



WORLD BANK GROUP
AFRICA GROUP 1 CONSTITUENCY
16th Statutory Constituency Meeting
INTERIM REPORT 2018

PRESENTED BY

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EXECUTIVE DIRECTOR

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PART 1

MATTERS ARISING



1. MATTERS ARISING

1.1 Reengagement with Constituency countries

(The State of Eritrea, Federal Republic of Somalia, Republic of the Sudan & the Republic of Zimbabwe)

- High-level briefing for Sudan took place on April 18th 2018
- Roundtable for Somalia and a side meeting for Zimbabwe scheduled for April 19th 2018
- The Constituency office will continue to support the reengagement process for all four countries



CONT' - Matters Arising

- 1.2 Update on staffing in the office of the Executive Director
- The office has concluded the first phase of the implementation of the constituency rules regarding staff rotation
 - The office welcomed Ms. Lonkhululeko Magagula from the Kingdom of Swaziland in November 2017
 - Mr. Abraham Diing Akoi from South Sudan is expected to join the office in June 2018



CONT'- Matters Arising

1.3 Shareholding and GCI subscription under the 2010 shareholding review

- The GCI subscription concluded on March 16, 2018
- 152 countries (81% of total countries) subscribed to 469,010 GCI shares (97% of total shares allocated)
- 14,842 unsubscribed shares at the completion of the 2010 GCI will be released and returned to the pool of unallocated shares
- The voting power for Africa Group 1 Constituency declined to 1.93 percent from 2.03 percent
- 8 members of our constituency had their shares released into the pool of unallocated shares

CONSTITUENCY MEMBER PARTICIPATION IN THE 2010 GCI

COUNTRY	ALLOCATED SHARES	SHARES RELEASED
Botswana	164	0
Burundi	220	0
Eritrea	179	179
Ethiopia	310	0
The Gambia	164	0
Kenya	724	0
Lesotho	199	0
Liberia	143	0
Malawi	332	0
Mozambique	281	0
Namibia	407	0
Rwanda	317	0
Seychelles	70	70
Sierra Leone	220	0
Somalia	169	169
South Sudan	384	384
Sudan	419	419
Swaziland	133	133
Tanzania	393	393
Uganda	196	0
Zambia	818	0
Zimbabwe	955	955
SUM	7197	2702
% Shares released		38%



