2018
ANNUAL REPORT

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Executive Director

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

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Acronyms and Abbreviations

AfCFTA	Africa Continental Free Trade Agreement
AFG1	Africa Group 1 Constituency
CCAP	Climate Change Action Plan
CEMAC	Central African Economic and Monetary Community
CPF	Country Partnership Framework
EAP	East Asia and Pacific
ECA	Europe and Central Asia
ECB	European Central Bank
EMDEs	Emerging Markets and Developing Economies
ESF	Environmental and Social Framework
FCS	Fragile and Conflict-Affected States
FCV	Fragility, Conflict and Violence
FDI	Foreign Direct Investment
FIG	Financial Institutions Group
FY	Fiscal Year
GCI	General Capital Increase
GDP	Gross Domestic Product
HCI	Human Capital Index
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
LAC	Latin American and Caribbean
LTF	Long-Term Finance
MAS	Manufacturing and Services
MENA	Middle East and North Africa
MFD	Maximizing Finance for Development
MIGA	Multilateral Investment Guarantee Agency
NDC	Nationally Determined Contributions
OPEC	Organization of Petroleum Exporting Countries
PIDA	Program for Infrastructure Development in Africa
PSW	Private Sector Window
SAR	South Asia Region
SCD	Systematic Country Diagnostic
SCI	Selective Capital Increase
SDGs	Sustainable Development Goals
SMP	Staff Monitored Program
SSA	Sub-Saharan Africa
US	United States
WBG	World Bank Group

Foreword by the Executive Director

I am pleased to present the *2018 Annual Report* of the Africa Group 1 Constituency at the World Bank Group (WBG). During my term as Executive Director, the pursuit of the WBG's twin goals of reducing extreme poverty and boosting shared prosperity has manifested both challenges and opportunities in the Sub-Saharan Africa (SSA) region. In 2016, the combined effects of a slump in commodity prices and extreme weather conditions contributed to a marked slowdown in economic performance and output growth to a twenty-year low of 1.5 percent, challenging the 'Africa Rising' narrative. Though commodity prices have firmed since 2017, economic recovery has been modest, with many economies still yet to attain their pre-2016 levels of performance.

Against this backdrop, however, huge opportunities exist. Notable is the region's low cost of labor and youthful population. Further, the historic Africa Continental Free Trade Agreement (AfCFTA) that was signed in March 2018 by forty-four of the fifty-five members of the African Union, if ratified, is projected to create a huge Pan-African market. Taken together, these factors present an opportunity for SSA countries to enhance their competitiveness and provide alternative investment destinations in the context of rising labor costs elsewhere, particularly in East Asia. Some SSA countries have moved to mainstream these opportunities in their development plans, with programs to invest in both essential physical and human capital, while improving the landscape for private sector development. There is need for SSA countries to fast-track reforms, which are imperative to ensure progress in economic development and poverty reduction.

In 2017, the SSA region was the only region that did not register a rise in per capita incomes, despite registering an uptick in economic growth. The first set of comprehensive poverty statistics published by the World Bank Group (WBG) in the Post-2015 era paints an even more sober picture of the state of poverty in SSA. According to the *Poverty and Shared Prosperity 2018 Report*, despite a 25-percentage point decrease in global extreme poverty to 10 percent in 2015, poverty is becoming increasingly concentrated in SSA. Of the approximately 736 million people surviving on US$1.90 a day or less, over half are in SSA. Further, while progress on shared prosperity has been made at the global level, the growth of incomes in the bottom 40 percent of the population was low in SSA. In short, it is now clear that the battle of reaching the twin goals, and the Sustainable Development Goals (SDGs), is dependent on significant progress in SSA.

The World Bank Report shows that the twin goals will only be attained under a scenario where growth in the region is much high and more inclusive. To raise per capita incomes and share prosperity, more African countries will have to embrace a comprehensive economic transformation agenda. Strategies must seek to shift labor towards the production of high valued products, accompanied by efforts that would convert the region's vast natural resource into a human capital, through quality investments in education and health. Transformation of the agriculture sector must also take hold – a message which was the focus of the 2017 African Caucus Meeting held in Botswana. Further, reforms must be made to strengthen domestic resource mobilization, improve business climate and open investment in strategic sectors where private finance can play an active role, such as the energy sector. While efforts to close the infrastructural gaps are important for the economic transformation agenda, it will have to be balanced with the need to maintain sustainable levels of debt.

The WBG, the world's premier development institution, is well-placed to assist countries transform their economies. Already, the WBG is responding to client needs through the *Forward Look Strategy*, which was adopted in 2016 as the vision for the Post-2015 era. The IDA18 cycle kicked off in mid-2017 with a financing

envelope of US$75.0 billion (approximately 50 percent committed to SSA) and a special theme focused on Jobs and Economic Transformation. This year, the WBG Board approved a Regional Integration Strategy for Africa, which, among other things, will support the development of strategic regional corridors and value chains. The WBG also concluded agreements that will adjust its shareholding structure, while boosting its financial ability to meet rising client demand. The International Finance Corporation (IFC), launched its new strategy IFC 3.0, which will help create markets and support private investment in difficult markets. Over these last two years, we have also witnessed the promise of innovative financing in the agenda for Sustainable Energy for All (SE4ALL), with the implementation of IFC's Scaling Solar Initiative. Other reforms being implemented by the WBG include the Expenditure Review and an initiative to improve operational efficiency to address the call, long being made by Governors for more agile and responsive WBG.

Efforts by the WBG to support its clients remain crucial. Greater attention will need to be paid to the transformation of the agriculture sector and the promotion of agribusiness and other off-farm activities in Africa. The WBG will have to demonstrate a strong commitment to the Addis Ababa Action Agenda by implementing a comprehensive program to assist countries address illicit financial flows, including aggressive tax planning by multinationals. The WBG will need to provide assistance in building capacity in several areas including project management, public investment management and debt management. Countries, on their part, will need to strengthen consultations with the WBG to ensure strong alignment of the Country Partnership Frameworks with national development plans, by seeking to match the comparative advantage of the WBG with country needs. They will also have to ensure that there are minimal disruptions in the WBG portfolio and that disbursements occur at the programed rate.

Regarding the activities of the Constituency Office, I am pleased to inform Governors that much has been achieved over the past two years under the guidance of *Agenda 24*, the office work program. There has been progress in the re-engagement of four Constituency countries with special needs, and it is expected that momentum will continue to build for positive results over the near to medium term. The Office provided support to our IDA Borrowers' Representatives in the negotiation of the replenishment of IDA18, which saw greater input from IDA's client countries. Further, in collaboration with the Government of the Republic of Botswana, the Office successfully hosted the 2017 African Caucus. During my term, the Office also welcomed seven new Advisors to its staffing complement, which accorded more countries the opportunity to serve in the Constituency Office.

I note that these achievements would not have been possible without the invaluable support of the Honorable Governors and Alternate Governors of this Constituency, as well as our IDA Borrowers' Representatives. I am deeply appreciative of the trust and support they rendered to me during my tenure. My interactions with Governors and other government officials in Washington DC and in the Constituency countries during my visits were extremely helpful in the execution of my duties. I am confident that my successor will also find comfort in the support of Governors as she takes the agenda of the Constituency Office to the next level.

This Annual Report highlights several key issues that are pertinent to taking our agenda to the next level of economic development. I hope Honorable Governors, Alternate Governors and other interested readers will find the Report both informative and useful.

Andrew N. Bvumbe
Executive Director

Executive Summary

The global economy continued to grow robustly in 2018, though this performance has been uneven across countries. Global output growth is projected at 3.9 percent in 2018, from 3.7 percent in 2017, due to strong momentum in the United States, favorable market sentiment, and accommodative financial conditions. Growth in Advanced economies is projected to hold steady at 2.4 percent in 2018, on account of strong investment and ongoing accommodative policies. Growth in Emerging and Developing Economies is expected to accelerate to 4.9 percent in 2018, from 4.7 percent in 2017, against a backdrop of rising oil prices, higher yields in the United States, escalating trade tensions, and domestic political and policy uncertainties. The global economic outlook is, however, clouded by the risks of rising trade protectionism and tightening conditions in international financial markets.

The Sub-Saharan Africa (SSA) economy continued on a path of recovery, with growth projected to increase progressively to 3.4 percent in 2018 and 3.8 percent in 2019. This reflects the combined effects of rising oil and metals production amid firming commodity prices; improved agricultural production as dampening effects of droughts fade; and a rebound in investment and consumer spending as inflation falls. This growth trajectory will, however, fall short of the region's historical average and will be insufficient to make an impact on per capital incomes and poverty. Poverty reduction will also be hampered as rising debt service crowds out social spending in some countries. The outlook for economies in the African Group 1 Constituency is broadly positive, as most of them are projected to grow well above the SSA average growth rate of 3.4 percent in 2018.

The combined commitments of the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA) in FY18 amounted to US$47.0 billion, up from US$42.1 billion in FY17. The increase in total commitments was mainly driven by the first year of implementation of IDA18. Despite uncertainties surrounding the capital increase, IBRD total commitments rose to US$23.0 billion in FY18, from US$22.6 billion in FY17. Three regions saw an increase in commitments, with SSA region receiving the largest share of 35.1 percent, amounting to US$16.5 billion. Total gross IBRD and IDA disbursements marginally increased from US$30.6 billion in FY17 to US$31.9 billion in FY18, driven by a 13.0 percent rise in gross IDA disbursements, offsetting a 2.6 percent decrease in IBRD disbursements. The SSA region registered an increase in disbursements of US$1.8 billion in FY18, from the FY17 level of US$7.1 billion.

IFC delivered a strong program of US$23.3 billion in Long Term Finance (LTF) that resulted in a 7.0 percent increase in project count from 342 to 366 projects in FY18. The LTF investment program was driven by Core Mobilization that substantially increased by 56 percent to US$11.7 billion. Disbursements increased by eight percent to reach US$41.7 billion in FY18. SSA disbursements correspondingly increased by eight percent to reach US$ 1.3 billion. The IFC advisory portfolio remained unchanged at US$1.5 billion in FY18, with SSA maintaining the largest share at 31.0 percent.

In FY18, the Multilateral Investment Guarantee Agency (MIGA), issued a record volume of new guarantees amounting to US$5.3 billion in support of 39 projects. This reflected a growth of 10.4 percent from US$4.8 billion in FY17. These projects aim to provide eight million people access to power; better access to telecom services to 1.4 million people; enable 10.3 million patient consultations; and generate more than 22 million direct employment opportunities. Fourteen of these projects were in SSA for support in the strategic priority areas of infrastructure and agribusiness. Of these, six were in the Africa Group 1 Constituency, representing 36.1 percent of guarantees issued to SSA.

The Executive Boards of the WBG discussed key policies and strategies during FY18, including the 2015 Shareholding Review and Capital Adequacy, the Human Capital Project, WBG Climate Change Action Plan, as well as the Environmental and Social Framework that was launched in October 2018. Following an agreement on a capital package for IBRD and IFC under the 2015 Shareholding Review and Capital Adequacy, Governors voted on a set of resolutions to endorse a capital base increase for these institutions. The adoption of these resolutions will be followed by the implementation of an IBRD loan pricing reform in FY19 that would, among other outcomes, increase IDA transfers to US$12.0 billion. In contrast, transfers from IFC to IDA will cease, allowing for an estimated US$1.0 billion increase in IFC's capital base. Of particular interest to IDA countries, is the commitment to increase the share of IFC investments in IDA and Fragile and Conflict-affected States (FCS) to 40.0 percent of the portfolio by FY30.

Executive Directors also discussed the World Bank's Human Capital Project, which seeks to strengthen countries' investments in human capital to improve overall outcomes in education and health. Alongside this Project, the World Bank will launch, at the 2018 Annual Meetings, the Human Capital Index, an international metric that benchmarks components of human capital across countries.

The Environmental and Social Framework was also launched in October 2018. Preparations included a multitude of activities that involved training, capacity building, and the approval by the Board of Guidance Notes for its implementation. In these preparations, emphasis was placed on IDA countries, to build their capacity to incorporate these safeguards in the Systematic Country Diagnostic and Country Partnership Framework processes. On the Climate Change Action Plan, the WBG is on track to meet the target share of 28.0 percent of climate-related projects in its portfolio.

In June 2018, the Executive Boards approved the *Supporting Africa's Transformation: Regional Integration & Cooperation Assistance Strategy FY18-FY23*. This Regional Strategy seeks to achieve the following: generate economic dynamism along regional economic corridors; develop regional markets in energy, ICT/telecommunications, technical skills and the financial sector; scale up access to quality public services and entrepreneurship; and promote collective action to address risks of regional economic contagion, fragility, epidemic, and climate hot spots.

At the Constituency level, Governors met for their 16th Statutory Constituency Meeting on April 19, 2018, on the sidelines of the 2018 Spring Meetings. They approved their statement to the Development Committee, which focused on sustainable financing for development; the 2015 Shareholding Review, the Forward Look; disaster risk management in Bank operations; as well as support for regional integration and human capital development. Further, they discussed the challenge of infrastructure finance in Africa, particularly the increasing reliance on debt financing.

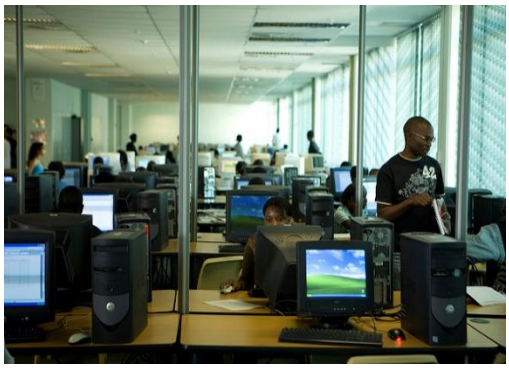
In August 2018, Governors of the IMF and the WBG, converged in Sharm El Sheikh, Egypt for the 2018 African Caucus Meeting under the theme "Promoting Inclusive Growth through Private Investment and Access to Finance". The outcomes from these deliberations are reflected in the *Sharm El Sheikh Declaration* and *The 2018 Memorandum of African Governors to the Heads of the Bretton Woods Institutions*.

The reengagement process for Eritrea, Somalia, Sudan and Zimbabwe with the WBG proceeded at varied paces. While there was limited progress made by Eritrea and Sudan, there was momentum in the reengagement process in Somalia and Zimbabwe. Somalia and the IMF agreed on the third Staff Monitoring Program (SMP), while the WBG Executive Board in September 2018 approved the first Country Partnership Framework and two pre-arrears clearance grants for technical assistance in public financial management in support of the SMP and for scaled-up recurrent costs. Zimbabwe, on the other hand, hosted a data collection mission from the IMF in preparation for the Article IV consultations.

Students wash their hands before eating prepared meal at the Hope Kindergarten Elementary School in Tarbarr Community in Buchanan City, Liberia. Photo by Dominic Chavez WBG.

Zanaki Primary School in Dae es Salam, Tanzania

A laboratory that does HIV testing in Mukono, Uganda. Photo by Arne Hoel WBG



University of Namibia in Windhoek, Namibia

Vaccination for children in Children's Hospital in Freetown, Sierra Leone. Photo by Dominic Chavez WBG

Maseru Shining Centuary Textiles, Maseru Lesotho. Photo by John Hogg WBG

Chapter 1

Economic Developments and Prospects

- Global Economic Performance
- Economic Performance in Sub-Saharan Africa
- Economic Performance in Africa Group 1 Constituency
- The Medium-Term Outlook

Chapter 1

Economic Developments and Prospects

1.1 Overview

This Chapter presents an overview of the recent economic developments, the medium-term outlook, as well as risks to the global economy. It also focuses on the economic performance and prospects on the Sub-Saharan Africa (SSA) region, including the Africa Group 1 Constituency.

1.2 Global Economic Performance

The global economy continued to expand robustly, albeit not in the synchronized manner across countries observed over the last two years. At the same time, risks to the growth outlook are increasing. Rising protectionism and tightening financial markets represent risks to the growth outlook. Notwithstanding these risks, output growth is expected to reach 3.9 percent in 2018, from 3.7 percent in 2017, on the back of strong momentum in the United States of America (USA), favorable market sentiment, accommodative financial conditions, and the spillover effects of the expansionary fiscal policy in the USA (Table 1.1). Ongoing recovery in commodity prices, notably fossil fuels, will boost commodity-exporting Emerging Market and Developing Economies (EMDEs) over the medium term.

Advanced economies which grew by 2.4 percent in 2017, are expected to flatline in 2018, reflecting the confluence of robust growth of investment and ongoing demand management policies. The U.S. economy expanded by 2.4 percent in 2017, while solid economic growth in the first half of 2018 points to an annual growth forecast of 2.9 percent. During this period, the economy benefited from robust consumer spending induced in part by the implementation of the Tax Cuts and Jobs Act, solid business investment, surging exports and increasing public expenditure[1].

