AFRICA GROUP I CONSTITUENCY

INTERIM REPORT 2017

BY

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EXECUTIVE DIRECTOR

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REGIONAL CONTEXT - RECENT ECONOMIC DEVELOPMENTS CALLING FOR URGENT ATTENTION

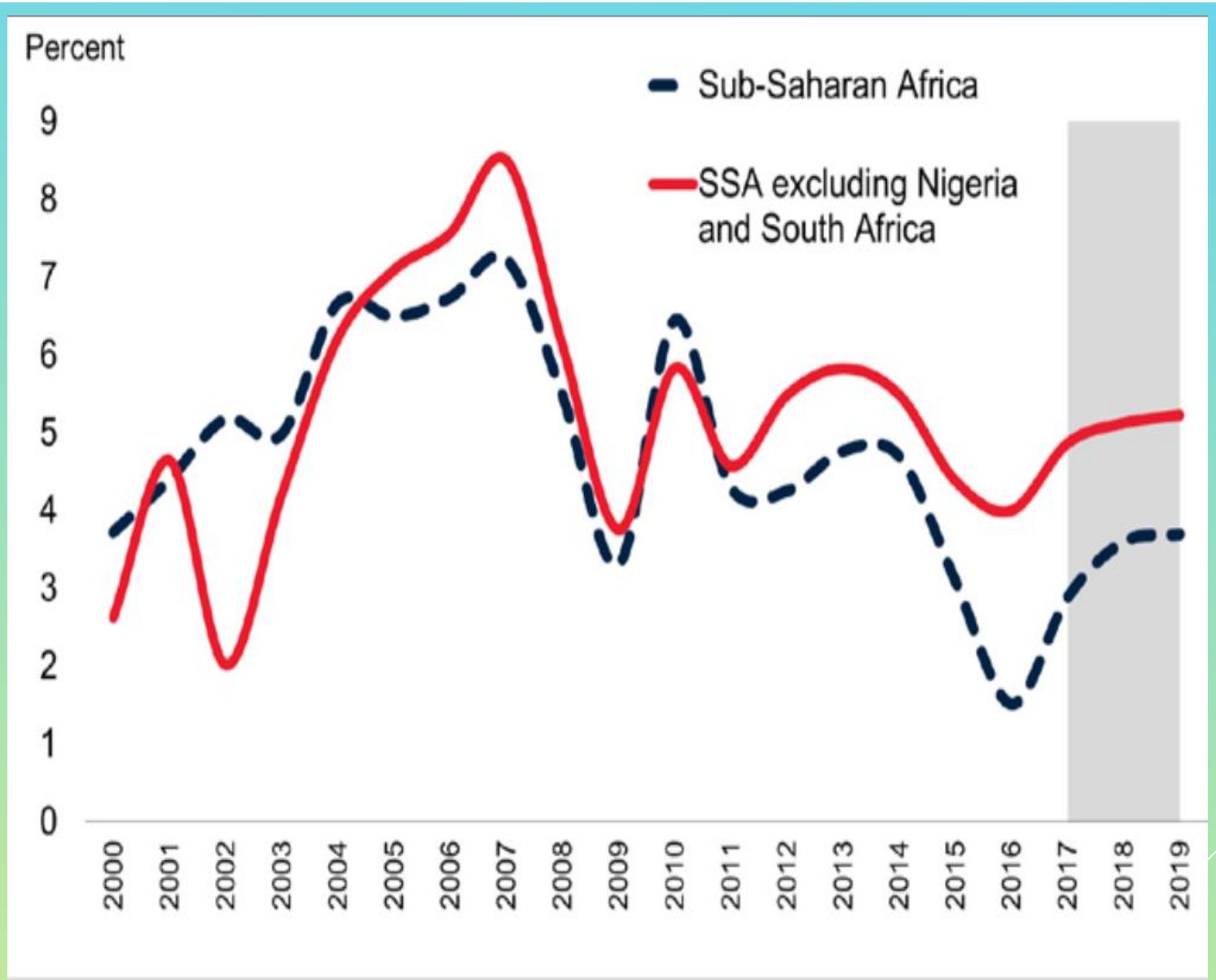
- Weak Growth Performance and Prospects for SSA
- Intensified Natural Disasters
- Rising Refugees Influx and Internal displacement Situations

