

# Africa Group 1 Constituency Newsletter

A newsletter from the Office of the Executive Director

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## Message from the Executive Director



**Andrew N. Bvumbe, Executive Director**

As I present this second edition of the 2018 Newsletter, the African Continent is in the process of liberalizing intra-African trade. At the same time, the U.S. is adopting protectionist policies that threaten the recent resurgence in global trade.

It was indeed a new day for Africa on March 21, 2018, when 44 African Heads of State and Government officials met in Kigali, Rwanda, to sign the African Continental Free Trade Agreement (AfCFTA). The AfCFTA, which will come into effect 30 days after ratification by the parliaments of at least 22 countries, marks a new era for the growth and integration of the Continent. It is projected to be one of the world's largest free-trade areas in terms of the number of countries and will cover more than 1.2 billion people with a combined consumer and business spending of over US\$4 trillion should all 55 countries join.

Increased protectionism and trade wars will hurt global trade and consumption and the Continent stands to lose far more should a trade war escalate. Since China is the largest importer of African commodities, African exports will be negatively impacted if the tit for tat trade war between China and the United States escalates. The successful

operationalization of the AfCFTA could, therefore, be the most effective way for Africa to insulate itself from the adverse effects of an international trade war.

In addition, we are pleased that the WBG has demonstrated its support for Africa's regional integration by establishing a US\$7.0 billion International Development Association (IDA) Regional Window within IDA18. The approval on June 15, 2018, of a strategy entitled 'Supporting Africa's Transformation: Regional Integration & Cooperation Assistance' will also support regional integration.

Another issue which continues to challenge the African Region is the frequent catastrophes, both natural and man-made. The impact of pandemics, such as the Ebola outbreak in West and Central Africa and climate-induced events such as drought and flooding have significantly affected efforts to reduce poverty and boost shared prosperity. Man-made disasters have resulted mainly from conflicts in some parts of the Continent. The economic loss resulting from disaster-related events has been huge for the Region. For instance, between 2003 and 2013, drought in Sub-Saharan Africa affected 27 countries and nearly 150 million people. The Food and Agriculture Organization (FAO) estimated that crop and livestock production losses due to these droughts amounted to US\$23.5 billion.<sup>1</sup> Similarly, the refugee crisis in Africa has strained the meager resources of refugee hosting countries. According to the United Nations High Commissioner for Refugees (UNHCR) Global Trends Report

<sup>1</sup> The Impact of Natural Hazards and Disasters on Agriculture and Food Security and Nutrition—A Call for Action to Build Resilient Livelihoods. FAO (2015).

2017,<sup>2</sup> Sub-Saharan Africa is estimated to be host to more than 26 percent of the world's 68.5 million refugee population, with Uganda currently hosting well over 1.4 million refugees. It is further estimated

2 UNHCR Global Trends Report 2017.

that Africa needs in excess of US\$2.6 billion to cater to this refugee crisis.

As we have reported in previous editions of this publication, the World Bank, through the IDA18 Refugee Sub-Window, has set aside US\$2.0 billion to finance medium- to longer-term development projects that

mitigate shocks, strengthen preparedness, and promote more effective, equitable, and sustainable solutions for both refugees and their host communities. I urge eligible countries hosting refugees to take advantage of these opportunities which facilitate sustainable solutions to protracted refugee situations. ■

## FEATURE STORY:

# Financial Access and Inclusion: Getting to the Universal Coverage

by Zarau Kibwe

### Introduction

Over the past decade, many Sub-Saharan African (SSA) countries have achieved high growth rates, yet their performance has had a limited impact on poverty reduction and shared prosperity. It has not provided low-income households and other vulnerable groups with the means to improve their living standards and move them out of poverty. Financial inclusion, referred to as a broad access to and use of financial services, could play a crucial role in promoting inclusive economic growth needed to reduce poverty and boost shared prosperity. While great strides in financial access have hitherto been achieved across regions, progress on financial inclusion varies widely, with SSA trailing other regions. This, notwithstanding, SSA has considerable potential for growth in the coming years.

Financial inclusion is of the utmost importance to SSA as households have the lowest access to formal financial services, and microenterprises have a considerable financing gap of about US\$86.3 billion. Out of 1.7 billion adults who are financially excluded globally, about 339 million adults reside in SSA, translating to only 43.0 percent of adults with access to an account.<sup>3</sup> This trend is partly compounded by banking systems, which by most metrics, are less inclusive compared to those outside Africa.

An expanding body of empirical literature indicates that low-income individuals

and Small and Medium Scale Enterprises (SMEs) are experiencing difficulties in using financial services due to the high eligibility criteria that ranges from strict documentation to collateralization. For instance, Beck and Cull (2015)<sup>4</sup> found that only 21.0 percent of firms in the median African country indicate that they have a line of credit or loan from a formal financial institution, compared to 43.0 percent outside Africa. Similarly, they found that 16.5 percent of adults in the median African country indicate that they have an account with a formal financial institution, while this share is 21.0 percent for other regions. Notwithstanding the low level of financial inclusion, SSA is well placed to reap the benefits of financial inclusion owing to the burgeoning mobile banking system, which leverages digital technologies and rising economic growth in most countries.

This article takes stock of progress made on financial inclusion in developing countries with a focus on SSA. It presents evolving challenges constraining countries from achieving universal financial inclusion. It documents the international community's efforts, led by the World Bank Group (WBG), to solve these challenges. It concludes with some suggestions on how governments could support the transition from financial access to financial inclusion.

4 Thorsten Beck and Robert Cull (2015). *Banking in Africa*. In: Berger, A.N., Molyneux, P., Wilson, J.O.S. (Eds.), *The Oxford Handbook of Banking*. Oxford University Press, pp. 913–937.

### Challenges to Financial Inclusion

As an increasing number of countries in SSA are strategically aligning their policies to foster financial inclusion,<sup>5</sup> a plethora of challenges specific to the region remain. These challenges could be clustered around macroeconomic and political stability, high levels of poverty, illiteracy, and large rural populations; low levels of trust and financial capability; small and undercapitalized financial service providers (FSPs) with inefficient operations, weak governance, and scalability; and underdeveloped digital and financial infrastructure, including ID systems, electricity, and connectivity.

Most Sub-Saharan Africa countries are characterized by commodity dependency that adds to the income volatilities, both at national and individual levels. This limits the demand for savings, insurance, credit, and even simple payment transactions, leaving large parts of the population of African economies to be commercially less viable. Dispersion of large rural populations, coupled with the informality of the economy, means that FSPs find it hard to reach the last mile cost effectively. Additionally, low financial literacy has also limited the uptake of some financial products.

Low levels of trust and financial capability have also been weighing on financial

5 Constituency countries with approved national financial inclusion strategies include Burundi, Ethiopia, Kenya, Liberia, Malawi, Mozambique, Namibia, Rwanda, Sierra Leone, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe (Alliance for Financial Inclusion (AFI), 2018).

inclusion. While there has been a proliferation of financial services via mobile money and other virtual platforms, consumers have had low levels of trust in the security and reliability of these newly established platforms. This is further compounded by the low financial capability of consumers. For instance, nearly two-thirds of adults without an account at a financial institution said that they have too little money to open one, while roughly one in five cited this as their sole reason.<sup>6</sup>

### World Bank Group Solutions

The World Bank Group (WBG) recognizes the pivotal role of financial inclusion in reducing extreme poverty and boosting shared prosperity in its client countries. Thus, it has committed to an ambitious global goal to reach Universal Financial Access (UFA) by 2020. The WBG considers financial access as the first step toward broader financial inclusion. To this end, the WBG has undertaken several initiatives to address macro challenges of financial inclusion, which are differentiated by the market need, as well as the degree of financial maturity.

First, the WBG supports countries to deepen their financial sectors by enhancing equity or bond markets. On the other hand, the International Finance Corporation (IFC) helps countries crowd-in private funding through capital mechanisms by providing Advisory Services and Analytics.

<sup>6</sup> Demirgüç-Kunt, Asli, Leora Klapper, Dorothe Singer, Saniya Ansar, and Jake Hess. 2018. *The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution*. Washington, DC: World Bank.

These interventions are rolled out to help markets with comparatively well-developed financial sectors.

Second, the WBG helps countries build efficient and inclusive financial systems by enhancing payment systems and regulations for the emerging fintech sector. IFC can mobilize financing and help FSPs and new market entrants to increase outreach and expand products for the underserved through advisory services. These operations are implemented in markets where the fundamentals are in place.

Third, the WBG supports countries to strengthen the enabling environment and financial infrastructure, with IFC specifically focusing on basic investment products and advisory engagement with select FSPs. These interventions target countries with rudimentary financial sectors such as low-income countries (mostly in SSA) and Fragile and Conflict-Affected States (FCS).

Going forward, the WBG, through IFC's Microfinance Strategy, aims to support countries to transition from universal financial access to universal financial inclusion by 2030. This would be made possible by creating efficient microfinance markets and implementing a three-pronged strategy. The objective of the strategy is to enable over 1.7 billion of the underserved people to access, use, and benefit from quality financial services. Specifically, IFC plans to restructure its portfolio in such a way that it (i) focuses on achieving scale by building FSPs, (ii) scales up support of innovative digital solutions, and (iii) reaches persistently

underserved and vulnerable populations in FCS/IDA Countries.

### Government's Role in Fostering Financial Inclusion

The success of the international community's concerted efforts in fostering financial inclusion hinges, to a considerable extent, on country initiatives toward universal financial inclusion. To leverage the available support, governments need to do the following:

- Ensure a stable political and macroeconomic environment;
- Invest in legal and information infrastructure;
- Improve regulations and supervision; and
- Enhance contestability and efficiency.

### Concluding Remarks

SSA has low financial inclusion in comparison with the rest of the world. Financial inclusion could help countries to reduce poverty and foster shared prosperity substantially. Facilitating transactions, smoothing consumption, building resilience, and investing in livelihoods are the main pathways through which financial inclusion could contribute to economic development. The international community, notably the WBG, is committed to helping countries reach universal financial access and inclusion, but this does not mean countries need to be complacent. Governments must create a conducive environment to promote public and private sector development and allow them to play their part in this endeavor. ■

## Updates from the Constituency Office

### King Letsie III Visits the World Bank Group Headquarters

by *Kuena Diaho*

On May 19, 2018, His Majesty King Letsie III of the Kingdom of Lesotho visited the World Bank Group (WBG) Headquarters. The purpose of his visit was to strengthen the partnership with the WBG on Ending Malnutrition and Stunting, a cause His Majesty King Letsie III has been strongly advocating. Accompanied by Her Majesty Queen Masenate Mohato Seeiso, Hon. Lesego

Makgothi, Minister of Foreign Affairs; Hon. Peete Lesaoana Peete, Member of Senate; Professor Molapi Sebatane, Lesotho's Ambassador to the United States of America; and Mr. Monehela Posholi, His Majesty's Senior Secretary, His Majesty King Letsie III met with a panel of experts and Senior WBG Management led by Human Development Vice Presidency headed by Ms. Annette Dixon. They exchanged ideas on reshaping food security and nutrition landscape in not only his country, Lesotho, but also

internationally to drastically reduce the incidence of malnutrition and stunting.

His Majesty's passion for ending malnutrition and stunting has been illustrated by his leadership in programs and projects supported by development partners in partnership with the government of Lesotho. These programs aim at enhancing levels of food security and addressing the incidence of malnutrition and stunting. His Majesty King Letsie III has been at the forefront of the global cause and advocacy initiatives

to end malnutrition and stunting through his role as the African Union’s Nutrition Champion and as the United Nation’s Food and Agriculture Organization’s Ambassador for Nutrition. The linkage between his role in these institutions and regional leadership on malnutrition and stunting was explored during his visit.