The Euro Area economy which grew by 2.4 percent in 2017, is expected to slow down to 2.2 percent in 2018, as economic activities in both France and Germany soften. In addition, domestic demand in Italy weakened as financial conditions tightened following domestic political uncertainty. Japan's economy grew by 1.7 percent in 2017 and weakened early in 2018 due to a slowdown in private investment and consumption spending. However, the Japanese economy is projected to pick up pace over the remainder of 2018, to reach 1.0 percent due to strengthening private consumption, external demand, and investment.

Economic output in EMDEs grew by 4.7 percent in 2017 and is expected to edge up by 0.2 percentage points to 4.9 percent in 2018, thanks in part to the acceleration of private consumption. Resumption of fixed investments, coupled with stronger private consumption, also supported growth in commodity-exporting countries, such as Brazil, the Russian Federation, and Nigeria.

[1] Board of Governors of the Federal Reserve System (2018). Monetary Policy Report, July 2018.

Table 1.1: Global Economic Performance and Outlook

	2016	2017[e]	2018[f]	2019[f]
Real GDP Growth (%)[1]				
World	3.2	3.7	3.9	3.9
Advanced Countries	1.7	2.4	2.4	2.2
Emerging Market and Developing Economies (EMDEs)	4.4	4.7	4.9	5.1
BRICS[2]	4.4	5.3	5.4	5.4
Commodity Exporting EMDEs	0.8	1.8	2.5	3.0
Inflation (%)[3]				
World	1.5	2.2	2.3	-
Emerging Market and Developing Economies (EMDEs)	2.7	3.2	4.4	4.2
Commodity Exporting EMDEs	3.5	3.5	-	-
Other EMDEs	1.3	2.9	-	-
Commodity Prices				
Non-Energy Commodity Price Growth (%)	-2.6	5.5	5.1	0.2
Oil Price (US$ Per Barrel)	42.8	52.8	65.0	65.0
Oil Price Changes (Percentage Change)	-15.6	23.8	32.6	-1.4
Interest Rates (London Interbank Offered Rate) (%)				
US Dollar, 3-Months	0.7	1.3	-	-
Euro, 3-Months	-0.3	-0.3	-	-

Source: International Monetary Fund and 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 includes Brazil, Russia, India, China, and South Africa.

(3) Inflation figures for 2018 are up May 2018.

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

	2016	2017e	2018[f]	2019[f]
Advanced Economies	1.7	2.4	2.4	2.2
Euro Area	1.8	2.4	2.2	1.9
Japan	1.0	1.7	1.0	0.9
United States	1.5	2.3	2.9	2.7

Source: IMF

Notes: e=estimate; f=forecast

Oil prices continued to rally through mid-2018, averaging US$66.20 per barrel, mainly reflecting supply shortages (Figure 1.1, Panel b). In addition to the production quota agreed by OPEC and some non-OPEC producers, the recent price increase is due to major supply disruptions in some oil-producing countries such as Libya and Venezuela due to domestic political developments. Oil production has also been declining in Nigeria, Angola, and Canada. Combined with OPEC production quotas, these disruptions culminated in the tight oil market, pushing up prices and leaving the prices more susceptible to geopolitical risks and shifting market dynamics. However, global oil prices are expected to stabilize for the remainder of 2018, following announcements by Russia and Saudi Arabia to increase oil production by more than the volume agreed during the OPEC meeting in June 2018, while Libya resumes oil production as its ports get back to operation. This, combined with rising oil production in the US and ongoing moderation in Chinese demand for oil, will prevent faster growth in oil prices.

Metal prices picked up amid strengthening global demand and concerns about tightening global supplies (Figure 1.1, Panel c and d). The index for base metals increased by 10.0 percent to an average of 93.7 for the first eight months of 2018, compared to an 84.9 reading in 2017. The uptick in the index reflects China's continued efforts to curtail production of aluminum and steel in a bid to meet pollution targets, its trade tensions with the USA, as well as the USA. sanctions imposed on one of Russia's aluminium producers.

Agricultural prices gained roughly 2.0 percent in the first eight months of 2018, compared to their 2017 levels, primarily due to lower wheat and maize plantings in the U.S and a La Niña-related impact on banana production in Central America, as well as soybean production in Argentina. On average, these prices are projected to increase by 2.2 percent in 2018.

Firming global oil prices, along with other commodity prices, lifted headline inflation in both advanced and emerging economies, putting global inflation at 2.3 percent in the first half of 2018, up from 1.7 percent in 2017 (Table 1.1). In EMDEs, inflation is expected to rise to 4.4 percent in 2018, driven largely by the pass-through impacts of currency depreciation in some of the countries and second-round effects of higher fuel prices in other countries.

Asian EMDEs are projected to maintain their growth momentum at 6.5 percent in 2018. The regional growth is set to benefit from strong, albeit softening, growth in China, as well as the rapidly expanding Indian economy. The Chinese economy is projected to moderate to 6.6 percent in 2018, from 6.9 percent in 2017, as regulatory tightening of the financial sector weighs in and external demand weakens. After expanding by 6.7 percent in 2017, the Indian economy is projected to grow further in 2018, to 7.3 percent, as the dampening effects of a currency exchange initiative and the introduction of a goods and service tax fade. Growth in European EMDEs is projected to soften to 4.3 percent in 2018, from 5.9 percent in 2017, owing to tightening financial conditions in some economies and large external deficits in countries such as Turkey. The Turkish economy is projected to cool off significantly to 4.2 percent in 2018, compared to 7.4 percent in 2017.

Growth in the Middle East and North Africa[2] (MENA) economies is expected to rise to 3.5 percent in 2018, up from 2.2 percent in 2017 (Table 1.3). The rise in oil prices is adding to the growth of the region's oil exporters, while creating uncertainty on the growth trajectory of most oil importing countries. Additionally, several countries face sizeable fiscal consolidation needs, and the threat of intensifying geopolitical conflict continues to weigh down regional growth.

Growth in Latin America and the Caribbean (LAC) region is projected to increase modestly to 1.6 percent in 2018 from 1.3 percent in 2017, as higher commodity prices support commodity exporters. The regional outlook is, however, subdued due to tighter financial conditions and needed policy adjustments in Argentina; the lingering effects of strikes and political uncertainty in Brazil; trade tensions and prolonged uncertainty around the NAFTA renegotiations; and the policy agenda of the new Mexican Government. The outlook for Venezuela remain uncertain due to the collapse in activity and the humanitarian crisis.

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[2] This region includes Afghanistan and Pakistan.

Figure 1.1: Commodity Prices

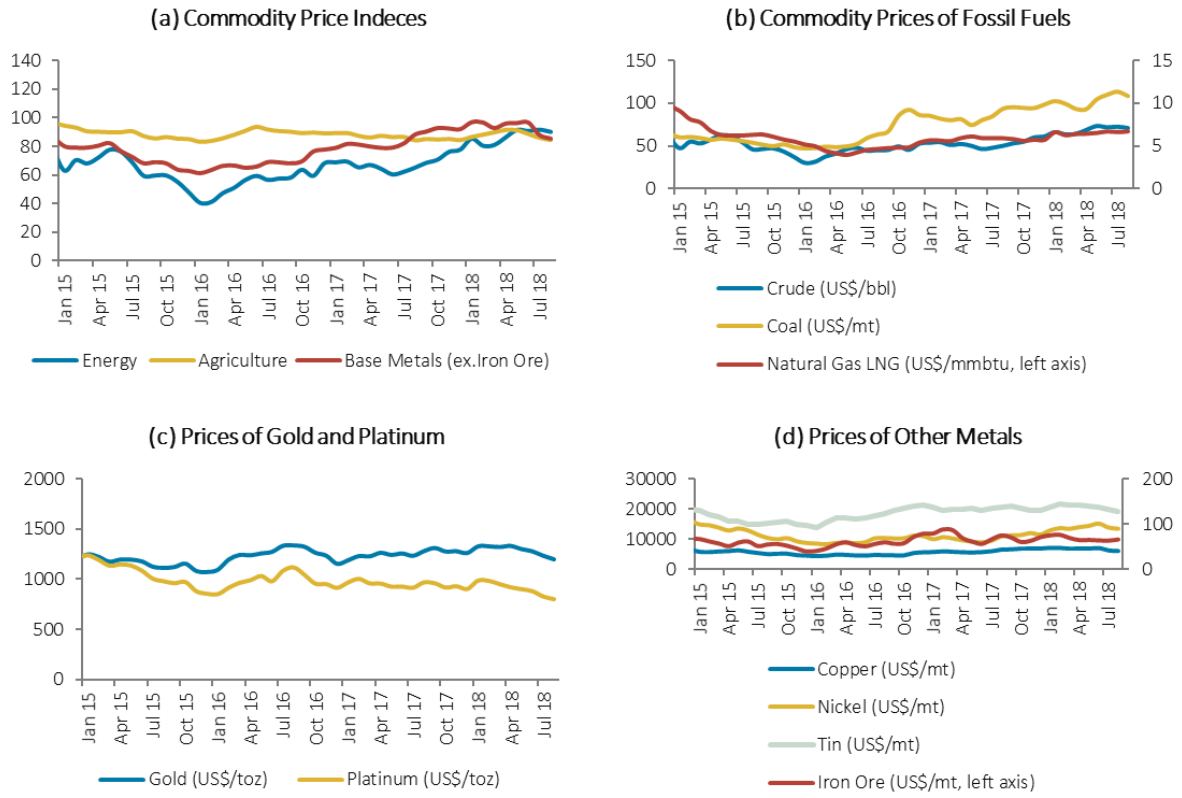
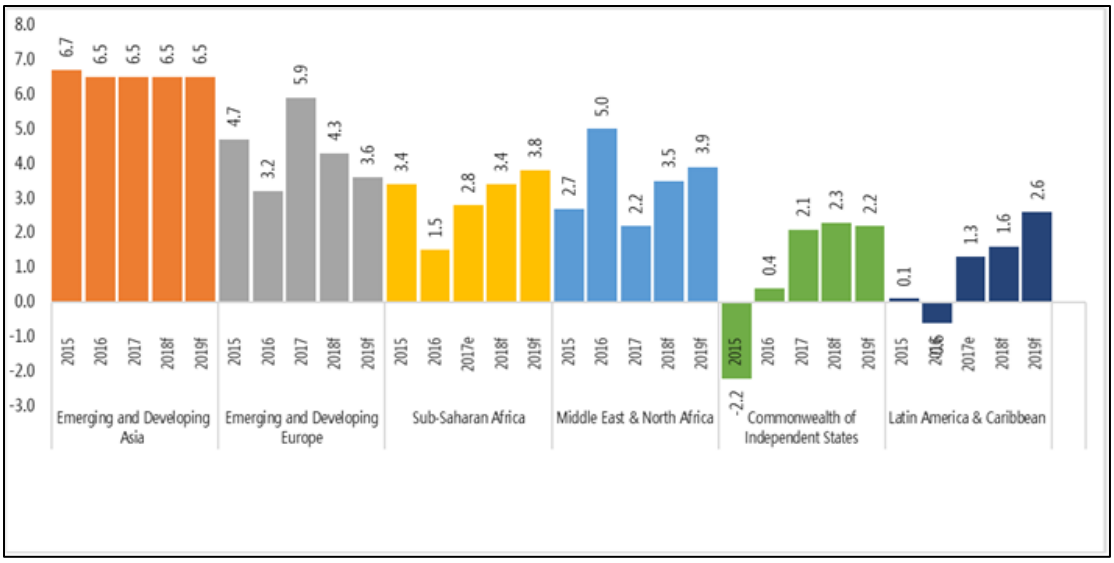


Figure 1.2: Real Output Growth in Emerging Markets and Developing Economies (%)



Source: International Monetary Fund and World Bank

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

Country/Group of Countries	2015	2016	2017	2018[f]	2019[f]
Emerging Market and Developing Economies (EMDEs)	4.2	4.4	4.7	4.9	5.1
Commonwealth of Independent States	–2.2	0.4	2.1	2.3	2.2
Russia	–2.8	–0.2	1.5	1.7	1.5
Emerging and Developing Europe	4.7	3.2	5.9	4.3	3.6
Latin America and Caribbean	0.1	–0.6	1.3	1.6	2.6
Brazil	–3.8	–3.5	1.0	1.8	2.5
Mexico	2.6	2.9	2.0	2.3	2.7
Middle East and North Africa	2.7	5.0	2.2	3.5	3.9
Saudi Arabia	4.1	1.7	–0.9	1.9	1.9
Emerging and Developing Asia	6.7	6.5	6.5	6.5	6.5
China		6.7	6.9	6.6	6.4
India	7.9	7.1	6.7	7.3	7.5
Sub-Saharan Africa	3.4	1.5	2.8	3.4	3.8
Nigeria	2.7	–1.6	0.8	2.1	2.3
South Africa	1.3	0.6	1.3	1.5	1.7
Memo:					
Low Income Developing Countries (LICs)	4.6	3.5	4.7	5.0	5.3

Source: International Monetary Fund, World Economic Outlook Update, July 2018.
Notes: e=estimate, f=forecast

1.3 Economic Performance in Sub-Saharan Africa

In the SSA region, real output growth increased by 1.3 percentage points to 2.8 percent in 2017, up from 1.5 percent in 2016, and is projected to accelerate to 3.4 percent in 2018. There was significant diversity in performance across the region, with some performing remarkably well while others experienced very modest growth. Overall, the recovery in growth was rapid, especially among non-resource-intensive economies. In Rwanda and Uganda, the pickup in economic activity was supported by improving agricultural conditions and infrastructure investment. Rising consumer spending, helped by low inflation and a rebound in remittances, supported growth in other non-resource intensive countries including, The Gambia and Kenya. However, growth moderated in major oil exporting countries such as Angola and Nigeria due to maturing oil fields.

Renewed government commitment to critical macroeconomic and governance reforms, particularly in Angola and South Africa, boosted investor confidence. Mining production rose in metal exporting countries, with new mines coming on stream and investment into existing mines increasing, encouraged by higher metal prices especially in the Democratic Republic of Congo and Zambia. In some countries, high government debt levels weighed down on growth.

Current account deficits increased in the region, although there were significant differences between countries. Among non-resource-intensive countries, current account deficits widened, as import growth remained strong due to high public investment levels and a rise in consumption spending. In metal exporting countries, current account deficits narrowed moderately, reflecting the effects of a pickup in import-intensive mining investment. Global financial market conditions were favorable and helped to finance the current account imbalances. While foreign direct investment flows rebound moderately, portfolio inflows continued at a solid pace, aided by several large sovereign-bond issuances particularly in Angola, Côte d'Ivoire, Kenya, Nigeria and Senegal. Exchange rates were broadly stable in real

effective terms, reflecting tight domestic policies in some countries, and rising foreign financing. Foreign reserve levels increased, accelerated by portfolio inflows, and supportive policies in some cases, including among the Central African Economic and Monetary Community (CEMAC) countries where fiscal consolidation took place. In many countries however, reserve coverage was below the three-months-of-imports benchmark, especially those that were hit hard by the decline in commodity prices.

According to the International Monetary Fund's (IMF) World Economic Outlook, the inflation rate for SSA continued to fall from 11.26 percent in 2016 to 11.05 percent in 2017 and is projected to reach 9.51 percent in 2018, helped by declining food prices, prompting central banks in some countries to further cut interest rates particularly in Uganda and Zambia; and, in others such as Kenya, to signal a gradual easing cycle. Nevertheless, inflation was in double digits in several countries, owing to currency depreciations, particularly in, Angola and Ethiopia, and high food inflation due to supply disruptions in Nigeria and Sudan.

Large fiscal deficits resulted in high public debt levels in the region. Among oil exporters, fiscal consolidation and debt restructuring (Chad and Republic of Congo) contributed to stabilization of government debt. Debt levels remained relatively low in Nigeria, but were high and rising in Angola, due in part to exchange rate depreciation. Low public saving rates and high public investment contributed to an increase in debt levels in some non-resource-intensive countries.

Although domestic revenue mobilization improved substantially in recent decades, tax-to-GDP ratios remained low in most SSA countries. With greater push to close the infrastructure gap and invest in social sectors, countries in the region increasingly shifted towards non-concessional financing, resulting in higher debt service costs in some countries. As international bonds start to mature, large repayments are expected over the period 2020-25, which could pose a significant refinancing challenge in the region. Despite the increase, debt levels for most countries have not yet breached the traditional threshold indicators. They declined in nine African countries, sometimes mechanically due to a rebasing of GDP, and remained stable in others.

SSA's recent high growth rates were however not accompanied by high employment growth rates. Between 2000 and 2008, employment grew at an annual average of 2.8 percent. Only five countries, Algeria, Burundi, Botswana, Cameroon, and Morocco, experienced employment growth of more than 4.0 percent. Between 2009 and 2014, regional annual employment growth increased to an average of 3.1 percent despite slower economic growth. But this figure was still 1.4 percentage points below average economic growth. Slow job growth primarily affected women and youth (ages 15–24). Africa is estimated to have had 226 million youth in 2015, a figure projected to increase to 321 million by 2030. The lack of growth in jobs has retarded poverty reduction. Poverty levels in SSA remain high while the proportion of the population living below the poverty line is the highest among developing regions and has the slowest rate of decline. More than half of the world's poor are in SSA and of the 27 poorest countries in the world, 26 are in SSA, all with poverty rates above 30 percent. Due to a high population growth rate, the growth in per capita incomes has been very modest even in the fastest growing economies indicating less shared prosperity.