REGIONAL CONTEXT

SSA registered its worst growth performance in over 2 decades and resources for development have declined

- Combination of factors pulled growth down to1.5 % in 2016 compared to 3.1 % in 2015
  - Low commodity prices
  - Weak external demand from trading partners (EU, China and USA)
  - Domestic headwinds such as policy uncertainty, drought, and security conditions
  - Effects of huge investment slow down in SSA from 8 % of GDP in 2010 to 0.3% of GDP in 2015

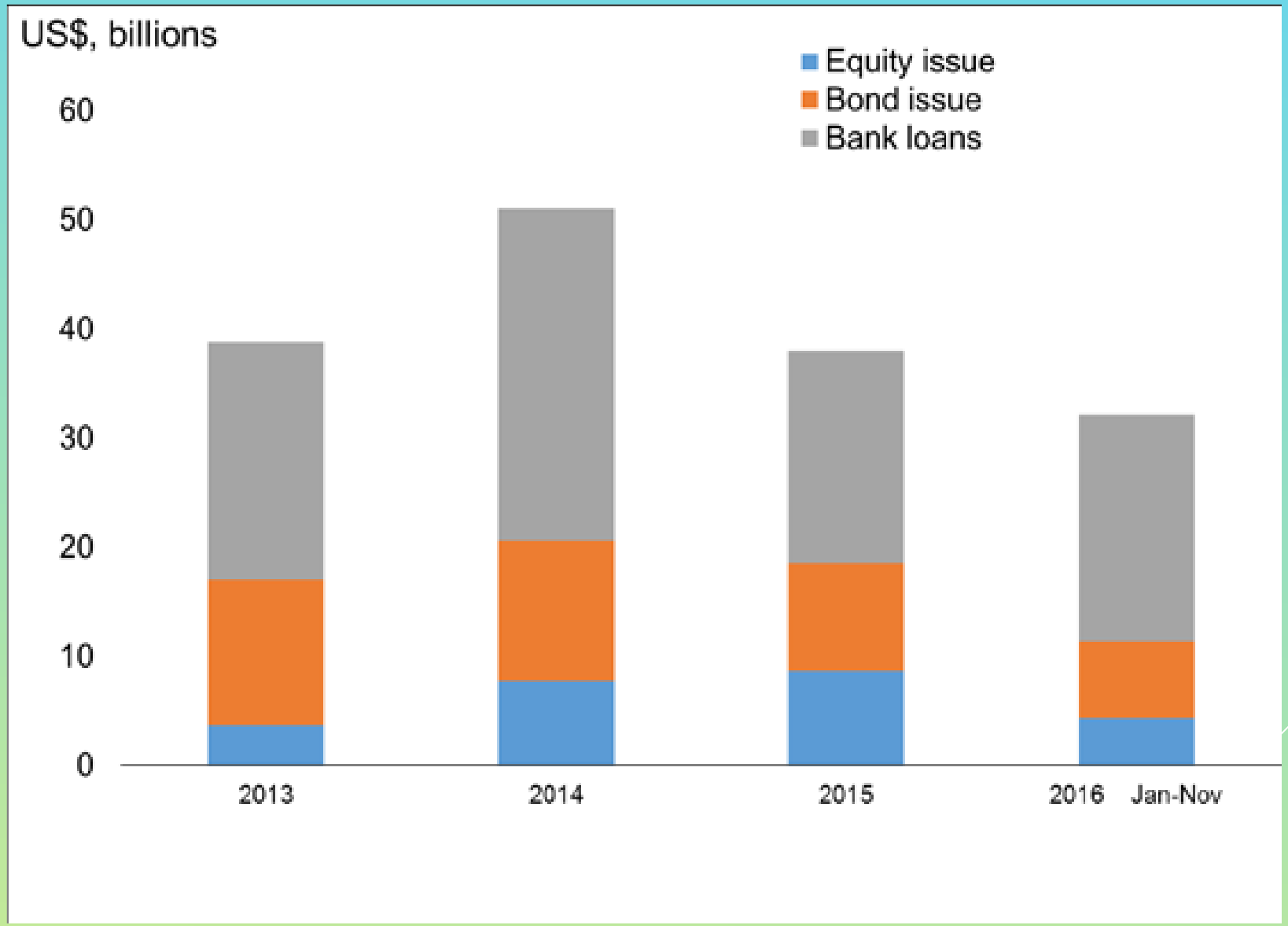
Lowest Real GDP Growth in 20 years



Capital inflows to the region declined in 2016

- Eurobond issuance slowed down markedly due to weak investor demand
- FDI was also sharply lower reflecting weak investor confidence and low commodity prices

Capital inflows to the region declined in 2016



REGIONAL CONTEXT

Africa growth outlook remains subdued

- Regional growth is projected to rebound to 2.9% in 2017 and rise to 3.5% in 2018, well below trend levels of 4.5% and above

- Commodity prices are projected to moderately rise, but not expected to return to previous highs in the near term

REGIONAL CONTEXT

Africa growth outlook remains subdued

- Frequency and intensification of adverse weather conditions such as droughts, floods are downside risks to growth
- Political and security uncertainties including conflicts also dampening the outlook

REGIONAL CONTEXT

Slow growth and structural challenges undermine poverty reduction in the region

- Agricultural productivity remains low
  - Low yields and land-focused production, low input intensification
  - grossly unfunded high return investments like irrigation, extension services
  - Climate change – strong El Nino/La Nino, droughts, floods, storm surges, heat waves threaten agriculture and increase food insecurity

REGIONAL CONTEXT

Slow growth and structural challenges undermine recent gains in poverty reduction in the region