His Majesty King Letsie III discussed the situation in Africa where statistics show that one in three children under the age of five are stunted. This, unfortunately, has a devastating impact on countries’ development prospects due to the cost on health and over time, on human productivity, investment, and growth. On this basis, governments are encouraged to prioritize development

prospects through strengthening health and education.

Malnutrition and stunting is a subject which the WBG has escalated and incorporated into a broader Human Capital Project that will be launched during the IMF/WBG 2018 Annual Meetings in October in Bali, Indonesia. The WBG President, Dr. Jim Y. Kim, has expressed commitment to partner with global leaders and development institutions to address the deficit in human capital. Therefore, not only was it timely for His Majesty to engage the WBG’s malnutrition experts on how Lesotho would move forward to end malnutrition, but also to share data on the successes and challenges faced by countries that have had similar

malnutrition and stunting challenges as Lesotho has.

In his roles as a Nutrition Champion and Goodwill Ambassador, His Majesty King Letsie III will host a High-Level Forum in Maseru, Lesotho, on October 3, 2018 in partnership with the WBG. At this upcoming forum, the participating countries of Lesotho, Zambia, and Zimbabwe will be expected to discuss pathways to build support for concrete policy and action plans to improve early childhood nutrition. The forum will bring together health, agriculture, food security, water, sanitation, education, and water experts. This initiative, led by His Majesty King Letsie III, will feed into the WBG’s Human Capital Project. ■



His Majesty King Letsie III and delegation being led through the Bank Atrium by the Alternate Executive Director, Ms. Anne Kabagambe and World Bank CEO Kristalina Georgieva.



Africa Vice President Makhtor Diop welcomes His Majesty King Letsie III to the Africa Vice Presidency Unit ahead of the panel discussion on nutrition.



Alternate Executive Director Ms. Anne Kabagambe leads His Majesty King Letsie III and Queen Masenate Mohato Seeiso to the Panel discussion on nutrition.



Presentation on investment in human capital by the Health and Nutrition Global Practice Directors.

## A Recap of the 2018 International Monetary Fund/World Bank Group Spring Meetings

by Solome Lumala

The theme for the 2018 International Monetary Fund (IMF)/WBG Spring Meetings held in Washington D.C. was “Meeting Global Aspirations and Challenges.” Various sessions highlighted the importance of investing in people and building resilience, as well as on the role of innovation and partnerships to unlock opportunities and help countries and people realize their potential. This article provides highlights of the 2018 Spring Meetings week.

### The World Bank Group Shareholders Endorse a Transformative Capital Package

The most important outcome of the 2018 Spring Meetings was the endorsement by World Bank Group (WBG) shareholders, of a transformative Capital Package for International Bank for Reconstruction and Development (IBRD) and IFC. The package comprises US\$7.5 billion paid-in capital for IBRD and US\$5.5 billion paid-in capital for IFC, through both general and selective capital increases, as well as a US\$52.6 billion callable capital increase for IBRD. The package also includes procedures to rebalance shareholding by reducing extreme underrepresentation, while continuing to deliver increased voice and representation for emerging markets and developing economies in manageable steps. The selective capital increase for IFC will boost its lending capacity, while creating a closer alignment with the voting power of IBRD. With this package, the combined financing arms of the WBG are expected to reach an average annual capacity of nearly US\$100.0 billion between FY19 and FY30, benefiting all WBG members across the income spectrum. The package further incorporates internal reforms and policy measures to promote greater efficiency and effectiveness, as the WBG strives to scale up resources and to deliver on its mission. The internal measures include operational changes and effectiveness reforms, loan pricing measures, and other policy steps to create a stronger and more agile WBG.

The increase in capital for IBRD and IFC builds on the strengthened Multilateral

Investment Guarantee Agency (MIGA) financial capacity; the strong commitment of contributors to IDA as demonstrated in the historic IDA18 replenishment; and the successful launch of IDA in the capital market. On the assumption that all countries subscribe to their allotted shares under the 2018 general capital increase and selected capital increase, the IBRD shares for Africa Group 1 Countries will increase from 31,525 to 38,306. Similarly, the IFC shares will increase from 17,665 to 68,072 under the 2018 general capital increase and selected capital increase. For IFC shares, the calculation also factors in the assumption that the resolution on the conversion of retained earnings into paid-in capital is adopted. The voting power of the constituency at IBRD will remain about the same at 1.95 percent, while at IFC it will increase from 1.31 percent to 1.43 percent.

On June 7, 2018, the management submitted draft resolutions on the Capital Increase package to governors for approval by October 1, 2018. The package comprises the:

- i. IBRD—2018 General Capital Increase;
- ii. IFC—2018 Conversion of Retained Earnings and General Capital Increase;
- iii. IFC—Amendment to the Articles of Agreement of the Corporation;
- iv. IFC—2018 General Capital Increase;
- v. IBRD—2018 Selective Capital Increase; and
- vi. IFC—2018 Selective Capital Increase.

### Public Debt Management

The management of public debt featured at several meetings during the Spring Meetings, including at the launch of *Africa's Pulse*, the State of the Africa Region, and the Development Committee lunch, as well as at the 16th Statutory Meeting of the Africa Group 1 Constituency.

In a panel discussion on “**Debt and Growth: A Balancing Act?**” the panelists agreed that in many cases strategic borrowing is a prerequisite for growth. However, the rapid rise in debt levels and the failure by borrowing countries to achieve growth were concerning. Panelists also recognized the impact of external shocks including refugee

crises and extreme weather on public debt levels and debt service. It was emphasized that as interest rates rise, global institutions like the WBG and IMF should continue to work with their clients to manage debt proactively.

While discussing the 2018 Spring edition of *Africa's Pulse*, a biannual analysis of the state of African economies conducted by the Africa Region of the World Bank, it was noted that although growth had rebounded in 2017 it was yet to revert to the precrisis levels. This underscored the need for accelerated and deepened macroeconomic and structural reforms to achieve high and sustained levels of growth. The report noted the rising public debt relative to GDP in the region and its changing composition, as countries shifted from traditional concessional sources of financing toward commercial financing. The higher debt burdens and the increasing exposure to market risks raise concerns about debt sustainability, as the number of countries at a high risk of debt distress rose to 18 in March 2018, compared with eight in 2013.

The 2018 Spring Meeting's discussion on the **State of the Africa Region** focused on leveraging disruptive technologies and innovations in the agriculture and energy sectors to support human development and spur economic growth. The strong recovery in economic growth, from 1.5 percent in 2016 to 2.6 percent in 2017 notwithstanding, would not be sustainable without collaborative efforts from all stakeholders. Panelists agreed that favorable environments created by policy makers and continued innovation in technologies would support growth. They shared experiences of the impact of digital technology in the energy and agriculture sectors and reemphasized the need for more resources to support these sectors. Also discussed was the importance of high quality data and of scalable ecosystems to support collaboration among all stakeholders at the national and regional markets.

The importance of technology was the subject of discussion at the **Digital Economy for Africa** event. The panelists stressed the role of technology in developing countries, including for the creation and maintenance of databases such as for jobs and

the establishment of links among the global workforce. To maximize the entrepreneurial potential of Africa's young population, infrastructure, requisite government policies and regulations, intellectual property protection, and incentives for investors would be critical. It was observed that cognitive and basic digital technological skills were some of the important competencies for tomorrow's workforce.

### Human Capital Project

At the panel discussion of the **Building Human Capital: A Project for the World**, the WBG President Jim Y. Kim announced plans to launch the Human Capital Project at the 2018 IMF/WBG Annual Meetings.

Speakers at this event underscored the urgent need to invest in people, through education, health, nutrition, social protection and jobs, as the sturdiest way forward in response to the rapid technological and labor market changes. Panelists highlighted the need for a Human Capital Index and discussed the link between key investments in people and economic growth, as well as the importance of financing high-impact investments in people. Ultimately, it was concluded that building human capital was a global project involving a global team comprised of donors, policy makers, and citizens alike.

At the World Bank's Human Development Practice Group event on **Securing the Foundation for Human Capital**, the participants underscored investment in people, starting from early childhood development through to adolescence, as critical for securing the foundation for building human capital across the world. They observed that building the foundation of human capital was possible, and that it entails scale, coordination, collaboration, and most of all, innovation.

One of the building blocks in the foundation for human capital is **Universal Health Coverage (UHC)**. This was the subject of discussion at another event co-hosted in partnership with the government of Japan and the World Health Organization, where panelists discussed countries' efforts to implement reforms, increase investments,

and build political commitment to ensure that all people receive affordable quality health services without financial hardship. These efforts would support increased access to quality health services and help to reduce health expenses, which force an estimated 100 million people into extreme poverty every year. This crisis in health financing impedes progress toward achieving the Sustainable Development Goals (SDGs) for health and holds back progress on the central SDG goal of ending poverty by 2030.

### Resilience

One of the emerging challenges to development is the need to foster resilience to natural and other shocks and threats, including those resulting from climate change, economic developments, and insecurity. During the 2018 Spring Meetings, several discussions focused on fragility and the security-development nexus.

The discussion on the **Security-Development Nexus** emphasized the need to overcome the traditional separation among security, humanitarian, and development actors, and consider closer cooperation and joint planning to address both short- and long-term needs of the refugees. It was noted that the involvement of affected populations was critical to help them have a long-term perspective of their situation, such as through education, promotion of economic activities for independence, and participation in the reconciliation processes for durable outcomes.

The panelists at the **Future of Resilience: Banking on Cities** dialogue agreed that Official Development Assistance (ODA) alone could not meet the ever-growing resilient financing needs of cities, estimated at up to US\$5 trillion a year. They broadly agreed that development agencies have a key role to play in closing the funding gap by using their technical expertise to help cities structure resilience projects that are attractive to private investors. The discussion highlighted the importance of good planning, smart investment, and resilient communities for building urban resilience,

and the urgency to build resilient cities against the backdrop of climate change.

The **Empowering Women for Peace** event, among others, features women entrepreneurs living and working in fragile settings, who have overcome immense obstacles to launch and maintain their businesses. Panelists cite examples of positive steps which have been taken, such as the inclusion of women's issues in lawmaking processes for enactment of investment laws that provide equal access to land, finance, and investment opportunities for women. It was noted that women's voices were vital in the peace and reconciliation process, as well as in decision making. The discussion called for more support from development partners to contribute to gender equality and strengthening of women's organizations, as well as confidence building to women in refugee situations.

The roundtable on **State Fragility and Development** acknowledged the global development community's failed efforts to lift states out of fragility. It was agreed that besides finances, strategies to support fragile states should focus on local people, economic growth, and job creation. Ownership of the rebuilding effort by the citizens and leadership of the national government were critical. In this regard, the WBG's three abiding priorities were enumerated as: alleviating human suffering; giving structure and a framework for governments so they can lead the way; and providing funding. It was also noted that political risk coverage, as well as public sector funding, were critical for the local private sector to restart economic growth.

### Leveraging Technology

The fast-paced technological breakthroughs lead to opportunities and challenges. In this regard, a robust policy and regulatory environment is necessary to deploy transformative technology at scale, encourage innovation, and to minimize risks due to disruptive technologies, particularly in the labor markets.