1.4 Economic Performance in the Africa Group 1 Constituency

The economic performance among Africa Group 1 Constituency countries varied significantly in 2017 (Table 1.4). Fifteen countries, in the Constituency grew above the average the SSA average growth of 2.6 percent in 2017, while eight remained below average. The East African sub-region remained the fastest-growing at 5.6 percent in 2017, up from 4.9 percent in 2016, and is expected to remain buoyant, reaching 5.9

percent in 2018 and 6.1 percent in 2019. Strong growth was widespread in the sub-region, with many countries such as Ethiopia, Kenya, Rwanda, Tanzania and Uganda growing at 5.0 percent or more. Private consumption was the most important driver of growth in Kenya whilst public investment in infrastructure was instrumental in Ethiopia. Agriculture is projected to rebound after poor harvests in 2017.

Although growth in Southern Africa nearly doubled in 2017, to 1.6 percent, up from 0.9 percent in 2016 it was far from impressive. The slight improvement reflected better performance of the three main commodity exporters in the region who accounted for about one percentage point of Africa's growth rate.

The West African region recovered from a contraction of -1.5 percent in 2016, resulting from an economic recession in Nigeria which completely offset the strong gains made in countries such as Sierra Leone to 2.5 percent in 2017. This recovery is attributed mainly to improvements in oil production in Nigeria and rising global commodity prices.

In the Africa Group 1 Constituency, Ethiopia at 10.3 percent in 2017 remained the fastest growing economy due to increased Foreign Direct Investment and public expenditure. Growth in Tanzania, Rwanda and Kenya was also remarkably high at 6.4 percent, 6.1 percent and 4.9 percent, respectively. Due to political instability and a steep decline in oil production, growth in South Sudan was the lowest in the Constituency at -3.5 percent in 2017 and growth in Burundi was also amongst the lowest in East Africa, only increasing from -0.6 in 2016 to 0.5 percent 2017.

Countries in the Southern African region were among the worst performing within the Constituency, with Botswana declining from 4.3 percent in 2016 to 1.8 percent in 2017, as a result of subdued mineral production; Namibia from 1.1 percent to -1.0 and Eswatini marginally increasing from 1.4 percent to 1.9 percent due to structural issues and continued decline in SACU revenues. Notably all three countries are also closely linked to the South African economy which has consistently performed dismally since 2015.

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Figure 1.3 Real GDP Growth in the Africa Group 1 Constituency (%)

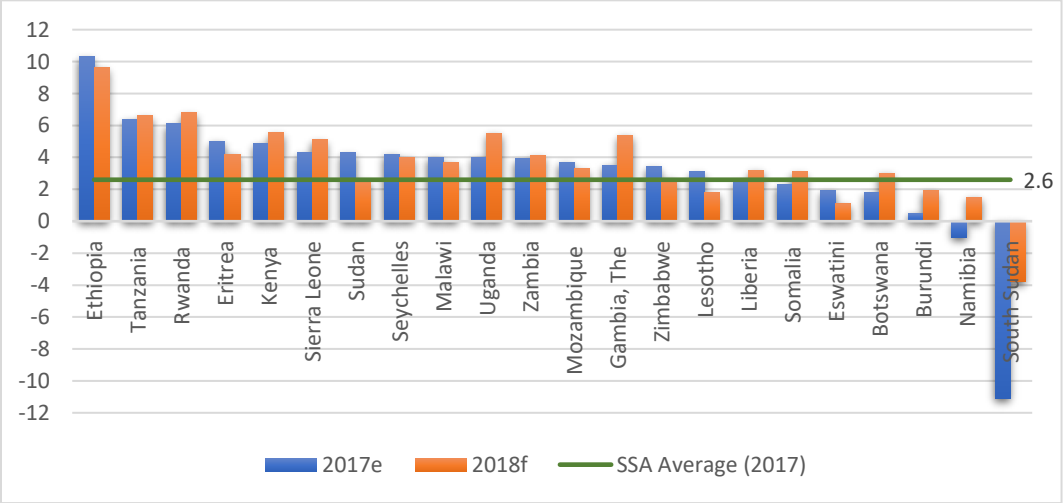

Table 1.4: Real GDP Growth in the African Group 1 Constituency (%)

Country	2015	2016	2017[e]	2018[f]
Botswana[1]	-1.7	4.3	1.8	3.0
Burundi	-3.9	-0.6	0.5	1.9
Eswatini	0.4	1.4	1.9	1.1
Ethiopia	10.4	7.6	10.3	9.6
Eritrea[2]	2.6	1.9	5.0	4.2
Gambia The	4.3	2.2	3.5	5.4
Kenya	5.7	5.9	4.9	5.5
Lesotho	5.6	2.3	3.1	1.8
Liberia	0.0	-1.6	2.5	3.2
Malawi	2.8	2.5	4.0	3.7
Mozambique	6.6	3.8	3.7	3.3
Namibia	6.0	1.1	-1.0	1.5
Rwanda	8.8	6.0	6.1	6.8
Seychelles	3.5	4.5	4.2	4.0
Sierra Leone	-20.5	6.3	4.3	5.1
Somalia[3]	3.9	4.4	2.3	3.1
South Sudan[2]	-0.2	-13.8	-11.1	-3.8
Sudan	4.9	4.7	4.3	2.6
Tanzania	7.0	7.0	6.4	6.6
Uganda[1]	5.2	4.7	4.0	5.5
Zambia	2.9	3.8	3.9	4.1
Zimbabwe	1.7	0.6	3.4	2.7

Source: World Bank and International Monetary Fund
Notes: e=estimate; f=forecast
[1] GDP Data are in fiscal-year basis
[2] GDP Data are from the IMF's SSA Regional Outlook
[3] IMF Estimates, Staff Monitored Program, 2018.

1.5 The Medium-Term Outlook

The medium-term outlook on global economic performance suggests a slowdown in output growth. The global economy is expected to grow by 3.9 percent in 2018 and 2019. This trend reflects a considerable slowdown in advanced economies that outweigh projected gains by EMDEs.

Economic activity in advanced economies is expected to consistently cool off over the medium term, falling from 2.4 percent in 2018 to 2.2 percent and 1.7 percent in 2019 and 2020, respectively. Growth in the U.S. is projected to first register a growth uptick of 2.9 percent in 2018, supported by tax cuts and fiscal spending, then decelerate to 2.7 percent and 1.9 percent in 2019 and 2020, respectively, as the effects of the fiscal stimulus dissipate. While the rise in protectionist trade policies has begun to have adverse effects on some subsectors of the economy, such as the soy farming, these policies are not expected to have a negative impact on overall U.S. growth during this period.

Economic growth in the Euro Area is projected to gradually ease as higher oil prices weigh on consumption and the European Central Bank (ECB) gradually normalizes monetary policy. The strengthening of the euro is also expected to contribute to the slowdown by narrowing current account balances. Growth in Japan is expected to gradually ease due to higher oil prices, slow employment growth and fiscal tightening. It will

slow down from 1.0 percent in 2018 to 0.9 percent and 0.3 percent in 2019 and 2020, respectively.

Economic growth in EMDEs is forecast to pick up to 4.8 percent in 2018, to average at 5.1 percent in 2019 and 2020, reflecting a stabilization after a two-year cycle of recovery. This expected stabilization is based on the combined effects of spillovers from the U.S. fiscal stimulus, rising financing costs as monetary policy normalizes, and carryover effects of a slowdown in advanced economies. Further, commodity exporting EMDEs are expected to end ongoing monetary easing but continue fiscal consolidation efforts. Against this backdrop, commodity exporters are expected to see their performance rise from 2.5 percent in 2018 to stabilize at 3.0 percent. Growth in commodity importing countries, on the other hand, is projected to moderate slightly to 5.7 percent in 2020, from 5.8 percent in both 2018 and 2019, mostly due to the slowdown in China.

The SSA region is expected to continue to extend its economic momentum over the medium term, largely due to strong fixed capital formation and firm consumption spending. The pace of output expansion is projected to rise from 3.4 percent in 2018 to 3.8 percent in 2019 and 3.8 percent in 2020. This performance is reflective of an uptick in economic performance that will embrace most of the region's economies, including Nigeria, South Africa and Angola, which will continue to lag the rest of region. Across the region, convergence in growth is expected, as some of the region's fastest-growing economies (Ethiopia and Cote d'Ivoire) are projected to ease, while maintaining robust growth rates. However, the performance of Equatorial Guinea will be an outlier as it will continue to contend with a prolonged recession to last until 2020.

While this outlook is predicated on a commitment by governments to undertake structural reforms, several downside risks are noteworthy. Firstly, tightening of conditions in global financial markets could raise funding costs for SSA governments, especially for financing domestic infrastructure. This risk is expected to be of greater significance as more sovereign issuance approach maturity, thereby raising the cost of refinancing. Secondly, weaker growth in major economies, especially China, could weaken demand for exports, depress commodity prices, and curtail foreign direct investments in the extractive sectors and infrastructure. Thirdly, spill-over effects of trade protectionist policies into the commodities market could adversely affect several countries in the SSA region. Domestically, deteriorating debt sustainability poses a major threat to economic performance and social expenditures. Debt service levels are projected to cross key thresholds to place an onerous burden on fiscal revenues in several countries, in the absence of strict fiscal consolidation and a restructuring of debt. Lastly, unfavorable weather patterns could potentially disrupt agricultural production, especially in sub-regions that have already experienced a prolonged drought.

Chapter 2

World Bank Group Operations

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

Chapter 2

World Bank Group Operations

2.1 Overview

This Chapter gives an account of operations of the World Bank Group (WBG) for the Financial Year ending June 30, 2018 (FY18).

2.2 IBRD and IDA Operations

The combined commitments of the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA) in FY18 amounted to US$47.0 billion, up from US$42.1 billion in FY17 (Table 2.1). The increase in total commitments was mainly driven by the front-loading of project commitments in the first year of implementation of the historic IDA18 replenishment, which commenced in July 2017. Despite the uncertainty surrounding the availability of lending capital, IBRD total commitments rose by 1.7 percent, from US$22.6 billion in FY17 to US$23.0 billion in FY18.

Three regions saw an increase in commitments, with Sub-Saharan Africa (SSA) region receiving the largest share amounting to US$16.5 billion. South Asia Region (SAR) and the Middle East and North Africa (MENA) region received 22.7 percent and 13.4 percent, amounting to US$10.7 billion and US$6.3 billion, respectively.

Total gross IBRD and IDA disbursements marginally increased from US$30.6 billion in FY17 to US$31.9 billion in FY18, driven by a 13.0 percent increase in gross IDA disbursements, which offset a 2.6 percent decrease in IBRD disbursements. Except for MENA and EAP, all other regions saw an increase in disbursements. The SSA region registered an increase in disbursements of US$1.8 billion, from the FY17 level of US$7.1 billion (Table 2.2).

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

Region	FY17	FY18
Sub-Saharan Africa (SSA)	11.8	16.5
East Asia and Pacific (EAP)	7.1	4.6
Europe and Central Asia (ECA)	5.3	4.6
Latin America and Caribbean (LAC)	5.9	4.3
Middle East and North Africa (MENA)	5.9	6.3
South Asia Region (SAR)	6.1	10.7
Grand Total	**42.1**	**47.0**

Source: World Bank

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

Region	FY17	FY18
Sub-Saharan Africa (SSA)	7.1	8.9
East Asia and Pacific (EAP)	5.1	5.1
Europe and Central Asia (ECA)	3.1	4.2
Latin America and Caribbean (LAC)	4.1	4.2
Middle East and North Africa (MENA)	5.8	3.9
South Asia Region (SAR)	5.4	5.6
Grand Total	**30.6**	**31.9**

Source: World Bank

2.3 IBRD Lending Operations

Demand for IBRD loans remained high in FY18. However, the 20.0 percent minimum prudential threshold for the Equity-to-Loans ratio constrained IBRD's lending capacity. During the 2018 Spring Meetings, the Board of Governors endorsed a package that included a General Capital Increase (GCI) and a Selective Capital Increase (SCI) that would provide US$7.5 billion in additional paid-in capital, as well as institutional and financial reforms designed to ensure long-term financial sustainability. The package provides

additional capacity for lending consistent with the prudential lending threshold.

In FY18, IBRD had new loan commitments, through 124 projects, totaling US$23.0 billion, 1.8 percent higher than in FY17 (Table 2.3). The increase reflected a higher volume of operations in the Sustainable Development (SD) and Human Development (HD) thematic clusters, with preference for the use of Investment Project Financing (IPF) and Program for Results (PforR). The change in portfolio composition reveals a significant decline in the demand for Development Policy Loans (DPLs), as global economic prospects improved over the year.

The MENA region and SAR accounted for the largest increases in commitments from US$4.9 billion in FY17 to US$5.9 billion in FY18 and from US$2.2 billion in FY17 to US$4.5 billion, respectively. IBRD commitments to SSA, on the other hand, remained flat in real terms in FY18, while EAP, ECA and LAC regions registered decreases. The increase in commitments for MENA and SA regions were driven by a rise in demand for IPF projects in lower-middle-income countries. The decrease of commitments in other regions was a function of a decline in the demand for DPLs, which totaled US$5.0 billion in FY18, compared with US$7.6 billion in FY17. Commitments under PforR rose to US$3.5 billion in FY18, from US$2.1 billion in FY17, mainly due to the increase in commitments for South Asia.

Gross disbursements marginally decreased from US$17.9 billion in FY18, to US$17.5 billion in FY17 (Table 2.4). This was primarily due to a decline in DPL operations, but partially offset by increases in PforRs. The MENA region experienced the biggest drop in disbursements from US$5.3 billion in FY17 to US$3.3 billion in FY18, a 37.7 percent decrease. All other regions except East Asia and Pacific (EAP) region registered increased disbursements, with SSA disbursements increasing by 75.0 percent from US$0.4 billion in FY17, to US$0.7 billion in FY18.

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

Region	FY17	FY18
Sub-Saharan Africa (SSA)	1.1	1.1
East Asia and Pacific (EAP)	4.4	4.0
Europe and Central Asia (ECA)	4.6	3.6
Latin America and Caribbean (LAC)	5.4	3.9
Middle East and North Africa (MENA)	4.9	5.9
South Asia Region (SAR)	2.2	4.5
Grand Total	**22.6**	**23.0**

Source: World Bank

Table 2.4: IBRD Gross Disbursements (US$ billion)

Region	FY 17	FY18
Sub-Saharan Africa (SSA)	0.4	0.7
East Asia and Pacific (EAP)	4.0	3.8
Europe and Central Asia (ECA)	2.8	4.0
Latin America and Caribbean (LAC)	3.9	4.0
Middle East and North Africa (MENA)	5.3	3.3
South Asia Region (SAR)	1.5	1.7
Grand Total	**17.9**	**17.5**

Source: World Bank

2.4 IDA Lending Operations

Total IDA commitments at US$24.0 billion in FY18 were US$4.5 billion higher than in FY17. The committed amount represents a record year in terms of volume for IDA and a very good first year of IDA18 implementation. The increase was most evident in SSA and SAR, at US$4.7 billion and US$2.8 billion than in FY17, respectively (Table 2.5). Of the total commitment, 19.0 percent was allocated to Fragility and Conflict-affected States (FCS).

Total IDA gross disbursements increased by 13.0 percent from US$12.7 billion in FY17 to US$14.4 billion in FY18 (Table 2.6). This change was primarily due to a US$0.8 billion increase in PforR operations, and a US$0.5 billion rise in IPF operations. The SSA region continued to be the main recipient of IDA resources, accounting for 57.0 percent of total disbursements.

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

Region	FY 17	FY 18
Sub-Saharan Africa (SSA)	10.7	15.4
East Asia and Pacific (EAP)	2.7	0.6
Europe and Central Asia (ECA)	0.7	1.1
Latin America and Caribbean (LAC)	0.5	0.4
Middle East and North Africa (MENA)	1.0	0.4
South Asia Region (SAR)	3.8	6.1
Grand Total	**19.5**	**24.0**

Source: World Bank

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

Region	FY 17	FY 18
Sub-Saharan Africa (SSA)	6.6	8.2
East Asia and Pacific (EAP)	1.1	1.3
Europe and Central Asia (ECA)	0.3	0.2
Latin America and Caribbean (LAC)	0.2	0.2
Middle East and North Africa (MENA)	0.4	0.6
South Asia Region (SAR)	4.0	3.9
Grand Total	**12.7**	**14.4**

Source: World Bank

2.5 IFC Operations

FY18 saw IFC deliver a strong program across its focus areas. The Long-Term Finance (LTF) committments stood at US$11.6 billion, declining by 3.0 percent from US$11.9 billion in FY17 (Table 2.7). In FY 18, Core Mobilization[3] amounted to US$11.7 billion, substantially increasing by 56.0 percent as compared to US$7.5 billion for FY17. Also, the average outstanding balance for Short-Term Finance (STF) grew by 6.2 percent to US$3.4 billion in FY18, from US$3.2 billion in FY17. The number of LTF projects increased by 7.0 percent to 366 projects in FY18, up from 342 in FY17.