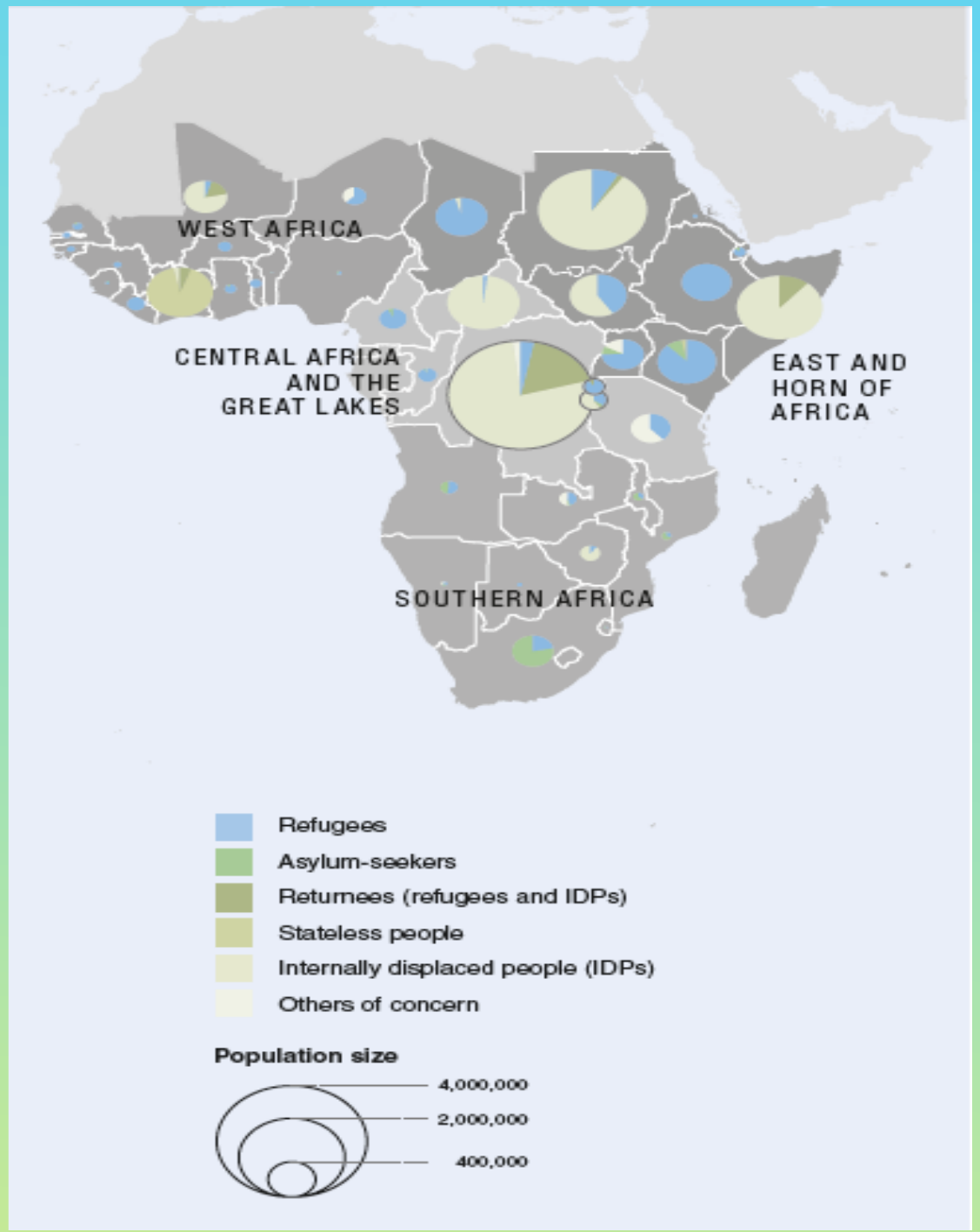
- Huge Infrastructure deficit continues hold back growth
  - Energy access – SSA lags other regions
  - Inefficient utilities – hugely loss making
  - Transport infrastructure – remains limited. In some countries only a small portion of road network is paved and railway/road connectivity inadequate
  - Infrastructure gap – remains huge at 15% of GDP (US$93 bn vs US$45 current annual investment)

REGIONAL CONTEXT

Slow growth and structural challenges undermine poverty reduction in the region

- Fragility increases Africa vulnerability to shocks
  - Conflicts continue to generate displacements
  - Refugees influx and forced displacements now a serious development concern in Africa. Africa accounts for 20-25 % of global total refugees/IDPs and poses huge impact on host countries' budgets
  - SSA prone to pandemics – economic effects of Ebola still strong in affected countries

REGIONAL CONTEXT



Fragility hot spots undermine poverty reduction in the region

OPPORTUNITIES TO REVIVE GROWTH AND FOSTER TRANSFORMATION

- Boosting agricultural productivity;
- Bridging the infrastructure gap;
- Investing in social inclusion and resilience
- Financing on human capital development;

This can revive growth; and

- Increase competitiveness and
- Attract private sector investment in the region

WHAT IS WORLD BANK GROUP RESPONSE ?

- The Forward Look enables the Bank to pursue the twin goals with investments in three priority areas, namely Sustainable Growth, Human Capital, and Resilience.
- It is anchored around 5 areas of commitments:
  - (i) assist all client segments,
  - (ii) lead on global issues,
  - (iii) mobilize financing,
  - (iv) improve the business model, and
  - (v) ensure adequate financial capacity

WHAT IS WORLD BANK GROUP RESPONSE ?