The panel discussion on **Moving from Financial Access to Inclusion: Leveraging**

**the Power of Technology** focused on the updates on the progress toward the achievement of the Universal Financial Access Goal by 2020, an important stepping-stone out of poverty. Against the backdrop of the data from the recently launched Global Findex financial inclusion database, which tracks how people use financial services, it was agreed that there was need for more work toward the goal, especially to address the gender gap. The technology, emphasized the panel, could speed up progress toward financial access, inclusion, and provision of transparent and reliable financial systems. Panelists agreed that the global community needs to work together to target those left behind, unleash the private sector, and aim for fair competition.

The discussion on **Disrupting the Gender Divide—The Power of Online Platforms**, highlighted the increasing economic opportunities for women entrepreneurs to create successful businesses through the power of digital technology. The discussion showed that digital inclusion could play a pivotal role in facilitating access to finance, knowledge, and connectivity with women entrepreneurs.

The panel discussion on **SDGs and Big Data** highlighted the drastic improvement in the ability of people to understand their environment. It showcased how big data and new technologies could allow cities and local communities to seize new opportunities for jobs and manufacturing; deliver

effective and inclusive transport and energy services; prepare for disasters; and target assistance to those who need it the most. The discussion acknowledged the risks of infringement of privacy posed by the mining of Big Data. The need to bring technical experts together with people who know the local context and to support entrepreneurs in developing local solutions, and for the donor community to break down silos and be more deliberative about knowledge sharing, were also emphasized. It was also observed that partnerships with the private sector, which controls most of the data needed for development, were critical.

### **The 16th Statutory Meeting of the Africa Group 1 Constituency**

The 16th Statutory Meeting of the Africa Group 1 Constituency was held in Washington, D.C. on the margins of the 2018 WBG/IMF Spring Meetings. Governors met to deliberate on their statement to the development committee, in which they reiterated their support for a bigger and better Bank that meets the heightened client demand. They welcomed the Bank's commitment to mainstream new tools and instruments for disaster risk management and the progress made on the implementation of the Forward Look. They commended the strong implementation of IDA18, especially the increased operations and staff in Fragility, Conflict, and Violence (FCV) affected countries. They

also expressed support for the forthcoming Africa Regional Strategy and called on the WBG to enhance collaboration with regional economic groupings. Governors called for more Bank support to improve maternal nutrition and health for the region to achieve the SDGs on human capital development.

The governors considered the 2018 Interim Report of the Executive Director, in which he updated them on the reengagement process of the international financial institutions with four constituency countries—The State of Eritrea, Federal Republic of Somalia, Republic of the Sudan, and the Republic of Zimbabwe. He also updated them on the WBG Operations in SSA and the implementation of the Forward Look strategy and IDA18. The executive director also informed governors about the progress on the ongoing 2015 WBG Shareholding Review.

The Chief Economist of the Africa Region Vice Presidency made a presentation to the Constituency Meeting on **The Challenge of Infrastructure Financing in Africa**. The key message of the Chief Economist was that countries should ensure efficient and prudent management of debt financing to avoid debt distress due to the insufficiency of concessional and national budget resources to scale up investment in physical capital in SSA. In this regard, knowledge exchange and policy dialogue amongst African economists, as well as blended sources of financing and public-private partnerships, would be important. ■

### **The World Bank Group Participates in the Third ECOSOC Forum on Financing for Development**

*by Chola Milambo*

The World Bank Group (WBG) joined voices with United Nations (UN) agencies, UN member states, and other international organizations to reaffirm their resolve to continue to work toward the full implementation of the Addis Ababa Action Agenda (AAAA). Meeting in New York at UN's headquarters from April 23 to 26, 2018, for the third Economic and Social Council (ECOSOC)

forum on financing for development, representatives acknowledged the findings of the third report<sup>7</sup> of the Inter-Agency Task Force (IATF).

In his update to the Forum, the Chair of the IATF and undersecretary for the UN Department of Economic and Social Affairs, Mr. Liu Zhenmin, pointed out that

<sup>7</sup> The purpose of the reports of the Inter-Agency Task Force on Financing for Development is to provide an annual assessment of the progress and gaps across the seven action areas of the AAAA and provide policy options to put the world on the path to more sustainable growth and development.

in 2017, there had been progress across all the action areas<sup>8</sup> of the AAAA, with several types of development financing flows having increased. This progress was underpinned by a broad-based upturn in the global economy, increased investment, and supportive financial market conditions. This momentum is expected to provide a

<sup>8</sup> The AAAA action areas include: (a) domestic public resources; (b) domestic and international private business and finance; (c) international development cooperation; (d) trade, science, technology, innovation, and capacity building; and (e) debt and systemic issues.

platform for further progress in financing the Sustainable Development Goals (SDGs) over the medium term. However, increasing protectionism, rising global interest rates, and income inequality pose risks to this outlook.

Mr. Zhenmin highlighted four overarching messages from the 2018 IATF Report. First, integrated national development strategies and financing frameworks, which provide a long-term vision, must inform policies, plans, and project pipelines. National actions need to be complemented by a supportive global enabling environment that can facilitate long-term and quality investments. Second, incentives for actors in public and private financial institutions need to be aligned with long-term sustainable development. Third, as efforts are made to enhance blended financing, de-risking and the identification of suitable sectors for this approach will be important. Project, country characteristics, and national policy priorities will determine the financing model best suited for specific investments, as well as the actors best positioned to manage investment risks and provide services. Fourth, public leadership is important in establishing coherent rules and overcoming constraints that impede sustainable economic transformation.

The WBG, which is a member<sup>9</sup> of the IATF, informed participants of the progress it had made in contributing to the AAAA, following its commitment to move from 'billions-to-trillions'. Speaking on behalf of the WBG, the Senior Vice President and Special Envoy to the UN, Mr. Mahmoud Mohieldin, pointed out that WBG shareholders in a show of multilateralism, came together in April 2018 to reach an important agreement for financing for development. This agreement would raise the annual lending capacity of the WBG to US\$100 billion for the period 2020 to 2030, through a capital increase of US\$13 billion. The forum was further informed that the WBG would soon launch its Human Capital Project, which was

<sup>9</sup> Other key members of the IATF include the International Monetary Fund (IMF), United Nations Commission on Trade and Development (UNCTAD), and the United Nations Development Program (UNDP).

critical to sustain countries' development efforts. Mr. Mohieldin also highlighted the collaborative work of the WBG with the IMF on aspects such as the Debt Sustainability Framework for Low-Income Countries (DSF-LICs), capacity building in debt management, and the development of the Medium-Term Revenue Strategy (MTRS).

During their deliberations, representatives reaffirmed several of their commitments reflected in the SDGs, including ending poverty and hunger across the globe; combating inequalities within and among countries; building peaceful, just, and inclusive societies; and ensuring the lasting protection of the planet and its natural resources. They welcomed progress on the action areas of the AAAA, noting that achievements were uneven with gaps in domestic resource mobilization in many least developed countries. They committed to strengthening revenue collection and related accountability mechanisms, including through a whole-of-government approach and the use of MTRSs.

On Official Development Assistance (ODA), they welcomed the upward trend in these flows, recognizing that ODA remained the main source of external finance for many low-income developing countries. Representatives called for the modernization of ODA measurement frameworks to capture total official support for sustainable development, including the privately leveraged funds. Representatives; therefore, requested the IATF to provide a comprehensive breakdown on the use of ODA in its 2019 report.

On trade, representatives were unanimous on the risks that protectionism posed on the promotion of sustainable development and on the alleviation of poverty. They therefore called for greater multilateralism and adherence to the rules-based system of the World Trade Organization (WTO). They further expressed concerns about emerging debt developments in developing countries and their effect on the pursuit of the SDGs. The need for strengthening of debt and public investment management in developing countries was recognized. Representatives also called for greater transparency both on the side of debtors and creditors. They

reaffirmed the importance of an international debt restructuring framework that is timely, orderly, effective, fair, and negotiated in good faith. They, therefore, called for a global consensus on guidelines for debtor and creditor responsibilities. Representatives called for the inclusion of analysis of state-contingent debt instruments, GDP-linked bonds, insurance coverage, and other innovative mechanisms in the 2019 IATF report.

On the emergence of new technologies, such as the digitalization of finance (Fintech) and artificial intelligence, representatives recognized that rapidly changing technologies presented tremendous opportunities and challenges at the same time. Consequently, there was a need to put in place appropriate policy and regulatory frameworks and strengthen international cooperation to ensure that the digitalization of the global economy leaves no one behind.

The United Nations Development Program (UNDP) used the occasion of the 2018 ECOSOC Forum to officially launch the SDG Fund for the 2030 Agenda. The purpose of this fund is to enable the provision of advice and build capacity for the implementation of the SDGs. The SDG Fund, which was launched with seed funding from the governments of Germany and Sweden, is expected to have an annual capitalization amount of about US\$290 million for its operations. The European Commission acknowledged the need for a step change in financing and pledged an initial EUR 30 million in support of the Fund. It called for greater attention to issues relating to fragility and gender. Additional pledges of support were received from representatives of the governments of Switzerland, Spain, Ireland, and Denmark. Representatives of developing countries welcomed the launch, while highlighting the importance of structuring the fund to attract additional financing, targeting outcomes, and aligning efforts with country priorities.

The next ECOSOC Forum is scheduled to be held in April 2019 in New York and will provide updates on the progress and gaps across the seven action areas of the AAAA. ■

## Highlights from the Islamic Development Bank's 43rd Annual Meeting and the 13th IsDB Global Forum on Islamic Finance in Tunis

by *Abdirahman Shariff*

Over 2000 participants gathered in Tunis, Tunisia from April 1–5, 2018, for the 43rd Annual Meeting of the Islamic Development Bank (IsDB) Group. These five days were dedicated to discussing the IsDB Group's role in accelerating economic and institutional development around the world.

During this meeting, the Islamic Development Group (IsDB) launched a US\$500 million fund called the Transform Fund to support innovative scientific and technological approaches to development challenges. "The IsDB understands that people living in the developing world need more than just grant funding," commented H. E. Dr. Bandar Hajjar, President of the Islamic Development Bank. Dr. Hajjar added that "They need sustainable solutions to help them build their own way out of poverty." In addition to the grant resources which are available to entrepreneurs, scientists, businesses, NGOs, governments, and academic institutions, the fund will connect the developing world to market opportunities through its new online hub, ENGAGE.

## Highlights from the 53rd Annual Meetings of the African Development Bank—Busan, South Korea

prepared by *Kuena Diaho and Allan Ncube*

### Background

The African Development Bank (AfDB) held its 53rd Annual Meetings in Busan, South Korea, from May 21 to 25, 2018, under the theme 'Industrialize Africa'. South Korea has partnered with Africa through the Korea Africa Economic Cooperation Agreement (KOAPEC) for the transfer of technological knowledge, project financing, and human resource development. The government of South Korea during the meeting pledged to share its vision and know-how to help transform Africa.

The IsDB also established new high-level boards to provide guidance in the implementation of the Transform Fund. One of these boards is the IsDB Scientific Advisory Board, which includes some of the world's leading scientists, including Her Excellency Ms. Grace Naledi Mandisa Pandor, Minister of Higher Education and Training for South Africa and Prof. Zakri Abdul Hamid, Science Advisor to the Prime Minister of Malaysia. This board will help direct the Bank's strategy and review applications for funding. A Board of Trustees will provide expertise and guidance in the implementation of the fund. Moreover, the 13th IsDB Global Forum on Islamic Finance took place on the sidelines of the Annual Meeting. At this forum, the IsDB Group President unveiled the Second Edition of the Global Report on Islamic Finance, jointly prepared by the Islamic Development Bank (IsDB) Group and the WBG titled "The Role of Islamic Finance in Financing Long-Term Investments." The Report highlights the potential of Islamic finance to contribute to the Sustainable Development Goals (SDGs).

