a \$12m grant for The Gambia, under the Africa Center of Excellence Project, to support the advancement of higher education in the country. The Executive Director congratulated The Gambia for achieving most of the Development Policy Objectives prior actions. She encouraged the Government to maintain momentum on public expenditure effectiveness and enhancing transparency, which she said

would go a long way in creating an enabling environment for reform implementation.

The President thanked the WBG for the continuous collaboration. He noted that the Government is committed to implementing reforms and delivering on its social contract with the population, noting that implementation of reforms was likely to be delayed due to lack of skilled capacity and resources constraints. He expressed concern that the Gambia's debt burden posed a serious development challenge as 60 percent of government generated revenues was directed to debt service. This, he said, was a challenge the Gambia was discussing with its development partners with the aim to reschedule debt repayments. The Executive Director also had a brief meeting with the Minister of Agriculture, Mrs. Amie Fabureh and the WBG Country Director, during which, the parties discussed and made assurances on the Bank's support to the Gambia on its program to revitalize and expand the mixed farming centers in the country.

During their meeting with the Minister of Finance and Economic Affairs, Mr. Mambureh Njie the Executive Director discussed the WBG Board approved a \$12m grant for The Gambia under the Africa Center of Excellence Project. The aim of the project is to support the advancement of higher education in The Gambia. She highlighted digital economy, a national priority for the Gambia, as one of her key intervention priorities and called for a diagnostic study on the digital



Mr. Lamin Bojang, ED's Advisor; Mr. Mambureh Njie, Minister of Finance and Economic Affairs; Mrs. Amie Fabureh, Minister of Agriculture; Ms. Anne Kabagambe, ED-WBG; His Excellency, Adama Barrow, President of the Republic of The Gambia; Mr. Nathan Belete, WBG Country Director for The Gambia; Johan A. Mistiaen, WBG Staff; Mr. Mohammed Jallow, Secretary General & Head of the Civil Service of The Gambia; and Ms. Elene Imnadge, WBG Country Representative in The Gambia.



L-R: Mr. Nathan Belete, WBG Country Director for The Gambia; Mr. Momodou Ceesay, Proprietor GHE; Ms. Anne Kabagambe, ED-WBG; Johan A. Mistiaen, WBG Staff; Mr. Lamin Bojang, ED's Advisor; and Ms. Mariama Jatta-Sambou, Staff, Ministry of Finance and Economic Affairs.

economy in The Gambia to identify gaps and investment requirements of the country. The Executive Director met with WBG Country Director and Country Representative in The Gambia. The ED noted that her visit would focus on digital economy and human capital project. On digital economy, the team informed the ED that The Gambia was not part of the ongoing diagnostics, but the Government could make a formal

request (to be included in the diagnostics). It was anticipated that a State-Owned Enterprises Project could kick start the digital economic intervention in the Gambia. The next Country Partnership Framework process was expected to be launched on by 2020, second quarter, while the SCD would be wrapped up in December 2019.

#### The Executive Director undertook field visits to the following World Bank Group Projects:

- **Kotu Senior Secondary School.** The school is one of the 48 pilot sites for the improved learning and teaching through the digitization component of The Gambia Education Sector Support Program (GESSP) Project of the World Bank. The Project Manager, Mr. Abdoulie Sowe shared that the project started with the teaching of math and sciences in 12 pilot schools and later expanded to 48 schools in the country. The project was supported by the New Jersey Center of Teaching and Learning (NJCTL) on curriculum development and training of teachers in all subject areas.
- **Gambia Horticultural Enterprise (GHE).** One of the biggest agribusiness enterprises in the Gambia, GHE operates along the horticultural value chain for mango, cashew and vegetables. The company was established in 1991 with a farmland area of 120 hectares and currently provides employment for

200 people. It provides an out-grower scheme for Keith and Kent mango varieties to local farmers. The WBG through Gambia Commercial Agricultural Value Chain (GCAV) project has provided a matching grant to GHE. Through this investment support, GHE had raised 60% of its funding from commercial banks while the project provided the remaining 40%. The project had also provided a mango expert from Philippines to GHE.

- **Kanifing General Hospital.** The hospital handles over 635 referrals and about 350 deliveries per week making it one of the busiest in the country. The hospital faces challenges concerning poor design and construction of the facility which makes it difficult to move patients between wards. Other constraints of the hospital include lack of essential drugs and equipment among others.