Table 2.7: IFC Commitments

	FY17	FY18	Change (%)
Commitments: Long-Term Finance & Core Mobilization (US$' bn)	19.3	23.3	20.7
Long-Term Finance (US$'bn)	11.9	11.6	-2.5
Core Mobilization (US$'bn)	7.5	11.7	56.0
Commitments: Short-Term Finance (US$' bn)	3.2	3.4	6.2
Number of Long-Term Finance Projects	342	366	7.0
IDA share of LTF project count	36%	30%	-6%
IDA share of active trade accounts	49%	40 %	-9.0%

Source: IFC

IFC's program in FY18 substantially focused on two sectors, *Core Infrastructure*, and *Agribusiness*, while maintaining strong delivery on *Financial Inclusion* and the digital economy. LTF volumes in Core Infrastructure increased by 131.0 percent to US$7.4 billion; Agribusiness investments reached US$2.9 billion, a 34 percent increase over FY17; and financial inclusion LTF volumes increased slightly to US$8.6 billion. *Social Inclusion* LTF own-account volumes continued to grow for the third consecutive year, rising by 7.0 percent from FY17 to US$0.7 billion. Also, *Capital Markets Development* saw IFC Treasury deliver US$5.2 billion in client local-currency, risk-management, and structured finance transactions. A record 34 percent of IFC's long-term loan commitments were in local currency. Under this program, IFC issued the first local currency loans in several countries[4] and a first-time bond in Botswana, among other countries[5].

Regarding disbursements, a total of US$11.2 billion was disbursed from IFC's own account in FY18, up from US$10.4 billion in FY17. Loan disbursements amounted to US$7.9 billion in FY18 increasing from US$6.5 billion in FY17, while

[33] Core Mobilization is financing from entities other than IFC that becomes available to clients due to IFC's direct involvement in raising these resources. IFC finances only a portion, usually not more than 25%, of the cost of any project. All IFC-financed projects, therefore, require collaboration with other financial partners.

[4] Sri Lanka, Egypt, Serbia and Israel.

[5] Philippines, Serbia and Uzbekistan.

equity investments in FY18 amounted to US$1.3 billion dropping from US$1.9 billion in FY17. Debt securities marginally decreased by 2.0 percent amounting to US$2.0 billion in FY18 (Table 2.9).

Table 2.8: IFC Own Account Disbursements (US$ billion)

Region	(US$ billion)		Share (percent)	
	FY17	FY18	FY17	FY18
Sub-Saharan Africa (SSA)	1.9	1.7	11.7	13.0
East Asia and Pacific (EAP)	2.3	2.2	14.1	16.0
Europe and Central Asia (ECA)	2.5	2.2	15.9	16.0
Latin America and Caribbean (LAC)	4.6	2.6	28.9	20.0
Middle East and North Africa (MENA)	1.0	1.0	5.9	8.0
South Asia Region (SAR)	2.4	2.4	15.0	18.0
World	1.4	1.2	8.4	9.0
Total	**16.0**	**13.3**	**100.0**	**100.0**

Source: IFC

In FY18, IFC's total disbursed investment portfolio amounted to US$41.7 billion in FY18, compared to US$40.0 billion (Table 2.11). This was largely due to a rise in disbursements in the financial and insurance sector, with the share in the overall volume rising from 36 percent to 39 percent. Disbursements increased by 7.7 percent in FY18, with SSA disbursements improving by 8.3 percent (Table 2.10). This was mostly driven by *Financial Institutions Group* (FIG) projects in South Africa and a *Manufacturing and Services* (MAS) project in Nigeria. Disbursements to the LAC region increased by 9.5 percent, supported mainly by FIG projects in Colombia, Brazil, and Argentina. In the SA region, disbursements increased by 6.6 percent primarily due to FIG projects in India, Sri Lanka and Bangladesh. LAC recorded the highest disbursements by geographical region, accounting for 20.0 percent of the disbursed investment portfolio.

Table 2.9: IFC Approvals

Instrument	US$ billion		Variance (%)
	FY17	FY18	
Loans	6.5	7.9	22
Equity investments	1.9	1.3	-32
Debt securities	2.0	2.0	-2
Total Disbursed	**10.4**	**11.2**	**7.7**

Source: IFC

Table 2.10: IFC Disbursements by Region

Region	(US$ billion)			Share (percent)	
	FY17	FY18	Variance (%)	FY17	FY18
Sub-Saharan Africa (SSA)	1.2	1.3	**8.3**	11.7	12.0
East Asia and Pacific (EAP)	1.7	1.6	**-5.9**	16.3	14.0
Europe and Central Asia (ECA)	2.1	2.1	**0.0**	20.3	19.0
Latin America and Caribbean (LAC)	2.1	2.3	**9.5**	20.3	20.0
Middle East and North Africa (MENA)	0.6	0.5	**-5.2**	8.5	5.0
South Asia Region (SAR)	1.4	1.5	**6.6**	10.3	13.0
World	1.3	1.8	**38.5**	12.7	17.0
Total	**10.4**	**11.2**	**7.7%**	**100.0**	**100.0**

Source: IFC

Table 2.11: Disbursed Investment Portfolio Distribution by Industry Sector

INDUSTRY SECTOR	Disbursed (US$'bn)		Variance (%)	As a % of Total	
	FY17	FY18		FY17	FY18
Finance & Insurance	14.5	16.2	**11.7**	36.0	39.0
Electric Power	5.0	5.3	**6.0**	12.0	13.0
Collective Investment Vehicles	3.7	4.0	**8.1**	9.0	10.0
Transportation and Warehousing	2.6	2.4	**-7.7**	7.0	6.0
Chemicals	2.1	2.3	**9.5**	5.0	5.0
Agriculture and Forestry	1.9	1.7	**-10.5**	5.0	4.0
Oil, Gas and Mining	1.9	1.3	**-31.6**	5.0	3.0
Food & Beverages	1.0	1.2	**20.0**	3.0	3.0
Health Care	0.9	0.9	**0.0**	2.0	2.0
Wholesale and Retail Trade	0.6	0.9	**50.0**	2.0	2.0
Others	5.8	5.5	**-5.2**	14.0	13.0
Total	**40.0**	**41.7**	**11.7**	**100.0**	**100.0**

Source: IFC

2.5.1 IFC Advisory Services

During FY18, the advisory program focused primarily on IDA/FCS, climate and gender. Overall, the IFC Advisory Services Portfolio as of June 30, 2018, totaled US$1.5 billion, reported in FY17. FY18 advisory program expenditures totaled US$273.0 million, reflecting an increase from US$246.0 million in FY17 (tables 2.12 and 2.13). The program continued to focus on IFC's strategic priority areas of IDA countries, FCS and Climate Change, with an increase in overall expenditures in these areas. The shares of expenditure on IDA-focused and FCS strategic areas, however, declined. IDA-focused services declined from 63.0 percent in FY17 to 57.0 percent, with FCS delivery falling slightly to 19.0 percent compared to 20.0 percent in FY17. Climate Change related activities accounted for 27.0 percent, compared to 26.0 percent in FY17. The emphasis on the strategic priority areas is expected to continue in the coming years, particularly with the implementation of the Creating Market Advisory Window that focuses on market creation in IDA-eligible and fragile countries.

Table 2.12: IFC Advisory Services by Region

Region	US$ billion		Share (%)	
	FY17	FY18	FY17	FY18
Sub Saharan Africa	82.0	86.0	33.3	31.5
East Asia and the Pacific	41.0	46.0	16.7	16.8
South Asia	27.0	42.0	11.0	15.4
Europe and Central Asia	35.0	37.0	14.2	13.6
Latin America and the Caribbean	25.0	30.0	10.2	11.0
World region	14.0	17.0	5.7	6.2
Middle East and North Africa	22.0	15.0	8.9	5.5
Total	**246.0**	**273.0**	**100.0**	**100.0**

Source: IFC

Table 2. 13: IFC Advisory Services by sector

Region	US$ billion		Share (%)	
	FY17	FY18	FY17	FY18
Financial Sector	70.0	79.0	28.5	28.9
Investment Climate	63.0	60.0	25.6	22.0
Cross-Industry Areas	44.0	55.0	17.9	20.1
Public-Private Partnerships	34.0	35.0	13.8	12.8
Energy & Resource Efficiency	20.0	25.0	8.1	9.2
Agribusiness	15.0	19.0	6.1	7.0
Total	**246.0**	**273.0**	**100.0**	**100.0**

Source: IFC

2.6 MIGA Operations

In FY18, the Multilateral Investment Guarantee Agency (MIGA), issued a record volume of new guarantees amounting to US$5.3 billion in support of 39 projects. This reflected a growth of 10.4 percent in new guarantees from the FY17 issuance of US$4.8 billion (Table 2.14). The new projects for FY18 will provide 8 million people access to power; better access to telecom services to 1.4 million people; enable 10.3 million patient consultations; and generate more than 22 million direct employment opportunities.

According to the MIGA Strategy FY18-20, the Agency will seek to increase its activities in the following three priority areas: IDA-eligible countries; FCS; and Climate Change and Energy Efficiency. In this respect, out of the 39 projects supported by MIGA in FY18, a third were in IDA countries, 15.0 percent in FCS and 59.0 percent of the projects were in support of Climate Change and Energy Efficiency. Guarantees equivalent to US$1.2 billion were issued in support of 13 projects in 12 IDA countries, including Rwanda, Sierra Leone, and Uganda.

During FY18, MIGA supported 14 projects in SSA for investments in the infrastructure and agribusiness strategic priority areas. Total guarantees of US$1.0 billion were issued accounting for 20.0 percent of the total (Table 2.15). The Agency guaranteed six projects in countries within the Africa Group 1 Constituency, representing 36.1 percent of guarantees issued to SSA (Table 2.16). MIGA issued its first five guarantees in Namibia, in support of three projects, two of which were in solar energy generating facilities. The third project included reinsurance in support of an agribusiness project.

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Table 2.14: MIGA Operations

	FY17	FY18
Number of Guarantees Issued	43.0	57.0
Number of Projects Supported	33.0	39.0
New Projects[1]	25.0	32.0
Previously Supported[2]	8.0	7.0
Amount of New Issuance, Gross (US$ billion)	4.8	5.3
Gross Outstanding Exposure[3] (US$ billion)	17.8	21.2
Net Outstanding Exposure[4] (US$ billion)	6.8	7.9

Source: MIGA

1. Projects receiving MIGA support for the first time.
2. Projects supported by MIGA in current and previous fiscal years.
3. Gross outstanding exposure refers to the maximum aggregate liability.
4. Net outstanding exposure refers to the gross outstanding exposure less ceded exposure.

Table 2.15: MIGA Guarantees by Region

	FY17			FY18		
	No of projects	Amount (US$' million)	In Percent of total	No of projects	Amount (US$' million)	In Percent of total
East Asia and Pacific	2	511.9	10.6	2	172.0	3.3
Europe and Central Asia	15	1,869.1	38.6	7	1942.0	37.0
Latin America and Caribbean	1	962.9	19.9	2	1597.0	30.4
Middle East and North Africa	1	215.6	4.5	11	365.0	6.9
Sub-Saharan Africa	11	1,043.6	21.5	14	1,043.2	19.9
South Asia	3	239.3	4.9	3	132.0	2.5
Total	**33**	**4,842.4**	**100.0**	**39**	**5,251.2**	**100.0**

Source: MIGA

Table 2.16: MIGA Guarantees in Sub-Saharan Africa – FY18

Name of beneficiary Country	No. of Projects	Sector	Guarantee Amount (US$ million)	In percent of total
Africa Group 1 (Total)	6		376.9	36.1
Namibia	3	Infrastructure, Agribusiness	37.8	3.6
Uganda	1	Infrastructure	231.3	22.2
Sierra Leone	1	Infrastructure	97.8	9.4
Rwanda	1	Financial	10.0	1.0
Other SSA	8	Infrastructure, Oil and Gas, Financial	666.3	63.9
Total SSA	**14**		**1,043.2**	**100.0**

Source: MIGA

Chapter 3

Selected Policy Issues and Updates

- Update on the 2015 Shareholding Review and Capital Adequacy
- The World Bank Human Capital Project
- Update on the Implementation of the Environmental and Social Framework
- Update on the Implementation of the World Bank Group Climate Change Action Plan (CCAP)
- Update on the World Bank Group Africa Regional Integration Strategy

Chapter 3

Selected Policy Issues and Updates

3.1 Overview

This Chapter provides summaries on key policies and strategies that have been the focus of the Executive Boards of the World Bank Group (WBG). The Chapter covers Board discussions on the 2015 Shareholding Review and Capital Adequacy Framework, the World Bank's Human Capital Project, and the new Regional Integration Strategy for the Africa Region. It also provides updates on implementation of the WBG Climate Action Plan (CCAP) and preparations for the launch of the Environmental and Social Framework (ESF).

3.2 Update on the 2015 Shareholding Review and Capital Adequacy

Governors endorsed a financial and policy package for IBRD and IFC at the 2018 Spring Meetings, which includes a US$13.0 billion paid-in capital increase, consisting of US$7.5 billion for IBRD and US$5.5 billion for IFC. This entails a US$52.3 billion increase in callable capital for IBRD, to be achieved through a Selective Capital Increase (SCI) and a General Capital Increase (GCI) for IBRD. For IFC, the package further includes a proposal for a conversion of retained earnings into paid-in capital stock and an amendment of its Articles of Agreement (Tables 3A.1 and 3A.2).

The WBG submitted the following resolutions for Governors' approval with a stipulated closing date of October 1, 2018:

- IBRD - 2018 General Capital Increase;
- IFC - 2018 Conversion of Retained Earnings and General Capital Increase;
- IFC - Amendment to the Articles of Agreement of the Corporation;
- IFC - 2018 General Capital Increase;
- IBRD - 2018 Selective Capital Increase; and
- IFC - 2018 Selective Capital Increase.

The adoption of these resolutions will be followed by the implementation of the IBRD loan pricing reform in FY19. Under this pricing reform, IBRD transfers to IDA is estimated to reach a cumulative total of US$7-8 billion by FY30. This would represent a US$12 billion increase in transfers. This will be guided by the income-based formula approved in November 2016, which links IDA transfers to IBRD's allocable net income level. This formula primarily supports IBRD's financial sustainability, while allowing for higher transfers when its financial position strengthens. In contrast, IFC transfers to IDA will cease, allowing for an increase of up to US$1.0 billion in the Corporation's retained earnings. The above notwithstanding, the IFC's risk-based and market-based pricing policy will continue.

Further, significant progress has been made on the conversation around sustenance of the WBG through a capital adequacy review, IFC mobilization strategy and exploration of IDA-specific options for shareholder capital investment optimization. Of interest is the commitment to increase the share of IFC investments in IDA and Fragile and Conflict-affected States (FCS) to 40.0 percent of the portfolio by FY30, translating to an average of 32.5 percent over FY19-FY30. Furthermore, the increase will see the use the Private Sector Window (PSW) resources to increase the share of IFC investments in low-income IDA and FCS to 15-18 percent by FY26 and 15-20 percent by FY30.

3.3 The World Bank Human Capital Project

In 2006, the World Bank launched a report, *Where is the Wealth of Nations? Measuring Capital for the 21st Century*[6], which introduced wealth as an indicator to monitor sustainable development. In January 2018, the World Bank released its third volume of the report titled *The Changing Wealth of Nations 2018: Building a Sustainable Future*[7]. This report revealed that global wealth had substantially increased between the years 1995-2014. It further highlighted human capital as a critical component a nation's wealth, accounting for sixty-four percent of global wealth.

Human capital is defined as the knowledge, skills, and health accumulated by individuals that enable them to create value and be productive in an economy[8]. The report measures human capital wealth, as the present value of a country's future labor force earnings and reveals that the contribution of human capital to earnings is highest in wealthy countries. The report further shows that between 1995 and 2014, South Asia experienced the highest growth in human capital per capita at 4.0 percent, while Sub-Saharan Africa (SSA) had the lowest growth among the regions at 1.6 percent. It also demonstrates that investments in human capital, targeted at improving education and overall average years of schooling, as well as health and life expectancy, have a positive and significant effect on the growth of human capital. Human capital can, therefore, generate substantial returns for both individuals and economies[9].

These findings show consistency with those of the *World Development Report 2018: Learning to Realize Education's Promise*[10], which established that each additional year of schooling yielded an 8–10 percent increase in individual earnings. This reinforces the argument presented by Thomas Piketty[11], who concluded that in the long run, quality investment in education is the best way to reduce inequalities, increase the average productivity of the labor force and overall, grow an economy.