PART 2

EXTERNAL ENVIRONMENT AND DEVELOPMENT CHALLENGES

2.1 GLOBAL DEVELOPMENTS

2.2 REGIONAL CONTEXT

2.3 GROWING PUBLIC DEBT



2. EXTERNAL ENVIRONMENT & DEVELOPMENT CHALLENGES

2.1 Global Developments

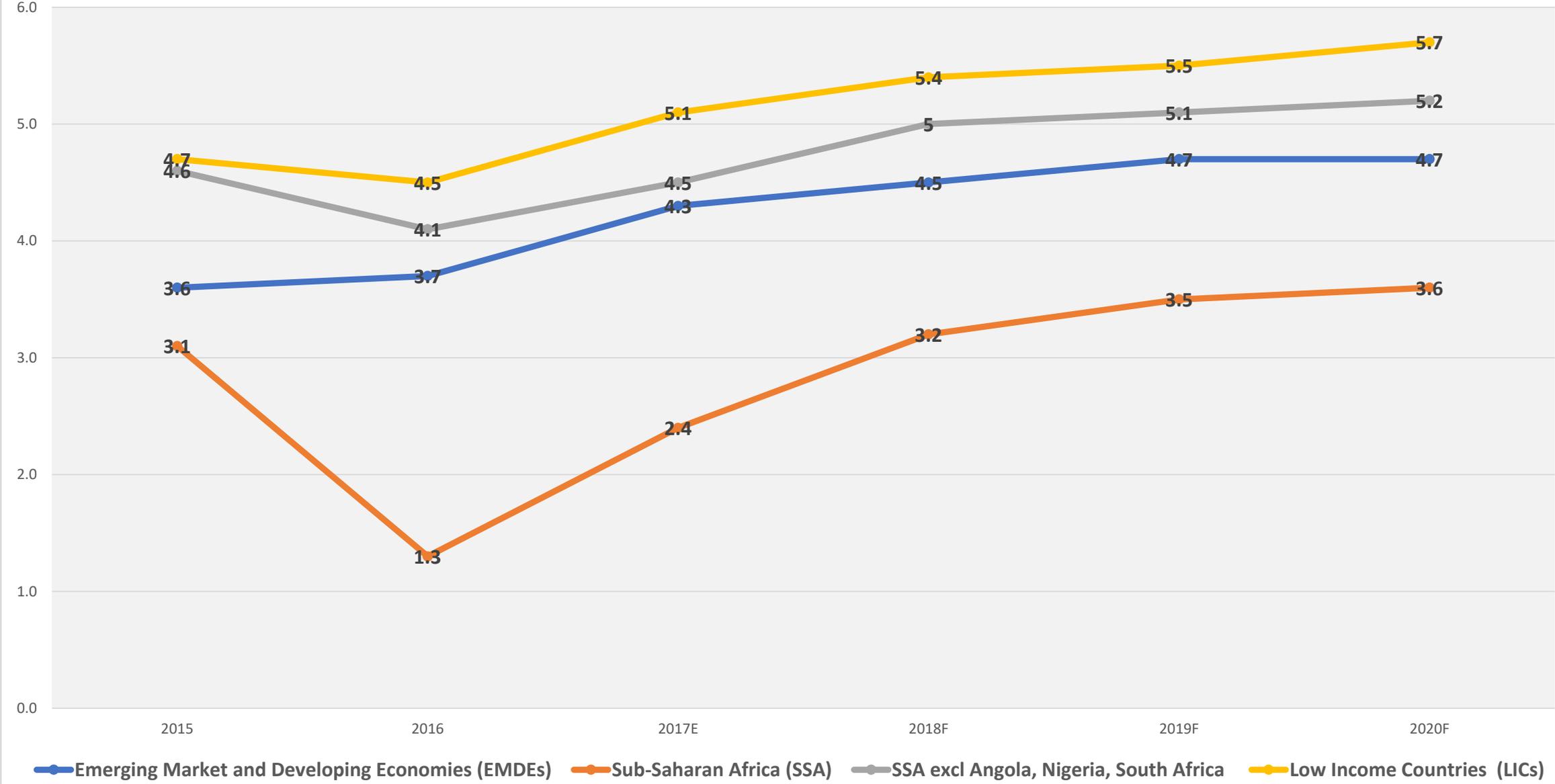
- ❖ Global output grew by an estimated 3.7 percent in 2017, up from 3.2 percent in 2016, driven by:
 - Rebound in investment driven by favorable financing, rising profits, and improved business sentiments
 - Strengthening external demand
 - Rebound in manufacturing and trade
 - Firming oil prices and increased production in the USA, Libya, and Nigeria, with oil prices rising to US\$53 per barrel in 2017



2. CONT'- Global Developments

- ❖ The global economy is projected to accelerate to 3.9 percent in 2018 and 2019, from an estimated 3.7 percent in 2017 driven by;
 - Rebound in investment and trade
 - Favorable financial conditions
 - Supportive policy mix expected to support growth
 - Firming commodity prices

REGIONAL -GDP GROWTH RATES





2. CONT'

2.2 Regional Context

- ❖ Growth in SSA is estimated to have rebounded to 2.7 percent in 2017, after slowing down sharply to 1.4 percent in 2016, mainly due to;
 - Commodity prices recovery
 - Slower inflation lifted household demand
 - Improved crop production as weather conditions became more favorable
 - Elevated infrastructure investment

2. CONT' – Regional Context



- ❖ Economic activity in SSA is expected to continue to recover to 3.3 % in 2018 and 3.5% in 2019 and 3.6 % in 2020 supported by the following;
 - Strengthening commodity prices
 - Strengthening external demand
 - More favorable weather conditions across the region leading to recovery in agricultural output
 - Ongoing infrastructure investment especially in non-resource intensive countries