ENSURING ADEQUATE FINANCIAL CAPACITY TO ASSIST ALL CLIENTS - IDA 18

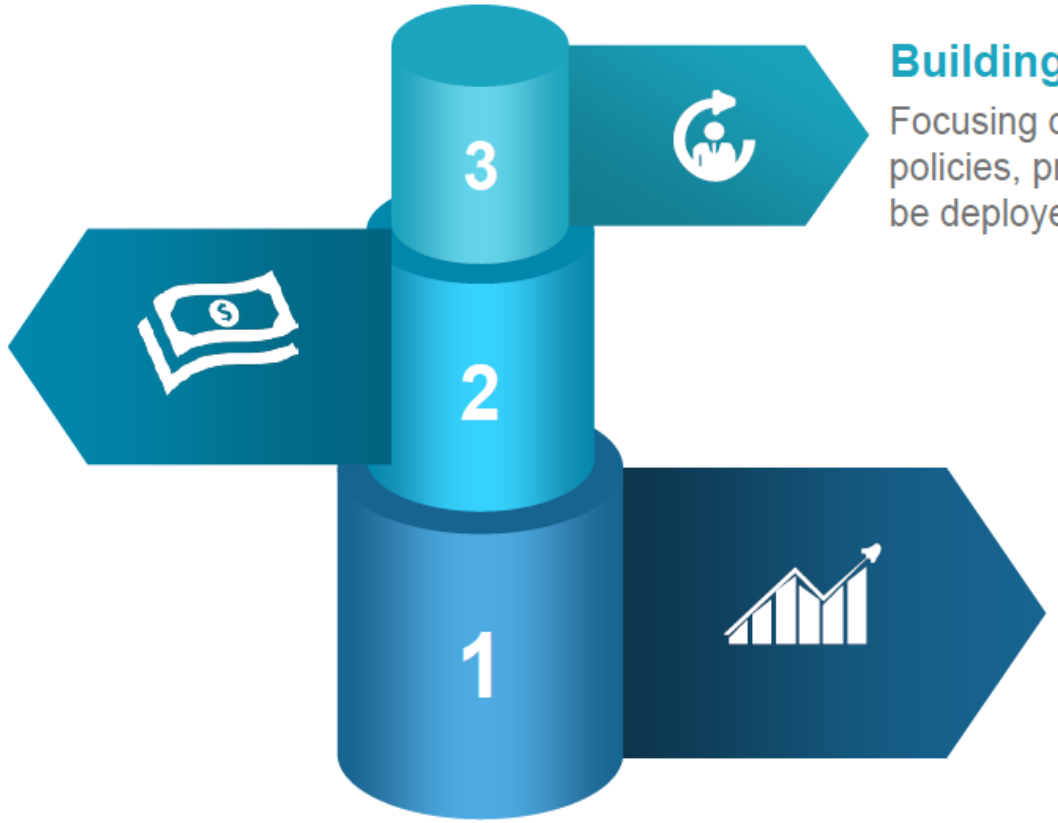
- AFGI Agenda 24 focuses on advocating for enhanced resource flow to Africa and all its WBG clients – LICs, MICs, FCS, Small States
- Total of about $18bn /annum planned for SSA from WBG (FY18-FY20)
- IDA 18 historic replenishment is a solid response for Low Income Countries(LICs), Fragile and Conflict-affected Sates (FCS) and Small States
  - Without pre-empting our next speaker, my key message is-
    - US$ 45 billion of the US75 billion IDA18 resources is targeted for SSA, that is $15bn yearly.
    - Focus on capacity to implement and deliver-at country and WBG levels
    - A pipeline of solid bankable projects is required to absorb these resources.
    - Governors must think big on the types/quality of projects and act fast