The 2018 Report however found that despite gains made in improving access to education, recent learning assessments revealed that many young people, particularly the poor or marginalized, completed their schooling unequipped with the foundational skills they need for life. The report further revealed that students in SSA countries had the lowest learning outcomes when measured by sufficient competency in reading and overall literacy, drawing attention to what has been described as the learning crisis in SSA's education systems. As such, quality investment in human capital must be a priority and indeed a driver for sustained long-term economic transformation in Africa.

In this regard, a challenge for the SSA region is to build a skilled workforce to compete in a changing global environment, particularly where disruptive technology is driving the nature of future jobs. Although the region has the world's highest population growth at 2.7 percent, the average unemployment rate stands at 7.5 percent compared to the global average of 5.5 percent. The *World Development Report 2019: The Changing Nature of Work*[12], highlights that technology is substantially reshaping the type of skills required in the labor market. Demand for skills that complement technological advances is rising as traditional and routine jobs increasingly

[6] Hamilton, K., 2006. Where is the wealth of nations? measuring capital for the 21st century. World Bank Publications

[7] Lange, G.M., Wodon, Q. and Carey, K. eds., 2018. The changing wealth of nations 2018: Building a sustainable future. The World Bank

[8] World Economic Forum, 2016. The global human capital report 2017

[9] Colantonio, E., Marianacci, R. and Mattoscio, N., 2010. On human capital and economic development: some results for Africa. Procedia-Social and Behavioral Sciences, 9, pp.266-272

[10] World Bank, 2017. World development report2018: learning to realize education's promise

[11] Piketty, T. (2014). Capital in the 21st Century.

12 World Bank,2018. World Development Report 2019: The changing nature of work. World Bank

become automated. It further emphasizes the importance of three sets of skills for the labor market, namely: cognitive skills that enable problem-solving; socio-emotional skills such as teamwork; and skills that demonstrate adaptabilities, such as reasoning and self-efficacy. All these skills rely on the establishment of strong human capital foundation, as well as lifelong learning.

Governments, therefore, have a crucial role to play in re-engineering the human capital narrative for SSA, where inequality, poverty and several other disadvantages have hindered many families from investing in quality health and education. It is therefore essential for governments, particularly those with the poorest health and education outcomes, to prioritize the development of national strategies to accelerate progress in human capital development. It then follows that prioritizing quality investments in human capital is both essential and urgent, especially for SSA.

To address gaps in human capital, the World Bank is commissioning the Human Capital Project (HCP). The primary objectives of HCP are as follows:

- Stimulate the demand for increased quality investments in people;
- Support countries in strengthening their strategies to improve quality investments in human capital and overall education and health outcomes; and
- Improve the measurement of quality investments in human capital by focusing on outcomes and allowing countries to monitor progress towards the attainment of these outcomes.

The World Bank has also developed a Human Capital Index (HCI) as a ranking mechanism to evaluate the existing stock of human capital in countries and the pace at which countries are improving their human capital outcomes. This international metric will benchmark the critical components of human capital across countries by measuring the amount of human capital that a child born today can expect to accumulate at the end of their secondary schooling, given prevailing risks in health and education sectors. The HCI is designed to highlight how improvements in current health and education outcomes will shape the productivity of the next generation of workers. The focus will, therefore, be on outcomes and not inputs such as spending or regulation, that have traditionally been used to evaluate investment in human capital.

The costs of under-investing in human capital cannot be over emphasized and warrant the level of attention the World Bank is placing on the HCP. While SSA governments need to express demand for the World Bank's support through the HCP, they will need to affirm their commitment to direct the required resources towards financing the human capital development agenda.

3.4 Update on the Implementation of the Environmental and Social Framework

The World Bank's preparations for the launch of the ESF in October 2018 remain on course with a multitude of activities undertaken, which include training, capacity building, and reviewing of the ESF's draft Guidance Notes. The new ESF that was approved in August 2016 seeks to enhance the sustainability of lending by protecting people and the environment from adverse impacts in the implementation of World Bank-supported projects. The Framework 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.

Since its approval, several updates on preparation have been presented to the Board of Executive Directors. The draft Guidance Notes were prepared for all 10 Standards of the ESF and finalized through a consultative process with various stakeholders. The Board approved these Guidance Notes in June 2018. Further, there are ongoing discussions with development partners, some of whom seek to adopt or harmonize with the Bank's Environmental and Social (E&S) requirements.

Between February and June 2018, the World Bank launched borrower eLearning modules in six languages and held awareness raising workshops in 40 Borrower countries. The target is to reach a further 70 borrower countries and approximately 10,000 borrower participants by November 2018. In addition, more than 700 World Bank Staff, particularly from Country Offices were engaged and trained. The objective at project level, is to build capacity tailored to specific project risks, starting with assessment of capacity needs on a project by project basis relative to national ESF. A pool of 85 ESF trainers from Global Practices, Headquarters and 19 Country Offices was established.

At national level, emphasis is given to IDA countries, with the objective of building capacity to incorporate Environmental and Social safeguards in the Systematic Country Diagnostic and Country Partnership Framework processes. At the regional level, capacity support is provided to increase efficiency, broaden ownership and meet long-term capacity needs. This involves strengthening existing centers of excellence, as well as establishing others that would be similar to the Trust-funded Centers in East Asia. There is also capacity building designed to address specific thematic issues for individual or a cluster of countries.

Training for World Bank staff will continue after the launch in October 2018, with onboarding for new E&S Specialists and specific technical workshops conducted on an ongoing weekly basis. There will also be deep-dive specialized training on topics such as Stakeholder Engagement and Disclosure; and Labor and Occupational Safety. Beginning in late 2018 an ESF help desk will be established.

The ESF Implementation Unit was set up in November 2016 and is operational with 10 staff. A New Accreditation system was piloted and manuals as well as personnel are in place to begin rolling it out. Comprehensive ESF business requirements for the World Banks's Operations Portal were identified and reporting templates for due diligence developed.

3.5 Update on the Implementation of the World Bank Group Climate Change Action Plan (CCAP)

Climate change affects millions of people, presents enormous challenges, by putting food and water security at risk, and threatening agricultural supply chains and many coastal cities. The WBG CCAP, approved by the Board on April 7, 2016, describes how the WBG intends to meet these challenges and seize emerging opportunities, by scaling up climate-related operations, integrating climate change across its operations, and working more closely with other development partners. The WBG is on track to meet the CCAP's key objectives. It has made progress towards the target of having a share of 28.0 percent of climate-related projects in the WBG portfolio, with climate co-benefits projected to reach at least 26.0 percent in FY18, out of which 11.0 percent in adaptation co-benefits and 15.0 percent in mitigation co-benefits. This continues the strong upward trend from 18.0 percent in FY15 and FY16 and 22.0 percent in FY17.

WBG activities under the CCAP are organized along the following four top-level priorities: supporting transformational policies and institutions; leveraging resources; scaling up climate action; and aligning internal processes and work with others.

3.5.1 Supporting Transformational Policies and Institutions

The WBG has supported transformational policies and institutions that are needed to deliver the CCAP and create climate markets. It supports countries:

- Plan and manage social and labor impacts associated with the transition away from coal, and identifying the fiscal and governance drivers of deforestation and degradation;
- Create and connect carbon markets through analytical work and market-based instruments,

- Design, implement and increase ambition in the next generation of their Nationally Determined Contributions (NDCs), in line with the Paris Agreement; and
- Integrate climate adaptation and mitigation into core economic and financial planning.

3.5.2 Leveraging Resources

The WBG continues to mobilize private finance to turn billions into the trillions needed to fight climate change. Efforts focus on supporting policies and institutions that can enable transformational private sector resource mobilization. This includes the following:

- Rolling out the WBG's Maximizing Finance for Development (MFD) approach in climate areas to help countries mobilize development resources;
- Mobilizing US$8.6 billion in direct and indirect private sector climate co-finance;
- Working with the financial sectors to incorporate climate as an upstream input into their decision making;
- Using innovative instruments and creating markets for directing private capital flows; and
- Optimizing the use of concessional finance for climate action.

3.5.3 Scaling Up Climate Action Across Sectors

The WBG continued to scale up climate action across multiple sectors. Areas of progress include the following:

- Supporting the development of 13.6GW of renewable energy generation, integrating 3.9GW of renewable energy into grids, and mobilizing US$10.3 billion of commercial funds for clean energy during 2016-2017;
- Buttressing the socio-economic recovery of countries, in the aftermath of acute climate disasters, as well as countries' access to hydro-met data and early warnings;
- Assisting countries with complementary project-level and national-scale approaches to stopping degradation and depletion of landscapes, forests and natural resources;
- Reshaping client practices in agriculture and water use to be climate smart and sustainable, while achieving the objectives of food security;
- Helping cities prepare for disaster and climate risks;
- Making climate-smart investments in health and social protection sectors;
- Helping the private sector respond to climate change with enhanced resilience and participation in innovative green markets; and
- Pioneering clean energy, climate-smart agribusiness, and climate-smart cities in IFC and MIGA's investments.

3.5.4 Aligning Internal Processes and Working with Others

The WBG continued to align its internal processes and working with other development partners to amplify its climate results. This included mainstreaming climate change considerations throughout the institution, forging critical external and internal partnerships, and providing analytics, tools and resources to internal clients to help them drive results. Areas of progress comprise the following:

- Capturing climate risks and NDCs in upstream country strategic documents, including Systematic Country Diagnostics and Country Partnership Frameworks. In FY17, 22 of the 23 SCDs and all CPFs incorporated climate and disaster risk considerations;

- Screening all projects for climate and disaster risks to "climate proof" operations and improve sustainability. In FY17 and Q1-Q2 2018, about 350 operations were screened for climate and disaster risk and had a compliance level of 100 percent;
- Integrating Greenhouse Gas emissions accounting and a shadow price of carbon into operations to inform decision-making. In FY17 and Q1-Q2 FY18, a total of 111 operations accounted for GHG emissions, representing 100 percent compliance;

- Mainstreaming climate elements in IFC and MIGA's business practices. In FY18, IFC developed pilot training program to help Investment Officers develop business in climate. MIGA has developed guidance for staff on classifying projects for climate and the number of staff responsible for climate change increased; and
- Aligning and integrating climate with other key global themes and corporate priorities, including gender considerations. In FCV, 59 percent of the operations in FY18 are expected to have climate co-benefits, compared to 25.0 percent in FY16.

To achieve the objectives of the Paris Agreement and the Sustainable Development Goals (SDGs), increased global ambition is needed in both climate-resilience and low-carbon development. The WBG will continue to provide climate and development leadership, and to work with other partners to support client countries accelerate long-term climate-smart development. The WBG will review the CCAP and announce updated, post-2020 actions and targets at the COP24[13] in Poland in December 2018.

3.6 Update on the World Bank Group Africa Regional Integration Strategy

The WBG demonstrated further commitment to Africa's regional integration efforts with the approval by the Executive Board of the *Supporting Africa's Transformation: Regional Integration & Cooperation Assistance Strategy FY18-FY23*, in June 2018. The Strategy seeks to enhance the WBG's operations in the following priority areas:

a. Generating economic dynamism along regional economic corridors;
b. Developing functioning regional markets in the four priority sectors of energy, ICT/telecommunication, technical skills and the financial sector;
c. Scaling up access to quality public services and entrepreneurship through complementary regional solutions; and
d. Promoting collective action to address risks of regional economic contagion, fragility, epidemic, and climate hot spots.

Through this Strategy, the WBG intends to enhance the achievements under the previous strategy, the *Regional Integration Assistance Strategy for Sub-Saharan Africa FY09-FY11,* whose priority areas were as follows: regional infrastructure; institutional cooperation for economic integration; and coordinated interventions to provide regional public goods. It is linked to the World Bank Africa Region's priorities as espoused over the years, including supporting macroeconomic stability; boosting competitiveness and economic diversification; improving human capital and access to basic services; and strengthening resilience to shocks.

Ultimately, the priorities of the New Strategy align with the African Union's *Agenda 2063*,

[13] 24th Conference of the Parties to the United Nations Framework Convention on Climate Change

through which African countries aspire for an integrated continent, in which there is free movement of people, goods, capital, and services, as well as infrastructure connectivity, by 2063. In this regard, it is particularly timely as economic integration in Africa evolves through the African Continental Free Trade Area, the Protocol on Free Movement of People, and the Single African Air Transport Market.

Through the Strategy, the WBG will build on the regional portfolio which has grown from US$0.2 billion in FY05 to US$10.0 billion by FY17[14], with over 90.0 percent of this portfolio concentrated in the transport & ICT, energy, agriculture, health, and water sectors. The WBG operations in ICT, transport and energy contribute to the priority areas of the Program for Infrastructure Development in Africa (PIDA) (Table 3.1). The WBG has been instrumental in promoting regional power pools to increase generation and inter regional trade in energy and improve access at the retail level. It has also supported the reduction in costs and improved connectivity in mobile networks.

At IFC, regional projects represent about 25.0 percent of the advisory and investment engagements in Africa, and include IFC's support to regional financial institutions, and for regional trade. MIGA's regional portfolio represents about 27.0 percent of all projects supported in Africa, in areas such as cross-border power sales and finance, as well as regional import-export transactions and transportation. The regional portfolio also includes joint operations, such as the IFC and the World Bank support for the Great Lakes, Sahel, and the Horn of Africa Initiatives, which highlight the humanitarian-security development nexus.

The Strategy aims to link operations to the IDA18 priorities and special themes on Jobs and Economic Transformation, climate change, and fragility. It will also draw on the various IDA18 facilities. The regional pipeline for IFC and MIGA will draw on the IDA18 IFC-MIGA Private Sector Window to facilitate greater engagement of the private sector on integration issues. Further, through the implementation of the *IFC 3.0 Strategy Creating Markets and Mobilizing Private Capital*, IFC will support connectivity and digitalization, regional value chains, and capital markets development among others.

3.6.1 Implementation of the New Strategy

The WBG will primarily implement the Regional Integration Strategy through the existing country engagement model, in collaboration with regional organizations and the private sector. Client countries will remain the borrowers of the resources and the focal points for decisions on policy and spending which will influence the regional programs. The WBG will coordinate activities and foster dialogue among the various parties. In this regard, WBG country offices and the existing processes of Systematic Country Diagnostics and Country Partnership Frameworks, will provide the basis for programing national and regional activities.

At the continental and sub-regional level, the WBG will coordinate its activities with six official Regional Economic Communities[15]. The Strategy proposes sector and sub-regional diagnostics to improve implementation and dialogue on regional integration. The Management structure for the implementation of the Strategy comprises designated country directors as coordinators for

[14] The regional portfolio represents just under 20 percent of the IDA/IBRD portfolio.

[15] These are Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC), Economic Community of Central African States (ECCAS), Economic Community of West African States (ECOWAS), Intergovernmental Authority on Development (IGAD) and Southern African Development Community (SADC).

the Regional Integration Program, with the Africa Regional Vice President as the lead for the strategic engagement with the African Union Commission (Box 3.1).

Private sector participation in regional integration will be anchored on the WBG's MFD approach. The WBG will continue to support country efforts to implement reforms to address market failures and to mobilize private sector finance. It is envisaged that joint assessments of bottlenecks and implementation plans, as well as the deployment of appropriate WBG instruments will help to deepen the levels of integration.

The successful implementation of the integration strategy is not without risks. The WBG has identified various risks. The first risk is the failure of countries to cooperate at the regional and sub-regional levels, as national sovereignty considerations override the integration agenda. The WBG considers this risk to be significant, and will mitigate it through its convening power with partners, implementation of soft reforms, and stronger partnership with private sector firms, among other measures. The second risk relates to macroeconomic shocks, which could lead to economic downturns.

The third risk is the fragility across countries emanating from epidemics, conflict, or largescale disasters, which could decrease the appetite for closer integration. Continued policy and country dialogue will be critical to address such risks. The fourth risk is that integration will not deepen as envisaged. Mitigation of these risks will be through WBG engagement at the country and regional levels to address the lack of bankable projects, articulate the case for integration, and involve the private sector.

At the Board meeting to discuss the Strategy, Executive Directors expressed broad support for the Strategy and underscored its importance for the utilization of the IDA18 resources, and support for the region's priorities. They noted the WBG's support for greater regional integration in Africa and recognized the need to recalibrate the country engagement model for effective implementation of the Strategy. They emphasized the need for WBG's leadership in capacity building in the Regional Economic Commissions as part of their engagement with regional organizations. WBG will submit a Progress Report on the implementation of the Strategy in FY20/21.

Box 3.1: Regional Integration Program Management Arrangements

Western Africa. The CD for Nigeria will cover Benin, Burkina Faso, Cape Verde, Chad, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Senegal, Sierra Leone, and Togo. This group comprises of countries of ECOWAS and WAEMU.

Central Africa. The CD for Cameroon, will cover Angola, Central African Republic, Congo, the Democratic Republic of Congo, Equatorial Guinea, Gabon, and Sao Tome. This group roughly comprises of countries in CEMAC (and ECCAS).

Southern and Eastern Africa. The CD for South Africa will cover Botswana, Burundi, Comoros, Eritrea, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, Somalia, South Sudan, Sudan, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe. This group roughly comprises countries of SADC, EAC and COMESA.