CONT' – Regional Context



2.3 Fiscal Balances and growing government debt

- Fiscal deficits in the SSA region narrowed slightly in 2017, particularly in non-resource intensive countries, but remained high in some countries, partly reflecting infrastructure investment
- Government debt indicators continued to **deteriorate** in the SSA region in 2017, with the median debt-to-GDP ratio rising to 53.0 percent, from 48.0 percent in 2016

CONT' – Regional Context



- Consistent with the **trend of government debt**, the number of low-income countries **in debt distress** or facing high risk of debt distress, jumped to 12 in 2016, from 7 in 2013
- Debt ratios edged up in **non-resource intensive countries**, as they continued to borrow, including on international capital markets, to finance public investment



PART 3

WBG OPERATIONAL UPDATE

3.1 WBG OPERATIONS IN SSA (FIRST HALF FY 18)

3.2 WBG STRATEGY UPDATE – FORWARD LOOK

3.3 UPDATE ON IDA 18 IMPLEMENTATION

3. WBG OPERATIONS UPDATE



3.1 WBG Operations in SSA

- ❖ The combined IBRD and IDA **commitments rose** in first half of Fiscal Year 2018 (FY18), to US\$16.2 billion from US\$14.3 billion during the same period in FY17, a 13.0 percent rise
- ❖ The increase in total commitments was driven by the commencement of implementation of the historic IDA18 in July 2017
- ❖ Total IBRD and IDA **disbursements marginally grew** by US\$0.5 billion, or 3.4 percent during the first half of FY18



3. CONT' – WBG Operation in SSA

✓ IBRD

- Total commitments **declined by 28.6 percent**, from US\$10.6 billion in the first six months of FY17 to US\$7.6 billion in the corresponding period in FY18
- Gross disbursements likewise **declined by 8.0 percent**, from US\$9.7 billion to US\$8.9 billion during the first half of FY18 mirroring the trend set in commitments



CONT - WBG Operation in SSA

✓ IDA

- Total commitments surged from US\$3.7 billion in the first half of FY17, to a high of US\$8.7 billion in the corresponding period in FY18, reflecting a **US\$ 5 billion increase**
- Gross disbursements rose from US\$4.9 billion to US\$6.2 billion during the first half of FY18, a **27.0 percent** or US\$1.3 billion **increase** from the corresponding period in FY17 Gross disbursements

CONT - WBG Operation in SSA



✓ IFC

- IFC's total **commitments declined** by 7.2 percent to US\$7.6 billion in the first half of FY18, from US\$8.2 billion in the first half of FY17
- Commitments in the **SSA region declined** due to the slower maturation of projects in the pipeline, compared to the previous period

CONT'- WBG Operation in SSA



✓ IFC

- IFC has committed two transformational projects in the power sector in Mozambique and Senegal
- Total IFC disbursements **increased by US\$0.2 billion**, to US\$5.5 billion in the first half of FY18, from US\$5.3 billion in the same period in FY17

CONT'- WBG Operation in SSA



✓ MIGA

- During the first half of FY18, MIGA supported **16 new projects**, up from 11 new projects supported during the corresponding period in FY17
- New gross issuances amounted to US\$4.4 billion in total activity financing to its member countries
- MIGA has **nearly doubled its gross outstanding exposure** in six years from US\$10.3 billion in FY12, to the current level of US\$19.2 billion
- The share of SSA guarantees also **increased** from 10.9 percent to 24.7 percent of guarantees



3.2 FORWARD LOOK UPDATE

WBG “Forward look” implementation is guided by the following four strategic areas;

- ✓ **Serving all clients**
- ✓ **Creating Markets**
- ✓ **Leading on global issues**
- ✓ **Improving the business model**

CONT' : Forward Look Update



- ✓ **Serving all clients**
 - IDA 18 implementation has had a strong focus on **FCV** with more resources being directed to **IDA countries, small states** (allocations doubled to US\$ 1.5 billion) **FCV's** (Doubled allocation to US\$ 14.4 billion) and **MIC with the largest development** gaps by developing a range of products and services (RAMP)
 - Enhanced focus on programs with a **broad global or regional** impact, **refugee** hosting communities and crisis preparedness
 - The development of **products** for countries that can **afford to pay** for services