Currently, many sustainable development projects remain underfunded despite

### Main Messages of the Meetings

H. E. Moon Jae-In, the President of the Republic of Korea (ROK), in welcoming the delegates, highlighted the key role that the AfDB was playing in the eradication of poverty and in economic and social development in Africa. He commended the AfDB for coming up with the High Fives initiative to support development in Africa. President Moon Jae-In expressed hope that the cooperation with South Korea would further help Africa address its challenges and that the partnership would extend beyond economic cooperation.

The chair of the AfDB, Deputy Prime Minister and Minister of Finance of the ROK, Mr. Dong Yong Kim, in his remarks highlighted that for Africa to realize its

resources mobilized by traditional funding partners such as governments and multi-lateral development institutions. This is partly because savings are often allocated to short-term and medium-term projects at the expense of long-term ones. The report suggests that Islamic finance, which is based on risk sharing rather than risk transfer, could help to fill this gap.

However, Islamic finance is still a relatively small player in the global financial markets, and it will take a concerted effort for the necessary regulatory frameworks to be consolidated. The report suggests ways of strengthening and enhancing the regulatory and legal frameworks and increasing the diversity of instruments for long-term financing. It also suggests ways of making the provision of long-term financing more efficient.

Overall, the report recommends a global shift from the overreliance on short-term instruments toward a robust understanding of the benefits of long-term finance for development. It is hoped that Islamic finance, according to the Global Report on Islamic Finance, may contribute to this shift and thereby strengthen the efforts to achieve the SDGs. ■

highest development potential, industrialization was critical. To achieve this, an innovative approach was needed, taking into consideration the unique needs of each country. He stressed the importance of technology in leveraging the industrialization process and for Africa to take advantage of its demographic dividend. Hon. Kim referenced South Korea's focus on human capital, social safety nets, and mobility, which was driven by advanced technology during its journey to industrialization. The chair further suggested that countries should develop smart infrastructure to solve some of the gaps in their infrastructural needs. He cited the drone port in Rwanda used for medicine delivery and the smart farm technology used in Tanzania as telling

examples of the path Africa was taking to advance its infrastructure development. He pledged South Korea's commitment to Africa's development through development financing, knowledge sharing programs, and private sector partnership.

The president of AfDB, Dr. Akinwumi Adesina, acknowledged the invaluable support of all development partners, as well as that of AfDB governors. He congratulated the WBG on the successful General Capital Increase and hoped the AfDB would emulate the WBG in its own capital increase efforts. He recognized South Korea's remarkable development, attributing much of this to industrialization, something which Africa could learn from.

President Adesina expressed concern on the depressed industrial output in Africa, which was resulting in persistent high unemployment in the continent. The creation of more jobs was therefore critical for the region. Consequently, the AfDB will invest US\$35 billion toward industrialization to raise Africa's GDP. He emphasized the need for a globally competitive and skilled labor force to respond to the changing nature of jobs, with investment in: skills, digitalization, sciences, biotechnology, artificial intelligence, engineering, robotics, and quantum computing among others. Investment would need to be made in establishing centers of excellence and creating partnerships with leading African and global institutions.

President Adesina also underscored the need for industrialization to take into consideration the availability of energy and to safeguard the environment. He encouraged

countries to diversify their energy mix, while indicating that the AfDB had achieved 100 percent of its lending commitments in renewable energy so far. Africa, on its part, needed to mobilize its domestic resources to close the existing infrastructure gap. He informed delegates that Africa would be holding its first Investment Forum for Africa during the period November 2–9, 2018, in Johannesburg, South Africa. The forum will be jointly presided over by the AfDB, the WBG, IMF, and European Development Bank. The AfDB was also targeting to provide millions of people with improved access to services, for instance, 31.5 million people with access to electricity; 45.8 million people with access to agriculture and infrastructure; 50.3 million people with access to transport, and 36.8 million people with access to water and sanitation. With these ambitions in mind, he rallied the governors to create a stronger and better Bank through a capital increase to enable the achievement of these tangibles and accelerate Africa's development.

The Prime Minister of Rwanda, Dr. Edouard Ngirente, speaking on behalf of the President of Rwanda and Chairperson of the African Union, President Paul Kagame, underscored the importance of accelerating industrialization, which would increase productivity through value addition and creation of jobs, thus raising incomes and bringing more prosperity to Africa. He indicated that globally, the share of Africa's manufacturing in value chains was only 2 percent of global industrial output since Africa exports mostly raw commodities. Africa's development also depended on

the political commitment, effective public services, conducive regulatory environment, and an active private sector. He highlighted key flagship projects outlined in the African Union Agenda 2063, which he believed would accelerate transformational change on the continent. These included the Africa commodities strategy, the free movement of people, the African Continental Free Trade Area, and a single Africa air transport market. He commended the 44 countries that had signed the African Continental Free Trade Area Treaty and called on all African Union (AU) Member States to expedite their ratification processes of the Treaty. He was optimistic that the recently signed African Continental Free Trade Agreement would advance trade in the region and boost African economies. He noted that Rwanda had boosted its tourism, and consequently its economy, since relaxing visa requirements for all visitors. He hailed the Rwanda-South Korea partnership that had seen Rwanda benefit from knowledge transfer, affirming that South Korea had been and will continue to be a strong and reliable partner for Africa.

## Conclusion

Technology could be the tool to leverage the development of strong economies in Africa as evidenced by the South Korea model. Productivity in countries where technology had been embraced had phenomenally increased, thereby enabling them to become high value manufacturing centers. African countries can therefore learn from the transformation in Asia through a technology driven industrialization model. ■

## The World Bank Group Holds a Workshop on the IDA18 Special Theme Jobs and Economic Transformation

by Chola Milambo

African countries must identify and exploit their comparative advantages and pursue industrialization if they are to make economic transformation a reality. With a few exceptions, all countries that have successfully emerged from low-income status and sustainably uplifted the welfare of their

people have done so by increasing the share of manufacturing in their national output. However, the opportunity for development that manufacturing presents is evolving as automation and other disruptive technologies emerge, threatening the sector's potency to reduce poverty.

This viewpoint came to light at a World Bank Group (WBG) workshop held jointly with the Institute of New Structural Economics of the Peking University in Beijing,

China, on May 10–11, 2018. The workshop brought together WBG staff, researchers, private sector representatives, and representatives of African governments to advance dialogue on the IDA18 special theme, *Jobs and Economic Transformation*. Discussions were largely framed around the role of agriculture, manufacturing, innovation, and the digital economy in economic transformation. Dialogue from this workshop will inform the operations of

the WBG as it seeks to elevate its support on this special theme. An assessment of the WBG performance is scheduled to take place during the IDA18 Mid-Term Review that will be held in November 2018.

According to Prof. Justin Lin, Dean of the Institute of the New Structural Economics, manufacturing has proven to be the most potent of all sectors in contributing to development, and IDA countries should prioritize attracting Foreign Direct Investment (FDI), as this investment brings with it knowledge and technology, capacity to bring operations to scale, and greater access to high-income markets. Learning from the experience of China and other countries, Special Economic Zones (SEZ's) can play a critical role in accelerating the shift toward manufacturing by creating an enclave specifically designed to attract FDI and boost manufacturing. In highlighting the experience of China on SEZs, Mr. Zhang Zhengwei, Deputy Director-General for International Finance Cooperation in the Ministry of Finance, pointed out that China, which was once an IDA country, recognized that it had to use its vast rural population reserve to drive the growth of the non-agriculture sectors. As such, after the Opening-Up of China in 1978, consistent investments were made in promoting labor-intensive activities. Noting that the country needed not wait to put all the necessary conditions in place to attract investment, the government established an industrial park strategy in which it would be the main facilitator. A series of banking and insurance reforms followed, providing a background to the establishment of a market system. The government then undertook to promote private sector activity by improving the business and regulatory environment.

These SEZs have allowed for a rapid increase in FDI within the zones and across the country. They allowed the country to experiment with the performance of the market economy and with the application of policy reforms that were then rolled out to the rest of the country. The vast labor reserves of the country and consistent application of conducive policies for private

sector growth laid the foundation from which China has emerged on the world stage as a leader in manufacturing. By lifting more than 200 million people out of poverty in a generation, it has joined other countries such as South Korea that have demonstrated the benefits of economic transformation.

Participants at the workshop recognized several lessons from this experience. First, a country must seek to leverage its comparative advantages, which in the case of African countries, especially its rich endowment of natural resources, youthful population, and growing middle class. Second, governments should allow the private sector to lead economic development by improving the business and regulatory environment. Third, countries could pursue supply-side structural growth by investing in supportive infrastructure. Fourth, African countries should leverage their preferential access to high-income markets to attract FDI into manufacturing. Lastly, policy consistency and sound macroeconomic policies are essential to avoid an erosion in investor confidence.

However, concerns remain among foreign firms about the ability to produce quality products at low cost in African countries, given the state of infrastructure on the continent. By using SEZs that usually have a dedicated network of infrastructure, countries could address these concerns. Ethiopia's and Rwanda's experience shows how investments in skills and in hard and soft infrastructure can lower the cost of production and guarantee the production of quality products.

Findings from ongoing research by the WBG and the New Structural Economics Institute show that three enabling factors are critical to facilitate economic transformation—connectivity in the infrastructure network that would connect people to markets; firm-level managerial capabilities to manage risk and innovate; as well as the overall incentive framework that would allow for an appropriate balance between social, environmental, and economic concerns. Research on the likelihood for firms

to leave China<sup>10,11</sup> in search of lower cost destinations, showed that automation was increasingly being adopted as a response to rising labor costs. However, the high overhead and maintenance costs had made automation an imperfect solution. Adaptation of automation varies according to the sector's ability to assimilate automated processes into production. Therefore, the vulnerability to disruption is dependent on how amenable to automation a country's comparative advantage is. This gives countries that are active in sectors such as the garment industry some leeway to still use manufacturing as a path to development.

The WBG, on its part, has supported countries to forge structural changes in their economies. It is stepping up its support to countries seeking to diversify away from agriculture toward higher value products by enhancing its work on trade facilitation and the development of global value chains. The WBG is also supporting the development of SEZs, innovation, transformative infrastructure, and urbanization. On the support of SEZs, the WBG helps in addressing infrastructure gaps and provides advisory services on the design of policies. Further work is required to have material impact on the economic structure of IDA countries. Specifically, a greater integration of the special theme, jobs, and economic transformation into the Systematic Country Diagnostic (SCD) and Country Partnership Framework (CPF) would mainstream country-level engagement on the special theme. This would allow for the effective use of the IFC-MIGA Private Sector Window and the Maximizing Finance for Development approach in facilitating economic transformation, while using the WBG's convening power to strengthen public-private dialogue on policy reform. ■

10 Xu, J. et al., 2017, *Adjusting to Rising Labor Costs in Chinese Light Manufacturing: what opportunities for developing countries?* [https://set.odi.org/wp-content/uploads/2017/12/SET\\_Survey-report\\_Chinese-manufacturing\\_Final.pdf](https://set.odi.org/wp-content/uploads/2017/12/SET_Survey-report_Chinese-manufacturing_Final.pdf)

11 World Bank, 2018, *Trouble in the Making, The Future of Manufacturing-led Development*, <http://www.worldbank.org/en/topic/competitiveness/publication/trouble-in-the-making-the-future-of-manufacturing-led-development>

## Update on the Implementation of the WBG Climate Change Action Plan

by Zaruhi Kibwe

On June 19, 2018, the Executive Directors of the World Bank Group (WBG) discussed progress made on the implementation of the WBG Climate Change Action Plan (CCAP) 2016–2020, as well as the World Bank Africa Climate Business Plan (ACBP). CCAP is geared to accelerate actions on climate change under the Paris Agreement, with an overall target of achieving 28.0 percent of climate co-benefits by 2020. The Action Plan aims to counter threats that climate change poses not only to the achievement of the SDGs, but also to the WBG's twin goals: alleviating poverty and boosting a shared prosperity. Globally, the impact of climate change is substantial and weighs disproportionately on developing countries. Metrics point to the urgency and importance of addressing climate-related challenges. Its impacts are estimated to cost more than US\$500 billion annually, with more than 100 million additional people expected to be impoverished by 2030, and about 140 million people being forced into internal migration by 2050. Against these imminent threats, CCAP is deliberately designed to integrate climate change with development.