Table 3.1: PIDA Priority Projects and World Bank Engagement

	PROJECT	PIPELINE
1	North-South Power Transmission Corridor covering Kenya, Ethiopia, Tanzania, Malawi, Mozambique, Zambia, Zimbabwe, South Africa.	Mozambique Regional Transmission for US$300 m, to be delivered in FY19 delivery; Malawi – Mozambique Interconnector for US$200 m to be delivered in FY19; and the Tanzania – Zambia Interconnector for US$500 million, to be delivered in FY19.
2	Ruzizi III Hydroelectric plant covering Rwanda, the Democratic Republic of Congo.	Ruzizi III for delivery in FY19
3	North-South Multimodal Corridor covering the Democratic Republic of Congo, Zambia, Zimbabwe, South Africa, Mozambique	Southern Africa Trade & Transport Phase 3 - Tanzania for US$300 m, to be delivered in FY20.
4	Central Corridor covering Tanzania, Uganda, Rwanda, Burundi, the Democratic Republic of Congo.	Lake Victoria Transport and Trade Facilitation - Uganda and Tanzania for US$100 m and US$205 m respectively, for delivery in FY19; and Lake Tanganyika Transport Program - Tanzania, Burundi, and the Democratic Republic of Congo, for US$400 m for delivery in FY19–FY20.
5	Beira – Nacala Multimodal Corridors	One of the economic corridors being considered for IDA18 support.
6	Praia – Dakar – Abidjan Multimodal Corridor covering Cape Verde, Senegal, Gambia, Guinea-Bissau, Guinea, Sierra Leone, Liberia, Cote d'Ivoire	Dakar – Gambia – Casamance (Senegal) trade and transport corridor being considered for IDA18.

Source: WBG

Table 3A.1: General Capital Increase for IBRD and IFC

	IBRD GCI	IFC GCI
Number of Shares	230,500.00	4,579,995.00
Capital	US$ 27.5 billion	US$4.58 billion
Paid-in-percentage	20%	100%
Payment Agreement	Of the paid-in percentage of 20.0 percent, 2.0 percent is payable in United States dollars and 18.0 percent is payable in a member's national currency. If a member's national currency is not freely convertible, the 18.0 percent portion will be payable in any freely convertible currency.	A total of US$4.58 billion will be fully paid in United States dollars or other freely convertible currencies.
Subscription Period	Five (5) years from the date of the IBRD GCI Resolution	Five (5) years from the date of adoption of the GCI Resolution

Table 3A.2: Selective Capital Increase for IBRD and IFC

	IBRD SCI	IFC SCI
Number of Shares	267, 943. 00	919, 998.00
Capital	US$32.3 billion	US$0.92 billion
Paid-in-percentage	6%	100%
Payment Agreement	Of the paid-in percentage of 6.0 percent, 0.6 percent is payable in United States dollars and 5.4 percent is payable in a member's national currency.	A total of US$0.92 billion to be fully paid in United States dollars or other freely convertible currencies.
Subscription Period	Five (5) years from the date of adoption of the IBRD SCI Resolution	Three (3) years from the date of adoption of the SCI Resolution

Chapter 4

Constituency Issues

- Highlights of the Sixteenth 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 provides updates on events in the Constituency and matters that have arisen since April 2018. It summarizes the deliberations of the 16th Statutory Meeting of the Constituency and highlights milestones in the reengagement process for four Constituency countries with the World Bank Group (WBG). The Chapter also highlights the outcomes of the 2018 African Governors' Caucus Meetings held in Sharm El Sheikh, Egypt in August 2018.

4.2 Highlights of the Sixteenth Statutory Meeting of the Constituency

The Africa Group 1 *Constituency Rules, Guidelines and Procedures* as approved in 2016, 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 16th Statutory Meeting on April 19, 2018 in Washington D.C, USA, on the margins of the 2018 IMF/WBG Spring Meetings. The Meeting was held under the Chairmanship of Honorable Amadou Sanneh, then WBG Governor and Minister of Finance and Economic Affairs for the Republic of The Gambia.

At this Meeting, Governors considered the 2018 Interim Report of the Executive Director and discussed their draft Statement to the Development Committee. The Meeting also received a presentation from the Chief Economist of the Africa Region Vice Presidency, on Sustainable Financing for Infrastructure Development in Africa and the growing concern over the rising national debt profiles.

4.2.1 The 2018 Interim Report of the Executive Director

The Executive Director, Mr. Andrew Bvumbe, presented the 2018 Interim Report to the Governors, in which he apprised them on recent global economic developments and updated them on the following: the WBG Operations in Sub-Saharan Africa (SSA); the implementation of the Forward Look Strategy and IDA18; and progress with the 2015 WBG Shareholding Review. He further updated Governors on the following matters that arose from the previous Meeting:

- Update on Reengagement with the WBG of the State of Eritrea, Federal Republic of Somalia, Republic of the Sudan, and Republic of Zimbabwe;
- Implementation of the Constituency Guidelines, Rules and Procedures on the rotation of Professional Staff in the Executive Director's Office; and
- Update on the shareholding and General Capital Increase subscription under the 2010 Shareholding Review.

On the reengagement of countries with special needs, Mr. Bvumbe informed Governors that his Office had continued to vigorously push WBG Management and other development partners for progress on the reengagement process of the

State of Eritrea, Federal Republic of Somalia, Republic of the Sudan and the Republic of Zimbabwe. He highlighted that a roundtable meeting between the Sudan and development partners had taken place on April 18, 2018, during which discussions focused on strengthening the reengagement process. He also informed the Meeting of scheduled engagements for Somalia and Zimbabwe. He noted that his Office would continue championing these efforts, with a view to resolving the outstanding issues. He acknowledged the cooperation between the Office and the respective Governors as a critical component of this process.

On the Implementation of Constituency Rules, Guidelines and Procedures, the Executive Director reported that the Office had continued to implement the Rules regarding staff rotation and welcomed Ms. Lonkhululeko Magagula from the Kingdom of Eswatini in November 2017. He added that Mr. Abraham Diing Akoi from the Republic of South Sudan would join the Office in June 2018.

On the 2010 Shareholding Review, the Executive Director informed the Governors that the General Capital Increase (GCI) share subscription under the 2010 Shareholding Review had been completed, with 152 countries subscribing to 469,010 shares, representing 97 percent of shares allocated. The Africa Group 1 Constituency countries subscribed to 7,197 shares, with 8 constituency countries forfeiting 2,702 shares leading to a decline in the Group's voting power from 2.03 percent to 1.93 percent. He noted that overall, 14,842 shares were not subscribed to and were now part of the pool of unallocated shares. The Executive Director urged Governors to start preparing for the forthcoming subscriptions to the 2015 GCI and Selective Capital Increase (SCI) exercise.

The Executive Director's update to the Meeting on global economic developments focused on the regional context and the rising concerns with the growing levels of public debt. He highlighted that global output grew by an estimated 3.7 percent in 2017, up from 3.2 percent in 2016, due to a rebound of investments, manufacturing and trade; the continued low interest rates regime; increased oil production, and improved business sentiments and profits for big corporates. Economic growth in the SSA region was estimated to have rebounded to 2.7 percent in 2017, from 1.4 percent in 2016 due to a recovery in commodity prices, slower inflation which lifted household demand, a pickup in agriculture production, as weather conditions become favorable, and elevated investments in infrastructure. He further noted that the forecasts indicated continued recovery in economic activity in SSA to 3.3 percent in 2018, and 3.5 percent and 3.6 percent, in 2019 and 2020, respectively. This will be largely driven by strengthening external demand and a firming in commodity prices; recovery in agricultural output; and continued infrastructure investments, especially in non-resource intensive countries.

The Executive Director however, emphasized that indicators for public debt in the SSA region were projected to deteriorate in 2017. The median debt to GDP ratio for the SSA region rose to 53 percent from 48 percent in 2016 and the number of countries in debt distress rose to 18 in early 2018, from 8 in 2013.

On the operations of the WBG, the Executive Director informed the Governors that during the first half of 2018, the combined IBRD and IDA commitments amounted to US$16.2 billion, an increase of 13 percent, from US$14.3 billion for the same period in FY17. This increase was mainly driven by the implementation of IDA18

which started in July. Total IBRD and IDA disbursements marginally grew by US$0.5 billion or 3.4 percent during the first half of FY18. The total IBRD commitments declined by 28.6 percent, from US$10.6 billion in the first half of FY17, to US$7.6 billion, in the corresponding period in FY18, while disbursements declined by 8 percent from US$9.7 billion to US$8.9 billion over the same period. Over the same period, total IDA commitments more than doubled from US$3.7 billion, to US$8.7 billion, while disbursements rose from US$4.9 billion to US$6.2 billion. The strong IDA commitments and disbursements reflected the scaling up of the IDA envelope during the first year of the three year-cycle. The Governors appreciated the need to develop credible and sustainable project pipelines for their countries to maximize their benefit from the historic IDA18 replenishment.

IFC commitments declined by 7.2 percent to US$7.6 billion in the first half of FY18, from US$8.2 billion in the same period of FY17. The decline was due to the slower maturation of projects in the pipeline, comprising mainly infrastructure operations, such as the two transformational projects in the power sector in Mozambique and Senegal. On the other hand, disbursements increased from US$5.3 billion in the first half of FY17, to US$5.5 billion in the same period in FY18. The Executive Director underscored the importance of IFC's convening power and urged the Honorable Governors, to engage IFC and propose bankable projects that would attract private sector participation, since a thriving private sector was critical for economic development and the economic transformation agenda. He cited the example of the scaling solar initiative which has the potential to reduce tariffs to 6 cents per kilowatt hour.

MIGA supported 16 new projects in the first half of FY18, up from 11 new projects during the same period in FY17. New gross issuances amounted to US$4.4 billion, bringing the outstanding gross exposure to US$19.2 billion. The share of guarantees to SSA increased from 10.9 percent, to 24.7 percent over the same period. The Meeting welcomed the increasing exposure of MIGA in fragile and conflict states and other difficult markets, particularly in the development of infrastructure, for which guarantees help to bring down the cost of financing projects.

On the WBG Forward Look Vision for 2030, the Executive Director updated the Governors on the implementation in the following four areas; serving all clients; creating markets; leading on global issues; and improving the WBG business model. With regards to serving all clients, the Executive Director highlighted the increase in resources to fragile and conflict states and programs with a global and regional impact, increase in support for the refugee-hosting countries and crisis preparedness, and advisory services for Middle Income Countries MICs).

On Creating Markets, the Executive Director reported that the WBG was supporting countries to create the business enabling environment with catalytic investments that crowd in the private sector. Further, the WBG was committed to helping countries to strengthen domestic resource mobilization and combat illicit financial flows. In addition, the WBG had started implementing the IDA18 IFC-MIGA Private Sector Window (PSW) which targets IDA countries, and fragile and conflict states and mainstreams the Maximizing Finance for Development approach. He also highlighted the various diagnostics being undertaken, including Country Private Sector Diagnostics, specific sector diagnostics, and job diagnostics.

On Leading on Global Issues, the Executive Director reported that the WBG had taken the

lead in accelerating climate resilient and low carbon development issues covering policy advice, advocacy, and lending, to support the climate agenda, targeting to increase climate financing from 22 percent, to 30 percent by 2020. For Africa, the World Bank's intervention is through the Africa Climate Business Plan. The WBG is also supporting recovery from conflict, natural disasters, and pandemics through the Crisis Response Window. It has also taken the lead on leveling the playing field for women in business through the Women Entrepreneurs Finance Initiative, Regional Integration through the Africa Regional Integration Strategy, and the use of disruptive technology.

On Improving its Business Model, the Executive Director noted that the WBG was becoming more agile to enhance operational efficiency and administrative simplification. This will increase value for money. The expenditure review was on track, with the target of US$300 million set to be achieved in FY18. In tandem, the World Bank had started the implementation of the Procurement Framework and the Knowledge Management Action Plan.

On the IDA18 implementation, the Executive Director informed the Governors that the Board had approved several operations under the various IDA windows. Under the PSW, transactions amounting to US$33.0 million had been approved, while under the Regional Window, the first round of operations under the Refugee Sub-Window were being prepared, including those for the Ethiopia and Uganda. Further, US$1.3 billion had been allocated from the IDA Scale-Up Facility to six projects across several sectors, including energy, housing, and ports, while four additional projects with a cumulative financing of approximately US$0.8 billion would be delivered by the end of FY18.

The Executive Director informed Governors that the WBG would present a capital package as part of the 2015 Shareholding Review at the 2018 Spring Development Committee Meeting. Thereafter, draft resolutions for IFC and IBRD capital increase would be submitted to Governors for approval by October 1, 2018.

He highlighted that the capital package comprised the financial and policy components. The financial package would provide US$7.5 billion for IBRD and US$5 billion for IFC in paid-in capital. This financial capacity would be enhanced with measures such as efficiency and administrative savings, balance sheet optimization and portfolio management, and private sector mobilization.

The Executive Director brought four additional items to the attention of the Governors. First, he assured the Governors of The Gambia, Sierra Leone, Liberia, Seychelles, South Sudan, and Somalia that his missions to their respective countries were planned to take place before the end of his tenure. Second, he urged Governors to consider the proposal to contribute to a Trust Fund to build capacity in analytical and policy formulation skills for African nationals – the Junior Professional Officers Program. Third, he reminded Governors to nominate candidates to participate in the FY19 Voice Secondment Program, before the deadline of May 11, 2018. Fourth, he urged Governors to fulfill country obligations for Maintenance of Value at the Bank.

In response, Governors appreciated the Executive Director's report. They expressed hope that the rise in commitments would lead to a rise in disbursements to SSA countries. They further noted that the WBG's reach for agility should result in greater flexibility and innovative financing solutions for the huge infrastructure needs. They also underscored the importance of

macroeconomic analysis of the debt structure and the development of robust debt indicators. Governors agreed on the need to harness the abundant sunlight in Africa and increase renewable energy supply on the Continent through solar power. Governors also noted the increase in the financing to MICs and the rates and type of products as part of the capital package. Governors called for support to boost absorption and combat illicit financial flows. Further, they noted the conditions for accessing the Refugee Sub-Window and the need to implement energy sector reforms that support the development of renewable energy sources.

4.2.2 Constituency Statement to the Development Committee

The Development Committee Representative, Dr. Philip Isdor Mpango, WBG Governor and Minister of Finance and Planning for the United Republic of Tanzania presented the draft Constituency Statement to the Development Committee to Governors, for their consideration and approval. The Statement, which was consistent with the issues on the agenda of the Development Committee Meeting, covered the following:

- Sustainable Financing for Sustainable Development – WBG Capital Package Proposals: Governors endorsed the IBRD and IFC package which would provide the framework and commitments to deliver on the Forward Look and to create a bigger and better WBG with a strategic emphasis on IDA and FCV countries;
- The 2015 Shareholding Review: Governors endorsed the Report on the Shareholding Review, which upheld the principles contained in “The Roadmap” that was agreed at the 2015 IMF/WBG Annual Meetings in Lima;
- Mainstreaming disaster risk management in the WBG operations: Governors urged the Bank to continue to respond to climate related disasters with agility, to increase Africa's share in climate lending and investments such as for climate smart agriculture and disaster early warning systems, and to accelerate the implementation of the WBG Climate Change Action Plan 2016 – 2020;
- Forward Look Implementation: Governors commended the Bank for the strong implementation of IDA18, particularly the strong focus on FCV countries. They called for stronger engagement at the country level to enhance domestic resource mobilization and combat illicit financial flows;
- Gender diversity at the Boards of the WBG: Governors welcomed the update on gender diversity on the Executive Boards of the WBG and expressed support for the WBG's commitment to gender diversity in its workforce;
- Regional Integration: Governors urged IFC to support the implementation of the recently signed Africa Continental Free Trade Agreement that is aimed at strengthening and boosting intra-African regional trade; and Human Capital Development: Governors called on the WBG to urgently scale up interventions to improve maternal nutrition and health, and prevention of stunting in Africa.

4.2.3 Sustainable Financing for Infrastructure Development

The Chief Economist of the Africa Region Vice Presidency, Mr. Albert Zeufack, made a presentation to the Constituency Meeting on Sustainable Financing for Infrastructure Development, with a focus on implications of rising debt levels in some low-income countries.

This presentation described how SSA countries are financing infrastructure development, the evolving debt dynamics and the nature of risks. He emphasized that the low rate of physical capital per head in SSA necessitated continued investment in capital for economic growth and job creation. He noted that Africa had a huge infrastructure gap estimated at US$93.0 billion per year, yet available resources were only US$48.0 billion, hence the need to borrow. This had led to a deterioration in debt ratios since 2013, thereby raising the risk of debt distress. Over the same period, the structure of debt has also changed, as countries moved towards shorter term maturities and sovereign issuances, while growth in domestic debt outpaced external debt in some countries.

He informed Governors that research into the utilization of these resources had indicated that some of the resources were going into inefficient investments and consumption, with relatively less contribution to economic growth. In addition, the number of countries at high risk of debt distress had increased, from eight in 2013, to 18 at the beginning of 2018.