CONT': Forward Look Update



- ✓ **Creating Markets**
 - Strengthening the enabling environment for private investment, undertaking catalytic investments that **crowd in private sector**, helping countries with **Domestic Resource Mobilization** and tackling **Illicit Financial Flows**



CONT': Creating Markets

- The Implementation of ; the IDA 18 IFC-MIGA private sector window (**PSW**), the Bank-wide mainstreaming of Maximizing Finance for Development (**MFD**), the introduction of various diagnostics (**Country Private Sector Diagnostics**), **Sector Deep dives** – to identify opportunities to create markets



CONT': Forward Look Update

- ✓ **Leading on Global issues**
 - **Climate** : Increasing financing to projects with climate benefits, Policy advice, advocacy and lending to support the climate agenda (Climate financing represents 22% of the WBG lending)
 - Expanding financing for **crisis response** to help countries recover from conflict, natural disasters and pandemics (IDA 18 Crisis Response Window - US\$ 3 billion)



CONT': Leading on global issues

- Leveling the playing field for **women** in business (Women Entrepreneurs Finance Initiative)
- Driving **regional integration** to promoting growth and stability.
- Thought leadership in building client capabilities to prepare for the future of **work** (**Disruptive Technology, Jobs diagnostics**)

CONT': Forward Look Update



- ✓ **Improving the business model**
 - Implementation of the Agile program to enhance operational efficiency at the Bank, administrative simplification, shared services and value for money
 - Implementation of the new Environmental Social Safeguards Framework
 - Implementation of procurement reforms, designed to increase flexibility, efficiency and transparency



CONT': Improving the Business Model

- Implementation of the Knowledge Management action Plan to enhance the capture of lessons learned, case studies
- The ongoing **expenditure review measures** have yielded results. The WBG is poised to meet its target of **US\$300.0 million in savings** by the end of FY18, which is part of the broader savings of US\$400.0 million for WBG institutions and trust funds



3.2 UPDATE ON IDA 18 IMPLEMENTATION

- The implementation the three-year IDA18 financing and policy package started off on July 1, 2018
- The IDA18 windows are operational, with the first set of operations for the **Regional Window, PSW and Refugee Sub-Window** being considered for Board approval
- Under the PSW, Transactions amounting to **US\$33.0 million** were approved, with 90.0 % of the support provided through the PSW Local Currency Facility and the Blended Finance Facility
- Regional window : **75.0 percent** of the overall envelope set aside for the regional **programs on the sub-continent**



CONT' : IDA 18 Implementation

- Refugee Sub-Window : The first round of operations to **8 countries**, currently hosting over **4 million refugees** Cameroon, Chad, Democratic Republic of Congo, Djibouti, **Ethiopia**, Niger, Pakistan and **Uganda** have been prepared
- IDA scale up facility : US\$1.3 billion allocated to 6 projects across several sectors including energy, housing and ports. 4 additional projects, with a cumulative financing of approximately **US\$0.8 billion**, are expected to be delivered by the end of FY18



PART 4

WBG CAPITAL PACKAGE

4.1 OVERVIEW OF PACKAGE

4.2 FINANCIAL PACKAGE

4.3 POLICY PACKAGE

4.1 OVERVIEW OF CAPITAL PACKAGE



- ❖ In 2010, Governors agreed on a set of reforms that enhanced the voice and participation of Developing and Transition Countries (DTC) the WBG, notably through an increase in voting power, and realigned shareholding in line with economic weight and development contributions
- ❖ Subsequent discussions of rebalancing shareholding have built on these three pillars; the agreement on the **Dynamic Formula** and accompanying **package of commitments**; and the previously agreed **shareholding review principles and formula guidance**