The good news is that preliminary lending data show the WBG is on track to meet or exceed the CCAP target of 28.0 percent, after attaining an estimated 32.0 percent of climate co-benefits in FY18. This achievement is attributed to an increased climate share of commitment across the WBG. The IBRD commitment on climate co-benefits jumped from US\$4.9 billion in FY17 to an estimated US\$8.8 billion in FY18 (April 2018). Similarly, the IDA climate co-benefits commitment increased from US\$4.3 billion in FY17 to US\$6.5 billion in FY18 (April 2018), while IFC's commitments were flat at US\$3.0 billion. Finally, the MIGA climate co-benefits commitment increased by 30.0 percent to US\$0.9 billion in FY18, from US\$0.6 billion in FY17. Notably, a broad range of projects contribute to climate co-benefits. While the share of projects contributing to climate co-benefits stood

only at 37.0 percent in FY16, it increased to 68.0 percent in FY18. In terms of the distribution of the climate co-benefits, the share of projects with mitigation and adaptation co-benefits stood at 28.0 percent, with adaptation co-benefits at 18.0 percent, and with mitigation co-benefits at 22.0 percent. These metrics measure up to the commitments of the WBG to mainstream climate change in its operations.

Progress has been made in implementing the ACBP, which targets to raise US\$19 billion and increase the share of the climate co-benefits to 22.0 percent by 2020. At the end of 2017, ACBP mobilized over US\$22 billion cumulatively, with the share of the climate co-benefits ratio increasing to 25.0 percent. The number of ACBP projects increased from 57 in 2016 to 204 in 2017, with 80.0 percent of them, equivalent to US\$18.3 billion in commitments, directly contributing toward the implementation of Nationally Determined Contribution (NDC) targets and actions. Going forward, effective implementation of the ACBP would require deepening monitoring and reporting for operational impact, tracking cofinancing from external sources, as well as tackling challenges on adaptation and FCV.

*Supporting Transformational Policies and Institutions* can create the right environment to crowd in climate investment. The WBG has already engaged 24 countries in carbon pricing, as well as deepening market instruments. The Bank is working with 18 countries to incorporate their NDCs in investment plans in policy making. The share of Development Policy Operations (DPOs), with at least one climate action, increased significantly from only 23 percent in FY16 to 70 percent in FY18. Through the Climate Action Peer Exchange (CAPE) Initiative, the WBG is supporting Ministries of Finance to mainstream climate change.

*Leveraging Private Finance for Climate* has allowed the WBG to mobilize US\$8.6 billion of private sector cofinance in FY17, equivalent to 27 percent over FY16. To mobilize more climate finance, the WBG underscores the need to scale up by (i) supporting policies and institutions that

would enable transformative private sector mobilization; (ii) using innovative instruments and creating markets for directing private capital flows; and (iii) leveraging concessional finance for maximum impact. Indeed, the WBG is expecting to mobilize US\$58 billion in cofinancing using US\$8.3 billion in Climate Investment Fund (CIF) funding.

*Scaling Up Sectoral Climate Action* means delivering well, as WBG supported the generation of 17.5 GW of renewable energy and US\$4.9 billion worth of energy-efficient and resilient buildings. Furthermore, 20 climate smart agriculture operations and seven Country Forestry Notes were delivered. The social protection scheme has expanded, reaching 19 million new beneficiaries. Finally, the WBG has already provided hydrometeorology data and early warning systems to almost 40 million people living in 18 countries.

*Aligning Internal Processes and Working with Others* are geared to amplify the WBG's climate results. Climate risks and NDCs are now being mainstreamed into the country strategic documents, such as Systematic Country Diagnostics (SCD) and Country Partnership Framework (CPF). In FY17, 22 of the 23 of all CPFs-approved SCDs have incorporated climate and disaster risk consideration, while nine of the CPFs have reflected NDCs. Climate and disaster risk screening has been done to 100 percent of the IDA and IBRD projects, while Green House Gases accounting and a shadow pricing of carbon has been integrated into operations. IFC is piloting a training program for investment officers to help develop climate action plans in business and MIGA has developed guidance for staff to incorporate climate actions into their projects. Going forward, the WBG is partnering with other institutions to amplify results of climate action.

Notwithstanding the progress made with respect to the CCAP target, increasing mobilization of private sector finance and accelerating building adaptation and resilience in IDA countries could be leveraged further to amplify climate results. On the former, WBG utilizes Maximizing

Finance for Development (MFD), convene and intermediate via Invest4Climate<sup>12</sup> in key strategic areas, and supports policies and institutions to green the banking and financial sectors. On accelerating building adaptation and resilience in IDA countries, the WBG is integrating climate into more

12 It is the platform is designed to bring together national governments, financial institutions, private sector investors, philanthropies, and multilateral banks to support transformational climate action in line with the Paris Agreement.

### World Bank to Support Africa's Transformation through a New Regional Integration Strategy

by Solome Lumala

On June 5, 2018, the World Bank Group (WBG) renewed its commitment to support Africa's transformation agenda, with the approval by the Executive Board of Directors, of a regional strategy, the *Regional Integration & Cooperation Assistance Strategy* for the period FY18–FY23. Africa is yet to realize its potential from trade, given its low contribution of less than 3 percent to global trade. In addition, in 2015, intra-African trade accounted for 15.3 percent of total African trade. There is, therefore, a need to address the constraints to deeper integration.

The new strategy largely builds on the *Regional Integration Assistance Strategy for Sub-Saharan Africa FY09–FY11*, whose priority areas were (a) regional infrastructure; (b) institutional cooperation for economic integration; and (c) coordinated interventions to provide regional public goods. Since the inception of the IDA regional window under the IDA13 cycle, the Bank's regional portfolio has grown from US\$0.2 billion in FY05, to US\$10.0 billion in FY17.<sup>13</sup> Over 90 percent of the portfolio is concentrated on transport and ICT, energy, agriculture, health, and water sectors. Motivated by this growth in the regional portfolio, the accumulated body of knowledge on regional

13 The regional portfolio represents just under 20 percent of the IDA/IBRD portfolio and about 25 percent of total IFC commitments.

FCV operations, while shifting its sectoral focus on building resilient cities, improving client access to early warning systems and hydro-met data, and preparing and responding to natural disasters on time and with a fit-for-purpose instruments.

Going forward, the Board was informed that the WBG is planning to announce updated post-2020 actions and targets at COP24. The updated actions and targets will be presented for Board discussion in November 2018. The actions focus more

integration and the scale-up of the IDA18 facilities, namely: the Regional Window, the Crisis Response Window, the Scale-Up Facility, the Private Sector Window, and the Refugee Sub-window, the WBG has articulated a Strategy for its engagement with the region over the IDA18 and IDA19 cycles.

The new Regional Integration Strategy recognizes the efforts by African countries and the regional bodies to overcome the challenges of fostering greater regional integration for economic transformation. Progress in the implementation of the Strategy would be evident from lower tariffs; greater intra-regional connectivity; clear visa requirements; convertibility of national currencies; and coordinated management of shared resources and cross-border risks. The strategy seeks to enhance WBG operations in the following four priority areas:

- (a) Generating economic dynamism along regional economic corridors;
- (b) Developing functioning regional markets in four priority sectors;
- (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.

These priorities resonate with the IDA18 priorities and special themes of Jobs, Economic Transformation, Climate, and Fragility. Further, they are aligned with the priorities articulated by the Africa Regional

explicitly on how the WBG can maximize climate outcomes in client countries and commensurate with the importance and urgency of the issues for development outcome. These targets and actions would differ markedly from the existing ones in that they will be more outcome based, focusing on achieving broader impact at the country level over the long term, with a relative shift toward increasing adaptation and resilience, especially in poorest and most vulnerable countries. ■

Updates over the years, namely: supporting macroeconomic stability; boosting competitiveness and economic diversification; and improving human capital, access to basic services, and resilience to shocks. These priorities also align with the AU's Agenda 2063, through which African countries aspire for an integrated continent, in which there is a free movement of people, goods, capital, and services, as well as infrastructure connectivity by 2063.

In implementing the new strategy, the WBG will deal with three major types of clients: governments, regional organizations, and the private sector. Country clients will be central to the Regional Integration program since they borrow IDA/IBRD resources for regional projects and make specific decisions on policy, public spending, and institutional actions which influence progress with regional integration. It is envisaged that synchronization of actions at the country level would help to improve the coordination of activities between the regional member countries. In this context, the engagement efforts would be primarily through the respective country offices, within the existing processes of Systematic Country Diagnostics and Country Partnership Frameworks (CPFs), as well as Performance and Learning Reviews, providing the basis for identifying priority national and regional programs for each country. Client countries will be instructed to discuss and agree on regional programs with respective country offices, in line with the CPFs. This will also ensure continued ownership of specific

policy, programming, and implementation issues by the client countries.

At a continental and subregional level, the strategy proposes better sector and subregional diagnostics to inform discussions with client countries on regional integration and strengthen the overall dialogue on regional integration. The strategy has designated specific Country Directors as coordinators for the Regional Integration Program. For instance, the Africa Regional Vice President would lead the strategic engagement with the African Union Commission. The WBG will coordinate its activities with six official Regional Economic Communities (RECs) in Sub-Saharan Africa—COMESA, EAC, ECCAS, ECOWAS, IGAD, and SADC. Further, it will continue to finance the Program for Infrastructure Development in Africa (PIDA) projects and initiatives with specialized regional institutions including river basin authorities, regional power pools, and development banks.

To facilitate the growth of the private sector and its participation in regional integration, the WBG, through the Maximizing Finance for Development (MFD) approach, will support country efforts to implement reforms to address market failures and to

mobilize commercial finance. The WBG would need to jointly assess bottlenecks and develop Joint Implementation Plans and allow the full use of appropriate WBG instruments to deepen the levels of integration.

Thus, renewed focus by the WBG will support the integration of the land- and sea-locked African countries which are distant from the global and regional markets, as well as the small economies which face higher costs to access markets and attract private financing. It will also seek to enhance the commercial exploitation of the natural resource endowments such as hydropower, for a larger continental market. It is envisaged that growth in regional trade would boost productivity, attract private investment, create jobs, and provide a stepping-stone to the development of global value chains in some important products for Africa, such as cash crops hitherto exported in raw form. Through the strategy, there will be a heightened focus on infrastructure, including physical connectivity, strengthened policy, and regulatory and institutional frameworks. Enhanced collective action will deal with positive externalities such as transnational water resources and negative externalities, such as those arising from conflict, epidemics, and natural disasters.