The Chief Economist underscored the urgent need to create fiscal space to service debt and advised Governors to strengthen debt analysis and management capabilities in their countries, to mitigate the new risks of external debt. He informed them that the Africa Region Vice President's Office had secured trust fund resources which would be used to strengthen capacity for better economic policy formulation and research in governments and think tanks, in SSA countries. He advised Governors to blend various sources of infrastructure financing such as loans and bonds, with support from the WBG Treasury. He also advised Governors to consider leveraging the complementarities between public and private sector players and bring the private sector on board to increase the number of Public-Private Partnerships (PPPs). He urged Governors to start implementation of projects once funding for each stage of the project has been secured.

Governors appreciated the discussion and acknowledged the need to determine the efficiency of infrastructure investments, and develop capacity for policy advice, planning, project selection and design. They also noted the change in the structure of debt, and the rising exposure of the financial sector to the public sector in many countries. They also observed that in some cases the debt problem was compounded by the need to borrow to extend maturities and improve liquidity management. The Meeting also emphasized the need to implement countercyclical fiscal policy to reduce the impact of commodity price cycles and prudently manage budgetary resources.

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

The Office of the Executive Director remains strongly committed in its advocacy for full reengagement of four Constituency member countries, namely the State of Eritrea, Federal Republic of Somalia, Republic of the Sudan, and Republic of Zimbabwe, with the WBG and other IFIs.

4.3.1 The Federal Republic of Somalia

The 7th Somalia High-Level Roundtable held on the margins of the 2018 IMF/WBG Spring Meetings brought together representatives of the Federal Government of Somalia, development partners and IFIs. The Meeting reviewed progress and recent developments in

economic governance and policy reforms, and agreed to prioritize support for arrears clearance, including the utilization of IDA pre-arrears clearance grants. The co-host, the European Union, reaffirmed its commitment to provide debt relief and pledged €100 million in budget support over several years to help deliver reforms.

The Somali authorities and the IMF agreed on a new 12-month Staff-Monitored Program (SMP) covering the period May 2018 to April 2019 (SMP III). The SMP III will help maintain the reform momentum, and build a track record, which is critical for arrears clearance and debt relief.

In September 2018, the Executive Board of the WBG approved the first Country Partnership Framework (CPF) for Somalia, covering FY19-FY22. The CPF will support increased citizens' access to services and help restore economic resilience, laying the foundation for longer-term poverty reduction and inclusive growth. The core financing vehicle for the CPF will be the Multi Partner Fund, complemented in FY19 by four IDA Pre-Arrears Clearance grants totaling US$140.0 million. The first two of these grants, for scaled-up recurrent costs and service financing, as well as technical support for public financial management to support the SMP, were approved by the Board together with the CPF. In addition, IFC will catalyze new opportunities for investment, particularly in the financial sector.

4.3.2 The Republic of the Sudan

The Office of the Executive Director, co- hosted a Round Table meeting for the Republic of the Sudan, together with the Office of the Executive Director for the Kingdom of Saudi Arabia and the European Union, on the margins of the 2018 IMF/WBG Spring Meetings. The objective of the meeting was to update the main bilateral and multilateral creditors of the Sudan on progress with economic reforms and reengagement with the Government. The meeting stressed the importance of the international community's support for the Sudan's reform program and the establishment of a social fund to mitigate any negative effects.

On its part, the WBG has continued to engage with the authorities. In August 2018, the Executive Directors approved additional financing from the Global Environment Fund to support the *Sustainable Natural Resource Management Project*.

4.3.3 The Republic of Zimbabwe

On the margins of the 2018 IMF/WBG Spring Meetings, representatives from the Government of Zimbabwe and development partners held a Side Meeting to continue discussions on the reengagement process, including arrears clearance to the WBG and the African Development Bank. It was agreed that progress would hinge on the successful conclusion of the election process which took place on July 30, 2018. In June, the IMF fielded a data collection mission to Harare in preparation for Article IV consultations which is expected later in the year.

4.4 Update on the African Governors' Caucus

4.4.1 The 2018 African Consultative Group Meetings

The 2018 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 22, 2018 on the margins of the 2018 IMF/WBG Spring Meetings. These meetings were co-chaired by H.E. Sahar Nasr, Minister of Investment and International Cooperation and Governor to the WBG for the Arab Republic of Egypt, and Mr. Tarek Amer, Governor of the Central Bank of Egypt and Governor to the IMF for the Arab Republic of Egypt.

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

- Africa's regional integration;
- Agriculture infrastructure financing;
- IDA18 commitments to smart agriculture; and
- WBG action plan to support agriculture.

Governors commended the WBG for the historic IDA18 replenishment. They called for a significant increase of Africa's share in IDA18 commitments related to climate smart agriculture, land, forest and water management to raise productivity at the farm level. Governors requested for support to help unlock commercial and long-term financing for agriculture. They also requested a road map aimed at supporting countries in agriculture infrastructure financing and financial inclusion to boost productivity in the agribusiness sector. Governors urged the WBG to develop and implement a joint (IDA/IFC/MIGA) Action Plan to support Africa's agricultural transformation agenda for the next 3-5 years.

In response, Dr. Kim acknowledged the need to support African countries in their quest to transform their economies by boosting productivity in the agribusiness sector. He pledged to increase Africa's share in IDA18 commitments related to climate smart agriculture, while tapping into the Private Sector Window resources.

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

- Addressing debt vulnerabilities;
- Accelerating fiscal consolidation;
- Maintaining macro-economic stability;
- Reinvigorating private sector investments; and
- Improving access to finance for agribusiness.

In their interventions, Governors noted that most African countries continued to face heightened short-term vulnerabilities stemming from the possible tightening of international financial conditions, and the adverse impact of weather related shocks, as well as security and migration-related challenges. They emphasized that addressing these shocks through appropriate policy measures, while advancing the structural reform agenda to foster broad-based growth, should remain a priority. Governors requested the IMF to assist them in accelerating fiscal consolidation, and maintaining macro-economic stability, while ensuring adequate funding for priority social and infrastructure spending.

In response, Ms. Lagarde noted that the outlook for near and medium-term growth was favorable in most African countries, especially the non-commodity exporters. She also noted the slowdown in growth of resource-intensive countries following commodity price shocks and accompanying fiscal consolidation. She committed the continued provision of advice on appropriate institutional frameworks to enhance access to finance to help African countries address their vulnerabilities.

4.4.2 The 2018 African Caucus Meeting in Sharm El Sheikh, Egypt

The 2018 Caucus Meeting for African Governors took place, during August 4-6, 2018, in Sharm El Sheikh, Egypt under the co-chairmanship of H.E. Sahar Nasr and H.E. Minister Mohamed Maait, Minister of Finance, Alternate Governor to the IMF for Egypt. Under the theme "Promoting Inclusive Growth through Private Investment and Access to Finance," Governors discussed the following topics:

- Removing regulatory obstacles to private sector investment;
- Export promotion and diversification: lessons learned;
- Lessons learned from successful PPPs experiences; and
- Promoting access to finance - leveraging digitalization.

Governors recognized the overall low private sector investment, limited export integration into global value chains, and the uneven access to finance in Africa. They committed to continue pursuing appropriate macroeconomic and legal frameworks and policies that support a conducive environment for private investment and inclusive sustainable growth. They noted that most African countries continue to implement reforms to ease bottlenecks, promote competitiveness, diversify and expand the export base, and increase domestic value-addition.

Governors exchanged views on the reforms being implemented to boost trade including the creation of Special Economic Zones (SEZs), enhancement of logistical support and export credit, increase domestic and Foreign Direct Investment, and provide well-targeted fiscal incentives. Noting the limited fiscal space, Governors underscored the importance of instituting appropriate institutional frameworks to leverage PPPs to diversify sources of infrastructure financing, while ensuring efficient service delivery. They also called for Bank and Fund support for the establishment of PPP hubs in Africa that could serve as centers of excellence, to facilitate peer-to-peer learning on implementing successful PPPs.

On digitalization they underscored the importance of setting up suitable regulatory frameworks and institutional architecture that would support the development of technology solutions to increase access to finance, expand digital financial services, and upgrade payment systems. They reiterated the need for support for the implementation of the African Continental Free Trade Agreement (AfCFTA) as a critical vehicle for promoting intra-African regional trade and investment flows. The meeting included information sessions on the following topics:

- IMF's Regional Economic Outlook for Sub-Saharan Africa;
- IMF review of conditionality;
- WBG financing instruments;
- IMF review of Low-Income Countries (LIC) facilities; and
- Sustainable Development Goals and inclusion in Africa.

The discussions in these sessions provided inputs to the draft 2018 Memorandum, which will be finalized and submitted to the Managing Director of the IMF and the President of the WBG during the 2018 IMF/WBG Annual Meetings in Bali, Indonesia. Governors approved and issued the Sharm El Sheikh Declaration (Annex 1) which affirms their commitment to work closely with the Bretton Woods Institutions to promote private sector investment; enhance and diversify exports; establish the appropriate framework for PPPs; and embrace digitalization as a means to boost financial inclusion. The Chairmanship of the African Caucus will be handed over to the Republic of Ghana during the Caucus Meeting in Bali, Indonesia.

4.5 Update on Staffing in the Office of the Executive Director

In June 2018, the Office of the Executive Director concluded an 18-month recruitment exercise to fill seven (7) Advisor positions that had fallen vacant due to the rotation of its staffing compliment. The exercise concluded with the recruitment of an Advisor, Mr. Abraham Diing Akoi, from the Republic of South Sudan. This recruitment exercise was guided by the *Constituency Rules, Guidelines and Procedures,* which accords all member countries equal opportunity to serve in the Constituency Office, while promoting and preserving the effectiveness of the Constituency Office. The exercise resulted in an increase in the number of women from one to four, out of a total of 11 Senior Advisors and Advisors.

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 2018

97TH Meeting of the Development Committee
World Bank Group/IMF Annual Meetings
April 21, 2018
Washington, D.C.

Statement by
H.E. Philip Isdor Mpango
Minister of Finance and Planning - Tanzania

1. Introduction

The broad based economic slowdown in the Sub-Saharan Africa (SSA) region is easing, with GDP growth rebounding to 2.7 percent in 2017, after slowing down sharply to 1.4 percent in 2016. The rebound in 2017 was mainly due to the recovery of commodity prices, slowing inflation, and the easing of drought conditions in Eastern and Southern Africa.

The underlying fundamentals, however, remain difficult as this rebound was against a background of negative per capita growth, low investments, a decline in productivity growth and rising public debt levels. The rising public debt levels have seen an increase in the number of countries, at high risk of debt distress.

Although SSA's growth is projected to pick up to 3.3 percent in 2018 and to 3.5 percent in 2019, the region's growth outlook remains challenging. SSA still lags other regions in infrastructure development, levels of extreme poverty, inequality, and the quality of education and health care, including malnutrition and stunting.

Africa's Agenda 2063 Strategy—*The Africa We Want*, tackles these developmental challenges, and captures the aspirations of the African people through structural transformation, inclusive growth and sustainable development. We consider the World Bank Group's (WBG's) Forward Look Vision 2030, complementary to the strategic objectives of Agenda 2063, as it focuses on three priorities of sustainable and inclusive growth, investment in human capital and strengthening resilience.

Sustainable Financing for Sustainable Development – World Bank Group Capital Package Proposals

We reiterate our support for a "bigger" and "better" Bank to meet the heightened client demand. We also endorse the Capital Package, which proposes to provide the Bank with the financial capacity to deliver on the ambitious Forward Look Vision. We welcome the policy issues embedded in the Capital Package which aim to increase the effectiveness of WBG operations, including mutual leveraging of the delivery channels of all its institutions. We note that the Capital Package will transform how the WBG enhances, calibrates and delivers development services to its diverse membership, and put in place a new governance and management framework that supports the long-term financial sustainability of the WBG. The Capital Package will also deliver a "bigger" and "better" WBG for Middle Income Countries (MICs).

We are pleased that the Package is designed to ensure that IFC has the financial capacity to create markets and to expand the deployment of private sector solutions, especially in IDA countries and Fragile and Conflict-affected States (FCS).
As the world's premier Multilateral Development Bank, the Capital Package will enable the Bank to meet the aspirations of its clients, particularly in SSA, where, for instance, closing the infrastructure financing gap would require about US$92 billion per annum. We therefore call for the speedy conclusion and implementation of the Capital Package Proposals to recapitalize IBRD and IFC, to meet the increased demand from clients.

We commend the Bank for including the following features in the proposed Capital Package:

• The allocation of 250,000 shares, distributed to all shareholders in line with their calculated shareholding from the Dynamic Formula;
• Full protection of the voting power of the smallest poor countries; and
• The distribution of unallocated shares that remained unsubscribed at the completion of the 2010 GCI and SCI to the most under represented

Mainstreaming Disaster Risk Management in the World Bank Group Operations

Globally, climate related risks and natural disasters have increased in intensity in this decade, and are now occurring at a higher frequency than in the 1980s. Disasters hurt the poor and vulnerable the most. Africa is the continent most vulnerable to climate change, affecting agriculture production, food security and water availability. Extreme weather conditions have made 2017 the costliest year on record for such disasters, with an estimated US$320 billion in losses.

Drought has devastated agricultural production and driven over 900,000 people from their homes in Africa. Agility in responding and managing global disasters and climate related risks, including effective recovery and resilient development will be crucial, especially for the agriculture sector. We therefore welcome the objectives set out in the Bank's overall financial commitments, including mainstreaming new tools and instruments for Disaster Risk Management.

We also call on the Bank to be responsive to the urgent needs of Africa and to increase the volume of its lending commitments to Disaster Risk Management specific operations, to build more resilient and climate smart economies, including investments in disaster early warning systems. We also urge the Bank to support research and the development of bio-technology which can provide crops which give higher yields in dry and barren conditions.

Forward Look

We welcome the Forward Look Implementation Update and the progress made on creating a better and stronger WBG. We commend the strong implementation of IDA18, especially its focus on FCV affected countries, including the increase in FCV operations and staff on the ground.

We call on the Bank to support Middle-Income Countries (MICs) which also have diverse and huge developmental challenges. Likewise, we call on the Bank to expeditiously implement the Roadmap for Small States to allow them to build resilience and respond to shocks through enhanced resources and innovative instruments.

We welcome the commitment of the WBG in the Forward Look to lead in tackling tough global issues such as natural disasters and pandemics. We acknowledge its contribution to the work of the Platform for Tax Collaboration, with the International Monetary Fund, United Nations, and the Organizations for Economic Cooperation and Development. While this global engagement is commendable, we call for stronger WBG's country-level engagement in enhancing Domestic Resources Mobilization and combating Illicit Financial Flows. Domestic Resources Mobilization in Africa is a key pillar to our Financing for Development Agenda.

Gender Diversity in the Executive Boards of the World Bank Group

We welcome the Update on Gender Diversity in the Executive Boards of the WBG. Our Constituency is conscious of the importance of gender diversity as reflected by the composition of its staffing, where the Alternate Executive Director (AED) and 40 percent of our advisors are women. We are also pleased that our Constituency Office AED served as a member of the Gender Diversity Working Group. In this regard, we strongly support the Bank's commitment to gender equality as espoused in the 2016-2023 Gender Strategy and endorse similar efforts at the level of its Executive Boards.

Regional Integration

Regional Integration is a key development priority for Africa's structural transformation and sustainable job creation. Current intra-African trade, stands at only 15 percent of total exports. In this regard, we support the forthcoming Africa Regional Strategy which seeks to address issues relating to connectivity, the size and fragmentation of many African economies, as well as access to markets. To this end, we call on the WBG to enhance collaboration with regional economic groupings and other development partners to leverage resources to implement transformative projects that would contribute to the realization of the objectives of a fully integrated African continent.

We also urge Management to support the recently signed Africa Continental Free Trade Agreement (CFTA) to strengthen and boost regional trade on the African continent, which will contribute to poverty reduction in Africa. The CFTA will create one of the world's largest free trade area with a potential market of 1.7 billion people.

The Bank should continue its support of transformative investments in infrastructure development, industrialization, diversification and human capital development. The CFTA will open the opportunity to accelerate manufacturing and intra-African trade of value-added products, moving from commodity-based economies and exports, to economic diversification and high-value exports. In order to increase the impact of the CFTA, appropriate industrial policies must be put in place. These policies must focus on diversification, productivity growth and competitiveness. Manufacturing requires huge investments, which should be driven by the private sector.

We therefore call on the IFC to play a leading and catalytic role in the achievement of the CFTA goal to create a single market for goods and services, with free movement of business, persons and investments.

Human Capital Development

Childhood stunting is one of the serious impediments to human capital development in Africa. We note with concern the recent studies which indicate that no African country will be able to meet the Sustainable Development Goal (SDG) #2, of ending childhood malnutrition by 2030. This challenge is further corroborated by the 2017 Global Nutrition report, which indicates that the African continent faces serious nutrition-related challenges, stemming from both a deficiency in nutrients and child obesity.