CONT' : Overview of capital package

1. IBRD Selective Capital Increase on this basis;
 - ✓ The main allocation of **250,000** shares, distributed to all shareholders in line with their calculated shares main allocation holding from the **Dynamic Formula**
 - ✓ An additional allocation of the **22,170** unallocated shares that **remained unsubscribed at the completion of the 2010 GCI and SCI**, distributed to under-represented shareholders that remain above the mid-point of the group of under-represented countries after the main allocation
 - ✓ The voting power of the smallest poor countries will be protected in full. The dilution of all countries will be limited to no more than **5%**
 - ✓ SCI would result in an increase in the voting power of the DTC countries as a group from **46.9 %** to **47.4 %**



CONT' : Overview of Capital Package

2. IFC Selective Capital Increase (SCI) on this basis;
 - ✓ SCI of 920,000 shares distributed to countries with shareholding in IFC below their shareholding in IBRD, in proportion to post-2010 IBRD shareholding ;
 - ✓ The proposed SCI will better align the shareholding of the WBG institutions and increase the voting power of developing countries while also making a contribution to the IFC capital increase
3. EDs and Management to discuss and agree upon draft Governors' Resolutions for IFC and IBRD to implement these recommendations, with the aim of submitting them to the Governors before the end of June 2018 for their approval
4. The next 5 yearly Shareholding Review will take place in 2020, as agreed by Governors in 2010 and confirmed in the Lima shareholding review principles and timeline



IBRD : FINANCIAL PACKAGE

- ✓ IBRD Capital increase : **US\$ 60.1 billion** (of which 6%), **US\$ 7.5 billion – SCI US\$ 1.9 billion, and GCI US\$ 5.6 billion**, would be **paid in** and fully usable capital. The remainder would be callable capital
- ✓ The following are the levers to enhance financial capacity;
 - ❖ **Income Transfers** : **Extend the IDA 18 Formula** that links IDA transfers directly to IBRD's allocable net income level and extending concessional financing for Global Public Goods (GPG's)
 - ❖ **Balance sheet optimization** : **Maintain IBRD's income based capital adequacy framework** and implement review panel recommendations for enhancement and enhance active portfolio management



CONT' : IBRD Financial Package

- ❖ **Loan Pricing** : Introduce a standard set of **maturity premium increases** adapted to the specific circumstances of different income groups
- ❖ **Administrative Budget** : Implement the **expenditure review savings** to address the incremental budget of US\$ 3.4 billion is expected FY 19-30
 - ❖ Expected efficiency savings of US\$ 1.1 billion.



IFC FINANCIAL PACKAGE

- ✓ IFC Capital increase : **US\$ 5.5 billion of paid in capital**, through a cash injection using a combination of a selective capital increase and a general capital increase
 - **Income Transfers** : **Suspension of IDA transfers**, providing up to US\$ 1 billion in saved retained earnings as well as extending the new formula for designations to advisory services including the creating markets advisory window
 - **Administrative Budget** : Effect **efficiency review** measures with a cumulative savings of US\$ 700 million by FY 30
 - **Balance Sheet optimization** : Continue active **portfolio management**, expand **mobilization for debt and equity** and attract institutional investors and pursue the standardization of investment products



4.2 POLICY PACKAGE

- ❖ The following policy package would combine **enhanced financial capacity** with a **more effective WBG** to deliver on its **forward look** ambition;
 - i. **Serve all clients** : More resources would be devoted to countries in low and middle income status, with cumulative total financing of **USD\$ 915 billion over FY 19-30**
 - This will also include strengthening policies and institutions for sustainable IBRD graduation and an emphasis on FCV and small states
 - **US\$ 170 billion** of additional financing expected to be directed to Middle Income Countries (MICs)
 - IFC aims to catalyze up to **US\$ 250 billion** in **private sector investments in MICs** below the GDI



CONT' : Policy Package

- ii. Lead on Global public goods** : Strengthened leadership in crisis management and FCV, climate change with scale up in lending to 30%, Gender with a focus on implementing the WBG gender strategy to narrow gender gaps. The package further anticipate the leveraging of WBG knowledge and convening power to support development solutions with global impact
- iii. Creating markets** : Adopt the use of the CASCADE across the whole WBG by using reform, de-risking tools and own account investment to mobilize private sector capital. The implementation of CPSD's to inform SCDs and CPFs
- iv. Improve operational model** : The reform will focus on the financial sustainability framework, WBG effectiveness and efficiency, through the mainstreaming of the Agile program. Efficiency gains expected – US\$ 1.8 billion