Management acknowledges that implementation of the Regional Strategy will require a review of the existing IDA policies and instruments to align them with the regional operations and facilitate lending to regional institutions, such as through regional DPOs. Further, the adaptation of WBG information systems would be accelerated to support monitoring and evaluation of the regional portfolio. In addition, the simplification of the processes for regional integration programs through the application of the 'Agile Bank' principles and the hiring of staff with skills in poverty, monitoring, and evaluation, as well as a political economy where the regional integration program is currently not well resourced will be important.

Overall, the pace and depth of regional integration will largely be determined by the commitment and support of governments and regional bodies, in collaboration with the private sector and civil society. The WBG will accelerate the pace of regional integration by supporting the coalition of the willing, providing and demonstrating early-mover advantages, and fostering measured risk taking. WBG Management will review progress and report back in FY20/21. ■

## World Bank Group Executive Directors' Visit to the Republic of The Gambia

by Lamin Bojang

From May 6–9, 2018, World Bank Group Executive Directors (EDs) visited the Republic of The Gambia to consult with the authorities and to appreciate the economic challenges facing The Gambia. The visiting Executive Directors were Messrs. Andrew Ndaamunhu Bvumbe (Host), Seydou Bouda, Werner Gruber, Patrizio Pagano, Maximo Torero, Herve de Villeroche, and Alternate Executive Directors Missus Peteranne Donaldson and Mastura Binti Abdul Karim, as well as Mr. Kenichi Nishikata. The advisor for The Gambia, Mr. Lamin Bojang, accompanied the host Executive Director, and Mr. Karl Bach from Corporate Secretariat also accompanied the delegation. The objectives of the visit were to: (i) better understand the economic,

political, social, and governance fragility drivers and opportunities; (ii) hear from the government, private sector, and civil society about their plans and priorities for the development agenda of the country; (iii) discuss key strategic issues about the current and future of the World Bank Group engagements in the country; and (iv) signal continued WBG support for The Gambia.

### Meeting with the Vice President and Cabinet

The EDs meeting with the Cabinet was chaired by the Acting President, Her Excellency Aja Fatoumata Jallow Tambajang on behalf of President Barrow. The Vice President welcomed the EDs to The Gambia and

expressed the government's appreciation to the WBG and Fund for their support to the country. She noted the contribution of the civil society and private sector as partners in development. On the national debt, she called on the WBG to assist in restructuring The Gambia's debt. On regional integration, she informed the EDs about a presidential commission signed between The Gambia and Senegal to foster closer collaboration between the two countries. On agriculture, she noted that people were still using rudimentary tools and called for support from development partners to facilitate year-round agriculture, value addition, and creation of linkages between agriculture and tourism.

## Site Visits

The Executive Directors visited a Bank-funded project site and other areas that have potential for future engagements, and these were Kanifing General Hospital, Tropingo Foods, and the Port of Banjul.

### 1. Kanifing General Hospital

At the Kanifing General Hospital, the EDs and the delegation were received by the Hospital Administrator Mr. Baboucarr Saine, who noted that, there were only 14 Gambian

doctors and 11 Cuban doctors to handle over 635 referrals and 350 deliveries per week among others.

The EDs visited the Maternity and the Accident and Emergency Wards. The major constraints at the Maternity Ward include the following: limited infrastructure resulting in congestions; lack of privacy in the labor ward; limited basic laboratory equipment; and inadequate human resources. At the Accident and Emergency Ward, there was only one nebulizing machine for asthma patients.

### 2. Tropingo Foods

The next facility visited by the EDs was the Tropingo Foods company. The Bank, through a matching grant of The Gambia Commercial Agricultural Value Chain Project, contributed 40 percent toward the procurement of Tropingo's machinery. The total demand for Tropingo mango is about 200 metric tons (MT) per annum, compared to its current production capacity of 50 MT per annum. Tropingo Foods has been involved in mango and peanut processing for the past two years and has



Accident and Emergency Ward, Kanifing Hospital.



Entrance Maternity Ward, Kanifing Hospital.



Tropingo mango processing facility.



EDs and mango peelers at Tropingo processing facility.

provided about 45 and 220 jobs for mango and peanut processing, respectively. The company exports fresh and dry mangoes to the Netherlands and Nigeria.

### 3. Port of Banjul

The EDs visited the Port of Banjul to learn about the Port's regulation and operations, as well as prospects for implementing a public-private partnership (PPP) at the Port that could be supported by IFC's PPP Advisory Services team. EDs and the delegation were received by the Managing Director of Gambia Port Authority and deputy Managing Director. At the port, the EDS visited

the 300-meter jetty built in 1996. The port capacity is over 100,000 twenty-foot container equivalent units (TU) per annum, and there is a possibility of increasing this to 250,000 TU. About 60 percent of the trade volume of the port goes to the subregion.

#### Key Issues

- The Government of The Gambia (GoTG) has two options to develop the port—either through public financing (public loan) or through the mobilization of private financial resources.
- According to the IFC, the Port of Banjul is a viable candidate for a PPP.

#### Private Sector Working Dinner

The objective of the working dinner was to have an open discussion on the challenges faced by The Gambian private sector and to hear its perspectives on the business opportunities in The Gambia (tourism, services, and banking among other sectors). During the meeting there was high expectation of the private sector, especially on tourism, agribusiness, and services. IFC and MIGA have expressed willingness to intervene in these areas. Access to finance and double taxation were highlighted as the major constraints for businesses in The Gambia. ■



EDs and management of the port.



EDs at the port getty.



EDs dinner with the private sector.



## Highlights of the Executive Director's Missions to Constituency Countries

### Mission to the Republic of Seychelles

by António Fernando

On June 20–22, 2018, the Executive Director, Mr. Andrew Bvumbe, accompanied by his Senior Advisor, Mr. António Fernando, visited the Republic of Seychelles. The objective of the visit was to meet with the authorities and the private sector, and get firsthand knowledge of the development challenges and opportunities of the Republic of Seychelles, as well as strengthen the relationship between the Office of the Executive Director and the government.

The Executive Director paid some courtesy calls to His Excellency the President, Mr. Danny Faure, as well as His Excellency the Vice-President, Mr. Vincent Meriton. He held meetings with the Minister of Finance, Trade, Investment and Economic Planning, Ambassador Maurice Loustau-Lalanne; the Central Bank Governor, Mrs. Caroline Abel; the Principal Secretary for Environment, Mr. Alain Decomarond; the Chief Executive Officer of Seychelles Tourism Board, Mrs. Sherin Francis; and the Director of Product Development in the Ministry of Tourism, Mrs. Sinha Levkovic.

On his courtesy calls to His Excellencies, the President and Vice-President, the Executive Director was briefed on Seychelles' Vision 2032. He was informed about the 2018 State of the Nation Address (SONA) by His Excellency the President of the Republic of Seychelles, which identified key development projects to be implemented with the participation of the private sector. Regarding the Blue Economy, he was also informed about the Seychelles Strategic Policy Framework and Roadmap for 2018–2030 which outlines strategic priorities with potential to boost the Seychelles' economy. These include the diversification of existing ocean-based sectors (fisheries, tourism, and ports) focusing on value addition, value chains, sustainability credentials, and good practice. The Executive Director congratulated His Excellency the President and Vice-President for their strong commitment in delivering the program. He encouraged them to seek the participation of the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), the two World Bank Group institutions that can help in providing technical assistance to

structure public-private partnerships and in arranging loans/equity and guarantees with the private sector.

In other meetings with the authorities, the Executive Director was briefed on the National Development Plan (NDP) for 2018–2022, and the WBG Country Partnership Framework (CPF) for 2018–2023. He encouraged the country to link the NDS with the CPF for efficient use of resources of both frameworks with the support of the constituency office, and the WBG Regional office based in Maputo.

On domestic resource mobilization, discussions focused on government's efforts toward enhancing fiscal resources to sustain the Seychelles' level of income and the welfare system. These include strengthening performance of the Revenue Commission. The Executive Director encouraged the authorities to seek technical assistance in this area of the International Monetary Fund (IMF) and the WBG.



Meeting with His Excellency the President of the Republic of Seychelles, Mr. Danny Faure.



Meeting with the Minister of Finance, Trade, Investment and Economic Planning, Ambassador Maurice Loustau-Lalanne.



Meeting with the Chairman of the Chamber of Commerce and Industry of Seychelles, Mr. Oliver Bastienne.



Visit to Ile du Port Handling Services (IPHS).



Visit to social housing project in Perseverance Island.

Regarding Doing Business Reforms, the Executive Director was briefed about the government’s efforts toward improving the investment climate, and the Business Forum which had been set for July 3, 2018. He welcomed these developments and promised to request IFC to undertake an assessment of the impediments to investment in the Seychelles through its Private Sector Diagnostics (PSD).

The Executive Director was informed about the role of the tourism sector in the Seychelles economy. Last year, the country received 400,000 visitors for a population of

90,000. He was appraised on preparations for a new five-year strategy for the tourism sector. He was also appraised about government efforts on the environmental front to preserve the island for the Seychellois and humanity. The Executive Director commended the authorities and urged them to request the WBG to provide the necessary technical assistance through its Reimbursable Advisory Services.

The Executive Director met with the Chairman of the Chamber of Commerce and Industry of the Seychelles, Mr. Oliver Bastienne, to discuss the role the private

sector could play in creating jobs and boosting the economy. He also met with the Chairman of Transparency Initiative Seychelles, Mr. Chrystold Chetty, who briefed him on the organization and the importance of civil society’s voice in improving governance and transparency in the Seychelles. He visited Ile du Port Handling Services (IPHS) and the social housing project in Perseverance Island and had conversations with Mr. Arthur de Bretagne (IPHS General Manager) and Mrs. Christina Dora (Housing Project—District Administration Representative). ■

**Mission to the Republic of The Gambia**  
by Lamin Bojang

On June 24–27, 2018, the Executive Director, Mr. Andrew Bvumbe, accompanied by his advisor, Mr. Lamin Bojang, visited the Republic of The Gambia. The purpose of the visit was to consult with the authorities on the country’s development priorities, as articulated in the “National Development Plan” and to discuss ways of strengthening the engagement between the country and WBG. The Executive Director paid a courtesy call to the President, His Excellency Adama Barrow; Minister of Finance and Economic Affairs, Hon. Amadou Sanneh; and Minister of Agriculture, Hon. Omar Jallow. He also

had discussions with Dr. Bamba Banja, Permanent Secretary, Ministry of Fisheries; and Mrs. Cordou Jabang, Permanent Secretary, Ministry of Tourism and Culture. The ED made a courtesy visit to the World Bank Country Office.

**Meeting with the President**

In his meeting with the President, the ED commended the President for the gains registered following the political transition in December 2016, including the successful resource mobilization conference held in Brussels, Belgium, in May 2018. He noted the challenges being faced by the government including the consolidation of the

macroeconomic gains, high debt burden, and youth unemployment.

**Meeting with Senior Government Officials**

The Minister of Finance and Economic Affairs, Mr. Amadou Sanneh, thanked the ED for visiting The Gambia for the second time in as many months. He informed the ED that a taskforce had been constituted to follow up on the pledges of the Brussels roundtable. He noted that The Gambia had met 8 out of 10 prior actions necessary for the DPO. The meeting noted that the State-Owned Enterprises’ audit would be concluded by mid-July 2018. He also emphasized the need

for aid and donor coordination, as well as the need for IFC advisory services for the port authorities.