ENSURING ADEQUATE FINANCIAL CAPACITY TO ASSIST ALL CLIENTS - IBRD

- Middle-Income Countries' (MICs)-
  - IBRD engagement in MICs is constrained by capital situation
  - IBRD capital increase is under discussion and consideration
  - The approach is to maintain engagement in IBRD countries and optimize lending delivery at current levels while capital increase options are considered

Small States-Roadmap For WBG Engagement

3 Main Focus Areas of The Roadmap



Building Client Capacity

Focusing on how the World Bank Group policies, procedures and frameworks can be deployed

Attracting Private Sector Financing

Supporting diversification and promoting resilience

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Enhancing Concessional Financing

Addressing small states' vulnerability

IFC AND MIGA MOBILIZATION FOR PRIVATE SECTOR DEVELOPMENT

- Our advocacy for increased engagement of IFC and MIGA in the Constituency is backed by the recently established private sector window (PSW) and the new IFC strategy

IFC and MIGA aims to :

- Create, deepen and expand markets in developing countries, especially IDA and FCS
- Mobilize private capital through innovative mechanisms to de-risk potential investments

IFC AND MIGA MOBILIZATION FOR PRIVATE SECTOR DEVELOPMENT

- Three new lending instruments will support this engagement
- $2.5 billion Private Sector Window to mitigate investment risk and enhance commercial viability of projects in IDA countries, especially FCS
- Creating Market Advisory Window to support bankable project pipelines to mobilize private investments
- Managed Co-lending Portfolio Program for infrastructure

IFC AND MIGA MOBILIZATION FOR PRIVATE SECTOR DEVELOPMENT

Governors and their delegation are invited to participate at the high level event on the PSW on Friday April 21, 2017 from 10:00 am – 12:00 noon at MC2-800