Despite a decrease in the prevalence of stunting globally, about 60 million African children under five are affected by stunting, while at least 10 million others are classified as overweight. We appreciate the WBG's efforts in tackling stunting in Africa, as reflected by the recently approved Stunting Prevention and Reduction Project for Rwanda that will support community-based approaches, improve the delivery of high impact nutrition and health interventions. We, thus call on the WBG to urgently scale up these interventions in Africa to improve maternal nutrition and health for the region achieve the SDGs on human capital development.

Conclusion

The Africa We Want can only be a reality if Africa has adequate resources to achieve its vision. Africa needs, first, a healthy and skilled population to spur socio-economic transformation; second, men and women with equal access to opportunities and the ability to move freely in an interconnected Africa; third, mobility of capital and businesses which can be allocated where they are most productive; and, finally, the capability to mitigate climate-related risks. We look forward to deeper engagement with a bigger and better WBG on the challenges facing the African continent. The success of this engagement must be measured by results, supported by an enhanced framework for measuring progress.

Annex 2: Development Committee Communiqué – April 2018

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 21, 2018

1. The Development Committee met today, April 21, in Washington, D.C.

2. We welcome the fundamental reforms that have been negotiated as part of the proposed capital package and that will allow the World Bank Group (WBG) to more effectively deliver development results in a financially sustainable manner. We recognize that the WBG has set out an ambitious strategy to support achievement of the 2030 development agenda, and that it is committed to implementing the necessary operational changes and effectiveness reforms to successfully deliver on the vision of the Forward Look. We also recognize that the WBG must strengthen its financial capacity to meet the aspirations of its shareholders, mobilize capital at scale, and respond to global development challenges.

3. We welcome the Forward Look Implementation Update report, including the metrics put forth for measuring progress and the continued efforts toward becoming a better and stronger Bank. We recognize the importance of staying engaged with all clients, while continually ensuring that WBG resources are strategically deployed to meet global and client needs and targeted to areas of the world that most need funding. Engagements with shareholders on the Forward Look strongly affirmed the WBG's role as a premier institution in development. We reiterate our commitment to the twin goals of eliminating extreme poverty and boosting shared prosperity and to the four key priorities that the Forward Look established: (i) stay engaged with all clients; (ii) lead on the Global Public Goods agenda; (iii) mobilize capital and create markets; and (iv) continually improve effectiveness and the internal operational model.

4. We welcome the successful conclusion of the negotiations on the financial and policy package contained in the Sustainable Financing for Sustainable Development report. The financial package includes a US$13 billion paid-in capital increase, consisting of US$7.5 billion for IBRD and US$5.5 billion for IFC, via general and selective capital increases. In addition, there will be a callable capital increase for IBRD. This is a transformative package, comprising fundamental institutional and financial reforms. These include internal efficiency and revenue measures, and an increase in capital that will support a financially sustainable and efficient WBG. We look forward to the policy commitments in the package and the Forward Look being regularly monitored and reported on in an integrated way and independently assessed after five years. We ask that Board-related and senior management budgets, including salaries, be reviewed by the appropriate bodies, to identify possible additional cost-saving measures with the aim of making a meaningful contribution to the financial package.

5. We welcome the Report of the Shareholding Review and accept its recommendations. The recommended Selective Capital Increase (SCI) for IBRD will result in rebalanced shareholding and reduce extreme under-representation while continuing to deliver voice reform in manageable steps. The recommended SCI for IFC will result in more closely aligned voting power between the institutions of the WBG and contribute to the IFC capital increase.

6. We appreciate the intensive engagement by the Board and management on the new financial, shareholding, and institutional reform packages. We ask the Board and management to submit draft resolutions to Governors by the end of June for approval by the Annual Meetings 2018.

7. As agreed by Governors in 2010, the next five-yearly Shareholding Review will take place in 2020. This will provide an opportunity to review under-representation relative to updated calculated shareholding from the IBRD Dynamic Formula, as well as the other issues identified in the Lima shareholding review principles, including the rights and responsibilities of shareholders. It will also provide an opportunity to consider further the methodology for IFC shareholding.

8. The capital package has been developed against the backdrop of a changing and increasingly complex development landscape. Despite impressive gains in recent decades, development progress remains uneven. Keeping up the pace of past progress and addressing emerging challenges will require sustained effort in the face of persistent global headwinds and structural changes to the global economy. Although global growth is expected to be robust in the near term, the continued weakness of productivity growth and lingering financial vulnerabilities call for wide-ranging reforms that will lay the foundation for strong growth over the longer term.

9. As the main driver of investment, innovation and jobs, the private sector needs to play a much greater role in development. We call on the World Bank, IFC, and MIGA to work closely together to tackle market and regulatory imperfections, strengthen policies and institutional capacity, and collaborate to mobilize private investment for inclusive development and poverty reduction. The WBG must continue to crowd in private sector resources to contribute to stability and growth potential, quality infrastructure, and human capital, including through strengthened health and education systems and enhanced skills development and local job creation. We recognize the value of the multilateral development banks working together more systematically and encourage the WBG to continue coordinating with others in order to maximize financing and development impact. We urge the WBG and the IMF to further enhance their support for governments seeking to boost domestic resource mobilization and combat illicit financial flows.

10. The WBG is uniquely placed to address global development challenges, combining knowledge, convening power and financial leverage. We encourage it to intensify its engagement to provide global public goods, help clients embed resilience in their growth trajectories, and address global development issues including gender equality, climate, regional integration, and pandemics.

11. We welcome progress on implementing IDA 18, where a record replenishment and innovative initiatives have the potential to meet the most urgent development challenges. IDA's increased focus on jobs and economic transformation, including through the innovative Private Sector Window, is encouraging investment in IDA countries. We also welcome overall WBG engagement in situations of fragility, conflict and violence, especially where humanitarian crises cause hardship and forced displacement. We support management's efforts to increase its field presence in these areas.

12. We note with concern the marked increase in public debt levels in low-income countries in recent years, and call on the WBG and IMF to work together on a multi-pronged approach to reduce public debt vulnerabilities. They should continue to work closely with governments to strengthen fiscal frameworks and debt management capacity, and to tackle debt data gaps and improve debt transparency, working with creditors where relevant. We welcome the upcoming roll-out of an upgraded Debt Sustainability Framework for low-income countries by the two institutions, which will enable a richer analysis and assessment of public debt vulnerabilities by governments.

13. We acknowledge the Progress Report on Mainstreaming Disaster Risk Management in WBG operations and look forward to an update in two years. We are encouraged by overall financing commitments, portfolio distribution, and continued demand for specialized policy instruments and investments to support resilience and disaster risk and recovery. We call on the WBG to strengthen capacity by engaging in strategic partnerships, including with the UN, IMF, and public and private partners to mobilize finance, develop relevant tools, forge south-south cooperation, and stay attentive to the needs of vulnerable clients such as small island states.

14. We welcome the Update to Governors on Gender Diversity in the WBG Executive Boards. We support the continuing work to enhance and promote gender diversity at the Board and are committed to work alongside Executive Directors in this regard. We look forward to the progress report in advance of the 2019 Spring Meetings.

15. We appreciate the WBG's continued commitment to protecting the most vulnerable in society and promoting environmentally sound development practices. We expect rigorous implementation of the new Environment and Social Framework. We look forward to continued WBG follow up on the recommendations of the Gender Based Violence Task Force.

16. The next meeting of the Development Committee is scheduled for October 13, 2018, in Bali, Indonesia.

Annex 3: African Governors' Caucus: Sharm El Sheikh Declaration – August 2018

AFRICAN GOVERNORS' CAUCUS
SHARM EL SHEIKH DECLARATION

Having met in Sharm El Sheikh, the Arab Republic of Egypt, for our 2018 African Caucus Meeting on August 4-6, 2018, hosted by H.E. Sahar Nasr, Minister of Investment and International Cooperation and H.E. Minister Mohamed Maait, Minister of Finance, Governor and Alternate Governor to the World Bank Group (WBG) and the International Monetary Fund (IMF), respectively, the African Governors of the IMF and WBG, discussed Promoting Inclusive Growth through Private Investment and Access to Finance. We hereby declare:

Creating an Enabling Regulatory Environment for Private Investment

- Recognizing that private investment remains low and there is limited export integration in global value chains, and uneven access to finance, we commit to continue pursuing appropriate macroeconomic frameworks and policies that support an environment conducive for private investment and inclusive sustainable growth.
- Considering that the private sector has an instrumental role to play as the engine of economic growth and poverty reduction, and recognizing that private investment is constrained by the difficult regulatory environment.
- We commit to choosing the most judicious and promising policies to attract investment and to adjust legal frameworks and streamline procedures.
- We seize the opportunity to renew our appreciation for the supportive work of the IMF and WBG far, and look forward to exploring appropriate additional support.
- We welcome the objectives of the G20 Compact with Africa initiative to increase private sector investment in our countries.

Export Promotion and Diversification

- Noting that most African countries continue to implement reforms to ease bottlenecks, promote competitiveness, diversify and expand the export base, and increase domestic value added, we discussed experience with the overhaul of trade agencies, the creation of Special Economic Zones (SEZs), enhancing logistical support and export credit, and encouraging domestic and foreign direct investment (FDI), and the provision of well-targeted fiscal incentives.
- Recognizing that while some countries have made notable progress towards integrating in global value chains, we believe the potential could be better exploited by all.
- We emphasize the importance of sharing cross-country analysis and lessons from experience, tailored policy advice and technical assistance to support members in creating an appropriate set of fiscal incentives for export promotion, while preserving fiscal sustainability.
- We welcome the WBG's new regional integration strategy for Sub-Saharan Africa and look forward to accelerating and scaling up transformational projects in the energy and agriculture sectors, which would enable industrialization, diversification, and competitive exports.

Ensuring More Successful PPPs

- Recognizing that the African continent has one of the highest ratio of PPP projects to GDP, consistent with the desire to diversify sources of infrastructure financing, while ensuring efficient service delivery—we recognize that some projects are more successful than others.
- Considering that PPPs without an appropriate institutional framework can carry substantial fiscal risks, which could imply contingent liabilities;
- Recognizing that PPP projects involving long-term contracts may also introduce budgetary rigidities by through multi-year payment commitments;
- Exploring the possibility of having a PPP hub in Africa with the objective of sharing lessons learned;
- Reaffirming that in addition to evaluating fiscal risks and putting in place strong legal and institutional frameworks, projects should be selected based on financial viability, competitive bidding, and transparency and accountability benchmarks

- We appreciate the tools available to evaluate the fiscal risks of PPP projects, including the PPP Fiscal Risk Assessment Model (P-FRAM) and the Public Investment Management Assessments (PIMA) and encourage enhanced cooperation in utilizing these tools.
- We seek enhanced coordination between the WBG and country authorities to Maximize the use of Financing for Development, including through the Cascade approach in order to prioritize the financing of projects with high developmental and social impact that contribute to meeting the SDGs.

Promoting Access to Finance - Leveraging Digitalization

- We agree that digitalization has emerged recently as an effective tool to promote access to finance, including for women and medium and small- and medium-sized enterprises.
- We recognize that a few African countries have been leaders with success stories in mobile banking, resulting in massive impact on reducing poverty and meeting development goals.
- We recognize the importance of setting up the right legal/regulatory framework and institutional architecture that supports the development of technology solutions to increase access to finance, expand digital financial services, and up-grade the payment system.
- We therefore call on the IMF and WBG to further support country efforts including through peer-to-peer experience sharing; identifying ways to fill gaps in local capacity to optimally leverage the benefits of digitalization while mitigating the associated risks.
- We welcome and encourage technical and financial support from the Bretton Woods Institutions towards deepening and broadening capital financial markets in the continent which will increase access to cost effective capital by small, medium, and large scale export oriented entities in the continent.
- We request from IMF and WB to engage FATF to recognize risk-based and proportionate application of the AML and CFT standards and principles.

Ongoing Review of IMF LIC Facilities

- We recognize that an increasing number of Poverty Reduction and Growth Trust (PRGT) borrowers face a greater risk of debt distress and need to pursue prudent borrowing and debt management policies.
- We observe rising global policy uncertainties, global financial markets volatility, and vulnerability of African economies to commodity price volatility, and non-economic shocks, such as natural disasters, climate change, and waves of migration and refugees with significant macroeconomic ramifications.
- We call on the Fund to explore options to further raise its lending capacity to LICs. Adequate access under well-designed Fund programs can enhance the sustainability of reforms and lend credibility to the authorities' reforms, thereby catalyzing more concessional lending for needed development spending. For the same reasons,
- We request the Fund to explore ways to significantly raise access norms and limits under LIC facilities to incentivize strong policies in a meaningful way and to effectively catalyze other concessional funding.
- We welcome the recent IEO evaluation of the IMF's work on fragile and conflict-affected countries.
- While recognizing the contributions that the Fund has made, particularly as countries have emerged from conflict. In line with the IEO's recommendations, we call on the Fund to move away from the standard business models to recognize the specific challenges faced by these countries. Accordingly:
- We request that the Fund move ahead with steps proposed by the IEO to adapt the lending toolkit for countries in fragile situations, raise the impact of capacity development, and ensure that sufficient high-quality staff are assigned to those countries.

IBRD and IFC Capital Increase

- We welcome the successful completion of the 2010 IBRD capital increase with very strong participation of African countries and the successful conclusion in April 2018 of negotiations on the 2015 IBRD and IFC policy and capital package.
- We welcome IFC's commitment to increase its investment to 40 percent in LIC as part of the capital package and urge them to materialize this commitment in Africa especially SME financing.
- We are pleased to note that the policy package sets out an ambitious strategy to support achievement of the 2030 Sustainable Development Goals and lays the foundation for the implementation of the operational changes and effective reforms to successfully deliver on the Forward Look vision.
- We look forward to further technical and financial support to support countries mobilize resources domestically and internationally to support inclusive and sustainable development, with a focus on youth and women.
- We expect that the WBG will be able to leverage and make use of the additional capital for the national projects in African countries and projects that promote regional integration.

Representation, Voice and Diversity

- Notwithstanding the progress made thus far, representation of African nationals at the mid management level in the WBG and IMF remains low, notwithstanding the progress made. Therefore:
- We reiterate our call on the two institutions to take deliberate steps to increase external recruitment and build a pipeline of Africans at mid to senior management level to ensure that there is an adequate pool for promotion.
- We reiterate our call to establish a third Chair in the IMF Executive Board for Sub Saharan Africa.

Conclusion

We warmly thank the people of Egypt, its government and leadership for the legendary hospitality and the successful organization of the African Caucus Meeting in Sharm el Eheikh. We look forward to complete our work in the next African Caucus meeting in Ghana. We acknowledge with great expectation Egypt's upcoming chairmanship of the African Union in 2019.

We look forward to continuing discussion of these topics at the 2018 African Investment Forum that will take place in December 2018 in Egypt.

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	ESWATINI (SWAZILAND)
2044	ESWATINI (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	ESWATINI (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	ESWATINI (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	ESWATINI (SWAZILAND)	ZAMBIA	BOTSWANA
2040	SOUTH SUDAN	SUDAN	LIBERIA	MALAWI	BURUNDI
2042	SUDAN	SWAZILAND	SOMALIA	SIERRA LEONE	LESOTHO
2044	ESWATINI (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	ESWATINI (SWAZILAND)	LESOTHO	RWANDA	BURUNDI	LIBERIA
2018	ESWATINI (SWAZILAND)	SOUTH SUDAN	SIERRA LEONE	SOMALIA	LESOTHO	UGANDA
2020	SOUTH SUDAN	SUDAN	NAMIBIA	ZIMBABWE	GAMBIA, THE	BURUNDI
2022	SUDAN	SOMALIA	KENYA	ZAMBIA	ESWATINI (SWAZILAND)	SIERRA LEONE
2024	SOMALIA	SIERRA LEONE	ZIMBABWE	LESOTHO	NAMIBIA	GAMBIA, THE
2026	SIERRA LEONE	SEYCHELLES	ESWATINI (SWAZILAND)	ETHIOPIA	BOTSWANA	TANZANIA
2028	SEYCHELLES	RWANDA	SUDAN	TANZANIA	ZIMBABWE	ESWATINI (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	ESWATINI (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	ESWATINI (SWAZILAND)
2028	ESWATINI (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

Antonio Fernando
Mozambique

Solome Lumala
Uganda

Chola Milambo
Zambia

Allan Ncube
Zimbabwe

Advisors to Executive Director

Abraham Akoi
South Sudan

Lamin Bojang
The Gambia

Kuena Diaho
Lesotho

Zarau Wendeline Kibwe
Tanzania

Lonkhululeko Magagula
Eswatini

Naomi Rono
Kenya

Abdirahman Shariif
Somalia

Administrative Staff

Mohammed Ahmed
Sudan

Petronella Makoni
Zimbabwe

Wubalech Mekonnen
Ethiopia

Lozi Sapele
Zambia

AFRICA GROUP I CONSTITUENCY
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Office of the Executive Director, EDS14


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Burundi


Eritrea


Eswatini


Ethiopia


Gambia, The


Kenya


Lesotho


Liberia


Malawi


Mozambique


Namibia


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Somalia


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