The ED also had a meeting with the Minister of Agriculture and his staff. They noted that close to 70 percent of the population was involved in agriculture, making it important for the sector to be prioritized in the National Development Plan. On rice production, they noted that there was potential to improve rice productivity in The Gambia from 4, to between 8 to 10 metric ton per hectare. Dr. Bamba Banja, Permanent Secretary in the Ministry of Fisheries informed the ED that the sector was key to providing jobs, income, and food security to the vulnerable communities, as it is resilient to climate change. He noted that the WB West Africa Fisheries project (WAFP) was important and timely as it would help Gambian fish to access the EU market. The ED met with Mrs. Cordou Jabang, Permanent Secretary, Ministry of Tourism and Culture. She informed the ED that the sector has

potential for job creation, income, and foreign exchange generation. The sector accounts for about 18–20 percent of The Gambia’s GDP. The meeting noted that the country lacks basic cultural infrastructure such as a national theater and school of art. The meeting called for support to these initiatives as well as other potential areas, such as revitalizing the national troupe, implementing the copyright regime, and promoting fashion.

#### **Meeting with the World Bank Country Office (WBCO) Staff**

Staff highlighted the limited number of staff on the ground compared to the number of missions that visit and the volume of work. They also expressed concern on the low incentive package and small size of the office. On de-risking and mobilizing the private sector, it was noted that due to the small size of the country, it took the same time and effort to review a project as in a big country. Therefore, staff are not motivated to

work on small countries as their promotions are based on the size of deals concluded. ED noted that the compensation of staff in country offices, including those in FCS, are being reviewed. He expressed the need to increase the World Bank Group footprint on the ground as FCS need de-risking and mobilization.

#### **Field Visits**

##### **Generator Number 7, Brikama Power Station**

The ED visited Generator No. 7, which is one of the components of the Gambia Electricity Sector Project (GESP). The GESP is an \$18.5 million project signed on April 21, 2017, and became effective on June 9, 2017. This component is now at the final stages after its recent commissioning. Both the endurance and performance tests are expected to commence before July 15, 2018 after which the Engine would be officially handed over to National Water and Electricity Company (NAWEC) for commercial operation.



Engineers of Generator No. 7.



Generator No. 7.

### Brufut Landing Site

The ED also visited the Brufut fish landing site. This area was identified by the WB West Africa Fisheries project for the construction of a modern fishing complex equipped with sanitary and phytosanitary facilities. This will help Gambian fish to access the EU market.



ED Bvumbe at the Brufut fish landing site.



ED inspecting dry fish.

### Kandonku Village Women's Vegetable Garden

The ED visited the garden which was established by the WB Gambia Commercial Agriculture Value Chain (GCAV) to support women of Kandonku Village. This five-hectare garden is equipped with a drip irrigation system to reduce drudgery on women. Currently, baby corn is cultivated by the women farmers through an outgrower scheme with Radville Farms.

### Radville Farms Limited

As part of the mission, the ED visited Radville Farms, a private horticultural company established in 1985 with large plantations at Nema Kunku and Toubakuta. The company is the largest exporter of farm produce in The Gambia, accounting for 75 percent of exports and cultivates 350 hectares of vegetables and fruits. The company exports 1,500 tons of vegetables and around 700 tons of mangoes yearly. Other crops include okra, French beans, citrus fruits, and butternut squash. ■



ED Bvumbe with women farmers at Kondonku Village, The Gambia.



Baby corn harvest.

## Mission to the Republic of Sierra Leone by Solome Lumala

The Executive Director Mr. Andrew Bvumbe, accompanied by his senior advisor, Ms. Solome Lumala, undertook a mission to the Republic of Sierra Leone during June 27–29, 2018, to consult with the government of Sierra Leone on the country’s development agenda articulated in the “New Direction” and discuss ways to strengthen the engagement between Sierra Leone and the WBG. The Executive Director also paid a courtesy call on the President, His Excellency Julius Maada Bio and held meetings with the Minister of Finance, Mr. Jacob Jusu Saffa and his deputy, Dr. Patricia Nyanga Laverley; the Minister of Health and Sanitation, Dr. Alpha Wurie; and the Minister of Agriculture and Forestry, Mr. Joseph Ndanema. He also held

discussions with the Deputy Minister of Energy, Dr. Eldred Taylor; the Ministers of Basic and Senior Secondary Education and of Technical and Higher Education, Mr. Alpha Timbo and Prof Aiah Gbakima, respectively; and the Minister for Fisheries and Marine Resources, Ms. Emma Kowa Jalloh.

In his meeting with the President, the ED appreciated the challenges being faced by the government including the unsustainable macroeconomic environment, the low human development indicators, and the high cost of the intermittent supply of electricity. The President accepted the proposal to become one of the Champions of the New Human Capital Project for which Sierra Leone was one of the early adopters to maximize the benefits from the project. Further, the meeting noted the need to hold

an international conference to rebrand Sierra Leone and promote the private sector. It was also agreed that the government would seek debt restructuring with its creditors.

In his other meetings, the ED learned about the various elements of the “New Direction” and the priority sectors, namely: agriculture, marine resources, and tourism. The objectives included improved productivity, job creation, increased food security, and foreign exchange earnings. Government officials noted the need for support for free quality education and the urgent need for increased electricity supply, as well as the acceleration of the implementation of reforms in the energy sector. The ED noted the ongoing plans to improve the macroeconomic environment and resumption of the IMF Extended Credit Facility (ECF) program, as



The ED listening to Mr. Stephen J. Gaojia, CEO, Sierra Agra Ltd.



Conferring with the Chief Minister, Professor David Francis, at the landslide site.



With the Minister of Fisheries and Marine Resources, Ms. Emma Kowa Jalloh.

this would pave the way for budget support from the WB in the long run. Government appreciated the need to urgently prepare the National Development Plan and WB support, and enumerated the areas such as education, which could benefit from further support from bilateral and multilateral development partners.

During his mission, the Executive Director held a meeting with the WBG Staff of the Country Office in Freetown to discuss the partnership between the new government and the office. It was noted that government had requested the Bank to be the lead development partner in both the education and energy sectors. The country manager informed the ED that there were ongoing discussions on the budget support needs of government and that the process to prepare the Country Partnership Framework was on track. During the meeting, the ED informed staff about the ongoing discussions on the release of staff compensation methodologies. The staff informed him about their conditions of service, particularly the evolution of their compensation, which he promised to relay to the Vice President of Human Resources.



ED with His Excellency, President Maada Bio.

### **Mission to the Republic of Liberia**

*by Lamin Bojang*

The Executive Director, Mr. Andrew Bvumbe, accompanied by his advisor, Mr. Lamin Bojang, visited the Republic of Liberia from June 30 to July 4, 2018, to consult with the Liberian authorities and development partners on the country's development priorities as proposed in the "Pro-poor National Development Plan (NDP) that is being developed" and discuss ways to strengthen the engagement

The ED visited the site of the landslide of August 14, 2017, where the Bank, through the Freetown Emergency Project, is supporting government efforts to rehabilitate select critical infrastructure and to strengthen its early warning system and capacity for disaster management. He learned about plans by government to gazette a section of the site for tourism in remembrance of the disaster. In addition, there are ongoing activities to restore the pathway for the rainwater to minimize future flooding. The ED learned about the efforts to resettle people to prevent further loss of lives, undertake reforestation to conserve the environment, and prevent landslides.

At the Sierra Agra fruit processing plant, the ED learned about the outreach of their operations to the farmers, the potential for job creation, incomes, and inclusive economic growth. He toured the plant and appreciated their challenges, including lack of access to affordable power and delayed clearance for their packaging materials, which impacted their ability to procure produce from farmers in time during the harvest season. This firm was partially financed from the IFC West Africa venture fund.



ED with the Deputy Minister of Finance,  
Dr. Patricia Nyanga Laverley.

between the country and the WBG. The Executive Director held meetings with the Minister of Finance and Development Planning, Hon. Samuel Tweah; Minister of Education, Professor Sonii; and Minister of Agriculture, Hon. Mogana S. Flomo, Jr. He also had discussions with the Director General of Liberia Fisheries Agency, Madam Emma Metich Glassco. The ED also met with the Liberian private sector and staff at the World Bank country office in Monrovia.

### Meeting with the Minister of Finance and Development Planning

The Executive Director informed the minister that the next CPF was expected to be discussed by the World Bank Board of Executive Directors in September 2018 and noted the importance of alignment between the NDP and the CPF. He highlighted the potential of agriculture in Liberia as the country had abundant land and rainfall. He indicated that Bank staff had prepared policy notes for the various sectors of the economy. The ED spoke on energy and private sector potential of the country.

On his part, the Minister indicated that the pro-poor NDP would be released between July 26 and July 30, and the first draft would be shared with development partners by July 7. He informed the ED that the new government leadership was committed to a change in the way it does business. He emphasized the need for government to control the way projects were designed and resource allocation directed. He called on donors to desist from silo or piece meal approaches to projects. The Minister noted that donors' procurement cycle was cumbersome and takes a long time to execute.

### Meeting with Ministers of Education, Agriculture, and Director General of Liberia Fisheries Agency

The ED met with the Minister of Education Professor Sonii and his Deputy responsible for Planning and Research, Mr. Alton Vanie Kesselly. The ED informed them that the Bank was promoting a human capital project and encouraged Liberia to be part of it. He mentioned that the human capital project would develop a human capital index that would rank countries. This would in turn inform future interventions and investment in human capital development. On his part, the Minister emphasized that education in Liberia was an important sector that needed urgent solutions. His ministry would develop a 10-year plan for the sector that will ensure 70 to 75 percent of the students pass regional exams.

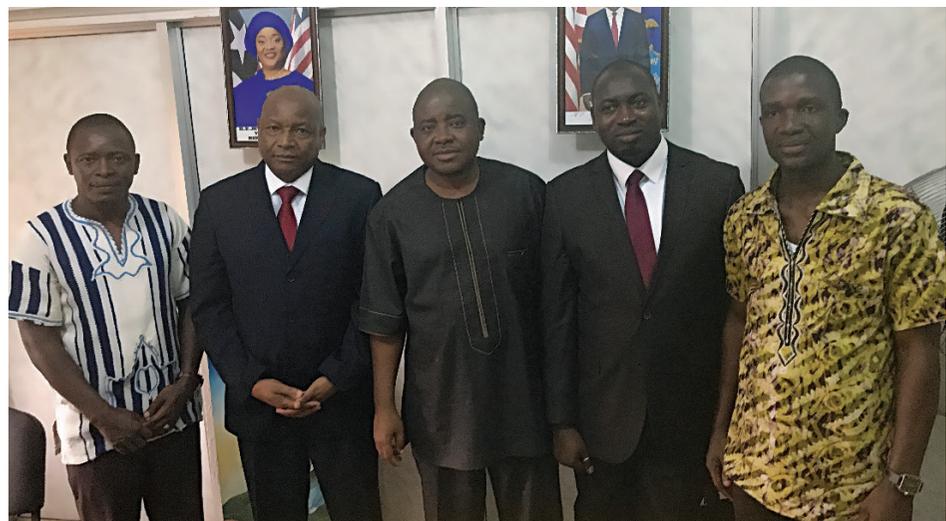


ED Bvumbe (left) and Samuel Tweah (right),  
Minister of Finance and Development Planning of Liberia.