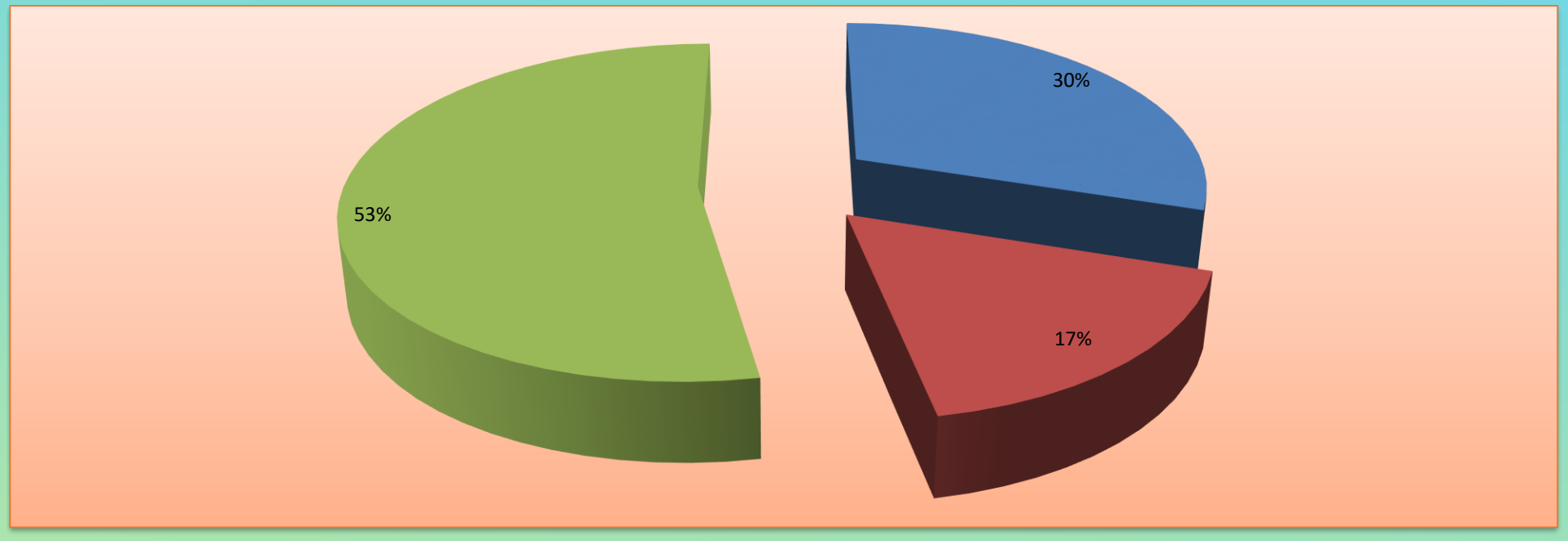
LEADING ON GLOBAL ISSUES - REFUGEES

- My office is putting the spot light on Refugees and IDPs situation in Africa
- WBG has acknowledged the humanitarian and development linkages of the Refugees and IDP situation

LEADING ON GLOBAL ISSUES - REFUGEES

- Two global facilities designed under IDA and IBRD to assist LICs and MICs host countries-
  - IDA18 regional sub-window for Refugees in LICs
  - The Global Concessional Facility for Refugees in MICs
- A country is eligible for support under these facilities when the number of UNHCR-registered refugees, including persons in refugee-like situation is at least 25,000 or at least 0.1 percent of the country's population

AFRICA'S SHARE OF REFUGEES IN DEVELOPING REGIONS



Top Ten AFG1 Refugee Hosting Countries As Of End Of 2015

Host Country	Total	As share of host population	Population
Ethiopia	765,644	0.77%	99,390,750.00
Kenya	513,591	1.12%	46,050,300.00
Uganda	1,064,045	3.00%	39,032,380.00
Sudan	600,000	1.49%	40,234,880.00
Tanzania	211,558	0.40%	53,470,420.00
Rwanda	144,712	1.29%	11,178,920.00
Burundi	53,029	0.46%	11,609,670.00
Liberia	36,041	0.80%	4,503,440.00
Mozambique	24,340	0.09%	27,977,860.00
Zambia	26,447	0.16%	16,211,770.00

Note: For Ethiopia, Uganda and Sudan - number of Refugees are government statistics

Source : UNHCR 2015

HIGH LEVEL PANEL DISCUSSION ON REFUGEES CRISIS IN AFRICA AND ITS IMPACT ON THE ECONOMIES OF HOST COUNTRIES

MODERATOR:

- Mr. Andrew Bvumbe, the World Bank Group Executive Director for Africa Group 1 Constituency

PANELISTS:

- Mr. Filippo Grandi, UN High Commissioner of Refugees
- Hon. Matia Kasaija, Minister of Finance, Planning and Economic Development – Uganda
- Hon. Henry K. Rotich, Cabinet Secretary for the National Treasury - Kenya
- Hon. Abraham Tekeste, Minister of Finance and Economic Cooperation – Ethiopia
- Hon. Yambaye Ngueto, Minister of Economy and Development Planning – Chad
- **Mr. Saroj Kumar Jha**
  Senior Director, Fragility, Conflict & Violence Group, World Bank

SATURDAY, April 22, 2017
1:00 pm– 2:15 pm.
World Bank Headquarters,
J1-050 Auditorium
701 18th Street NW, Washington DC