SUMMARY OF FINANCIAL AND POLICY PACKAGE

Institution	13B Paid in Capital Increase	Income Transfers	Budget	B/S Optimization	Loan Pricing
<ul style="list-style-type: none"> • IBRD 	<ul style="list-style-type: none"> • US\$ 7.5 Billion Paid In 	<ul style="list-style-type: none"> • Extend IDA 18 Formula • Using IBRD Income to provide concessional financing to GPGs within existing US\$ 100 m p.a surplus ceiling 	<ul style="list-style-type: none"> • Maintain Expenditure Review (ER) savings • Further US\$1.1 Billion economy of scale and efficiency savings by FY 30 • Compensation - Contain Salary growth 	<ul style="list-style-type: none"> • Implement independent external panel recommendations • Active Portfolio Management • Explore innovative balance sheet optimization measures 	<ul style="list-style-type: none"> • Introduce a standard set of maturity premium increase adapted to the specific circumstances of different income groups
<ul style="list-style-type: none"> • IFC 	<ul style="list-style-type: none"> • US\$ 5.5 Billion Paid In 	<ul style="list-style-type: none"> • Suspend IDA Transfers • Continue with income designations to Creating Markets Advisory Window and other advisory services according to formula agreed in November 2016 	<ul style="list-style-type: none"> • Maintain Expenditure Review (ER) savings • Further UD\$ 0.7 Billion economy of scale and efficiency savings by FY 30 • Compensation - Contain Salary growth 	<ul style="list-style-type: none"> • Continue and active mobilization strategy to conserve capital • Maintain a Balanced portfolio • Continue an active portfolio management approach including equity sales 	<ul style="list-style-type: none"> • Maintain a risk and market based approach to pricing • Maintain minimum hurdles for return on capital per type of investment product



MATTERS FOR THE ATTENTION OF GOVERNORS

- i. MISSIONS TO CONSTITUENCY COUNTRIES
- ii. JPO
- iii. VSP PROGRAM
- iv. VALUE OF MAINTENANCE



MATTERS FOR YOUR ATTENTION

I. Missions to constituency countries

- Consultation missions planned to the following countries; The Gambia, Sierra Leone, Liberia, Seychelles, South Sudan and Somalia

II. Junior Professional Officers (JPO) program

- The WBG is in the process of creating a trust fund to **build capacity in analytical and policy formulation** skills as well as in development program design and management for junior and mid career **African Nationals. All Countries** in our constituency are eligible to participate
- Mr. Geremie Sawadogo, the Manager of the Talent Acquisition Unit is here to answer any questions



CONT' : Matters For Your Attention

iii. Voice Secondment Program (VSP)

- The WBG has initiated the call for nominations for the Fifteenth Cohort of the Voice Secondment Program (VSP)
- This is a **capacity building program** that aims to increase the “Voice and Involvement” of the Developing and Transition Countries in the WBG’s decision-making process
- The VSP is a six-months fully funded secondment of staff from client countries to the WBG, aimed at providing them with knowledge on the operations, procedures, and processes of the WBG
- Our office has sent letters to your capitals, kindly submit your nominees to us no later than **May 2, 2018**



CONT' : Matters For Your Attention

- iv. Maintenance of value letters to Governors
 - In September 2017, the Corporate Secretariat sent out reminders on obligations to be settled on **maintenance of Value on National Currency Capital Subscriptions**
 - We have included copies of these letters in your packages for ease of reference
 - We urge Governors to settle the outstanding obligations by June 30, 2018

CONCLUSION



- ❖ Let me express my appreciation to you, Honorable Governors for your guidance and support
- ❖ I also appreciate your warm welcome to your respective countries during my missions
- ❖ I am committed to enhancing engagement between our countries and the WBG

Thank you.