The ED also met with the Minister of Agriculture, Hon. Minister Mogana S. Flomo, Jr. He informed the ED that Liberia imports almost everything, leading to pressure on the exchange rate. He noted that one strategy to overcome this was to encourage domestic production and export of products abroad. In the short term, they were targeting four value chains, namely rice, cassava, vegetable, and meat production in order to ensure food security in the country. In the medium term, they were considering palm oil and rubber in the long term. The Honorable Minister stated that the total estimated cost

for all the value chains was US\$74 million of which US\$30 million would be needed for rice production, with the objective of reducing rice importation by 50 percent. A similar model would be used for cassava, vegetables, and meat.

The ED also had a meeting with the Director-General (DG) of the Liberia Fisheries Agency, Madam Emma Metich Glassco, and Manager of Statistics, Mr. Ernest M. Kiazolu, Jr. The DG informed the ED that the sector lacked an offshore processing facility, motorized canoes, and a cold storage facility. These, coupled with dwindling



ED with Minister of Agriculture of Liberia (center).

fish stock, were the major constraints of the sector. She further mentioned that the country needed a comprehensive assessment of the fish stock as the last assessment was done in 1983 by the IFC.

### **Meeting with the Private Sector**

The private sector acknowledged the President's inauguration speech which implored Liberian businesses not to be spectators but to be partners in economic development. They called on the Central Bank of Liberia to introduce 100 percent remittance surrender policy to boost the availability of foreign exchange for the country, which was facing serious foreign exchange shortages. On the ease of doing business, they complained that businesses in Liberia had to register annually which was a huge constraint and called for legal reforms.

### **Meeting with World Bank Country Office Staff**

Staff informed the ED that the WBG was a co-chair of the development partners coordination group, which works together to ensure synergy and avoid duplication of efforts. Currently, staff was working on a DPO to be discussed by the Board later in FY19. The staff will be engaging government on its priorities such as roads, energy, health, and education. The ED called for a continuous dialogue between staff and government. He thanked the World Bank country office for taking the lead in donor coordination and called for the establishment of a strong framework for aid coordination. On human resource issues, the ED informed staff that a compensation review for headquarter staff had been completed and the second phase will be

for country offices and satellite office staff. He told the staff that there would be a cost of living adjustment and a merit-based reward system. He advised that the Terms of Reference (TOR) for the review would be discussed by the HR Committee soon and urged staff to give him their inputs for the TOR and emphasized that FCV staff should be guaranteed career prospects.

### **Visit to Mount Coffee Hydro Plant**

The ED visited Mount Coffee Hydro Plant which is a hydropower turbine and generator unit with an installed capacity of 22 megawatts (MW). The plant was officially dedicated and commissioned in December 2016. At the completion of the project, Mt. Coffee Hydropower Plant will have a total installed capacity of 88 MW (four generating units of 22 MW each). ■

## **Roundtable Meeting on Resource Mobilization in Brussels, Belgium— The Gambia**

*by Lamin Bojang*

Following the political impasse which ended in January 2017, The Gambia is grappling with huge fiscal and institutional challenges. The new government inherited a bankrupt economy with a high debt ratio of 130 percent to GDP. The country has a small revenue base and interest on debt payments consume almost half of the revenues generated. The new government has come up with a US\$2.4 billion National Development Plan (NDP) with a funding gap of US\$1.6 billion. The commitment to economic and political reforms has generated a lot of goodwill from the international community. To this end, the European Union (EU) hosted a resource mobilization conference on May 22, 2018, and a business forum on May 23, 2018, to mobilize support for the country.

The pledging session was chaired by Ms. Federica Mogherini, Vice President of the European Commission (EU), who welcomed delegates on behalf of the EU President. She pledged that the EU would

stand by The Gambia as the country progresses toward democracy. On his part, the President of the Republic of The Gambia, Mr. Adama Barrow, expressed his gratitude to the President of the EU for convening the donor conference and noted that the roundtable was an important milestone in the history of the new Gambia. He pointed out that the most important thing was not just the money, but the opportunity accorded to The Gambia to tell her own story. He promised the EU that The Gambia would not fail their expectations.

The President highlighted the numerous challenges faced by The Gambia and the solutions he has proposed through the new NDP. The eight priorities of the NDP would not only lay a foundation for modernizing the economy but would also lay the foundation for consensus on nation building and social accountability. He called on all partners to support the country to meet its development objectives.

He further highlighted some of the measures taken by the government which include: revising the 2017 budget; engaging the development partners; staff audits to clear ghost workers; reviewing of the electoral laws; and reducing government expenditure among others. Other speakers during the roundtable included Francis Bazen, President of ECOWAS Security and Muhammad Ibn Chambas, Special Representative of UN Secretary General for West Africa, who called on donors to support The Gambia as the country embarks on a democratic path.

The Minister of Finance expanded on the eight priorities of the NDP and the funding gap that needed to be closed. He also spoke about the implementation mechanism and monitoring framework in place to ensure social accountability. At the end of the conference, over 20 development partners pledged about US\$1.7 billion, including the World Bank which pledged US\$350 million. ■

## New Governors

### Republic of Liberia



Mr. Samuel D. Tweah, Jr. an economist and development practitioner was appointed Liberia's Minister of Finance and Development Planning in January 2018. Prior to becoming Minister, Mr. Tweah served as Senior Advisor to the Executive Director representing The Gambia, Ghana, Liberia, Sierra Leone, and Sudan at the African Development Bank (AfDB). He was also Chief Economist of the National Millennium Compact Development Project of Liberia, under the Ministry of Finance and Developing Planning (MFDP) between 2013–2016.

### The Gambia



Mr. Mambury NJIE, an Economist and diplomat, was appointed The Gambia's Minister of Finance and Economic Affairs in July 2018. Prior to this appointment, Mr. Njie previously served as Minister of: (i) Finance and Economic Affairs; (ii) Economic Planning and Industrial Development; (iii) Foreign Affairs and Gambians Abroad; and (iv) Secretary General and Head of the Civil Service and Higher Education, Research, Science and Technology. He also represented The Gambia in capacities such as Economic Counsellor, Charge D' Affaires and ultimately Ambassador of Foreign Missions in Asia and the Middle East, including the Republic of China, Taiwan, and the United Arab Emirates.

### Sierra Leone



Mr. Jacob Jusu Saffa was appointed the Minister of Finance for Sierra Leone in April 2018. He has been involved in development management for over 25 years and has vast experience in project design and management, baseline studies and evaluations, country program reviews and multisectoral development programming. He also has experience in training and facilitating, community mobilization, and working in conflict and post-conflict environments. Prior to his ministerial appointment, Mr. Saffa consulted for international and local organizations in Sierra Leone, in the private and public sector. He also served as Human Development Specialist with the World Bank.

## Staffing Update



In line with the constituency rules, guidelines and procedures, the Office of the Executive Director for Africa Group 1 Constituency, completed Phase I of the staff rotation/recruitment exercise by welcoming a new advisor from the Republic of Sudan, Mr. Abraham Diing Akoi, who joined on July 5, 2018. Before joining the World Bank, Abraham worked as a technical advisor for policy, Aid Coordination, and External Affairs in the Ministry of Finance and Economic Planning of South Sudan.

## Snapshot of Approved Projects for Constituency Countries—April to June 2018

by *Lamin Bojang*

Name	Date of Approval	Project Title	Source of Funding	Amount in USD (million)	Project Development Objective
Regional Project: Eastern Africa Power Pool (EAPP) (Tanzania and Zambia)	18-Jun-18	AFCC2/RI-3A Tanzania-Zambia Interconnector	IDA Grant	10	To (i) increase power transmission capacity to southern regions of Tanzania; and (ii) strengthen institutional capacity in Tanzania and of the EAPP for regional power trade.
Burundi	11-Apr-18	Landscape Restoration and Resilience	IDA Grant	30	To (i) restore land productivity in targeted degraded landscapes; and (ii) provide immediate and effective response in the event of an eligible crisis or emergency.
Burundi	24-May-18	Early Grade Learning Project	IDA Grant	40	To (i) improve student learning and progression in early grades; and (ii) provide immediate and effective response in the event of an eligible crisis or emergency.
Ethiopia	26-Jun-18	Economic Opportunities—Credit	IDA Refugee Sub-Window —grant —credit	118.67 83.33	To provide economic opportunities for refugees and host communities in an environmentally and socially sustainable way.
Ethiopia	Jun-18	Ethiopia Proposed Investment in Juniper Glass Industries S.C. for the Juniper Glass Project	IFC Loan	20	To support the development of a greenfield container glass manufacturing plant and related infrastructure.
Gambia, The	15-May-18	Electricity Restoration and Modernization	IDA Grant	41	To improve (i) the operational performance; and (ii) the capacity to dispatch variable renewable electricity of the Project implementing Entity.
Kenya	26-Apr-18	Kenya Electricity General Company Limited (KenGen) Guarantee Program	IDA Guarantee	180	To enhance KenGen's ability to attract long-term private capital for the sustainable development of renewable energy.
Kenya	21-Jun-18	Kenya DRMPDF CAT DDO	IDA SCL	200	To strengthen the government of Kenya's institutional, technical, and financial capacities to manage the impact of climate and disaster risks.
Kenya	15-Jun-18	Kenya Industry and Entrepreneurship	IDA SCL	50	To increase innovation and productivity in select private sector firms.
Mozambique	8-May-18	Integrated Feeder Road DP	IDA Grant	150	To (i) enhance road access in selected rural areas in support of livelihoods of local communities; and (ii) provide immediate response to an eligible crisis or emergency as needed.

Name	Date of Approval	Project Title	Source of Funding	Amount in USD (million)	Project Development Objective
Mozambique	29-Jun-18	Mozambique Smallholder Irrigated Agriculture and Market Access Project	IDA Grant	5	To (i) improve smallholder agriculture productivity and market access in the project areas; and (ii) provide immediate and effective response to an eligible crisis or emergency.
Tanzania	26-Jun-18	Tanzania—Sustainable Rural Water Supply and Sanitation Program—Program-for-Results	IDA Regular	350	To (i) increase access to rural water supply and sanitation services in participating districts; and (ii) strengthen the capacity of select sector institutions to sustain service delivery.
Tanzania	18-Jun-18	AFCC2/RI-3A Tanzania-Zambia Interconnector	IDA Regular	455	To (i) increase power transmission capacity to southern regions of Tanzania; and (ii) strengthen institutional capacity of the EAPP for regional power trade.
Uganda	14-Jun-18	Integrated Water Management Dev. Project	IDA Grant IDA Regular	29 251	To improve (i) access to water supply and sanitation services; (ii) integrated water resources management; and (iii) the operational performance of water and sanitation service providers in project areas.
Uganda	15-May-18	UG Support Municipal Infrastructure Development Additional Financing	IDA Grant IDA Regular	25 335	To (i) extend the geographical coverage of the program to eight additional municipal local governments; (ii) extend the duration of the program by 5 years; (iii) introduce support to 8 districts that have faced a high influx of refugees through financing from the new IDA18 Sub-Window for Refugees and Host Communities; and (iv) update the Disbursement Linked Indicators and performance measures to deepen impact and results of institutional strengthening, planning and financial management, infrastructure provision and local economic development.
Zambia	18-Jun-18	Zambia Strengthening Climate Resilience (PPCR Phase II) Project Additional Financing	IDA Loan IDA Grant	13.50 1.10	To (i) strengthen Zambia's institutional framework for climate resilience; and (ii) improve the adaptive capacity of vulnerable communities in the Barotse sub-basin of the Zambezi.



# AFRICA GROUP 1 CONSTITUENCY

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