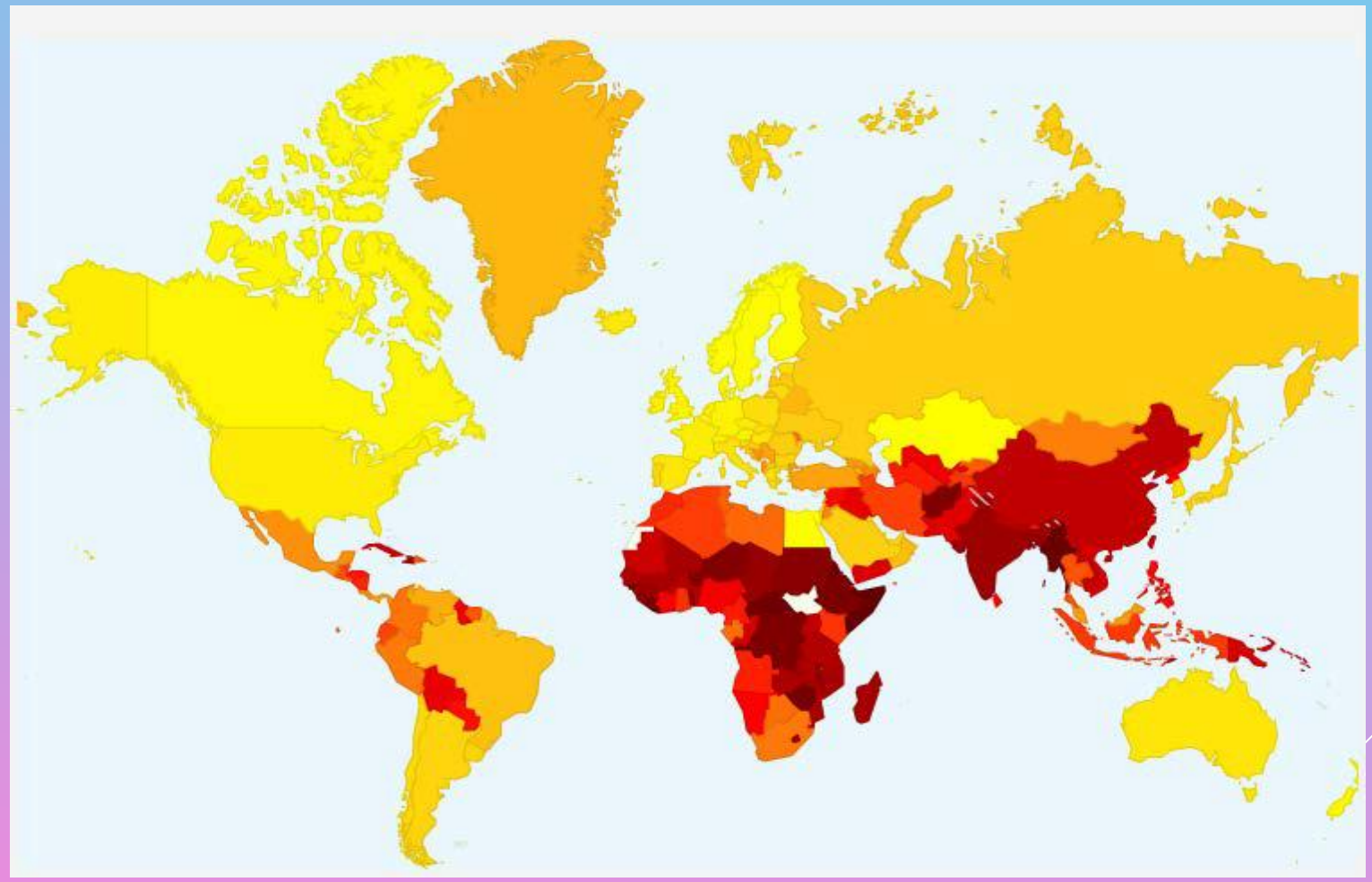
RESPONDING TO CLIMATE CHANGE THREAT

Africa Climate Business Plan (ACBP) and IDA CRW

- 60 projects worth US$3.6 billion approved in 2016 to support implementation of Africa Climate Business Plan (ACBP)
- ACBP 3 pillars: strengthening resilience, powering resilience and enabling resilience
- Support renewable energies (Zambia scaling solar), smart agriculture (Mozambique , Ethiopia), climate finance and irrigation infrastructure (Great Lakes Region)

SSA is the lowest emitter, yet is more vulnerable to climate change than other regions

Overall vulnerability: Physical impacts adjusted for coping ability



Source: Center for Global Development (2015)

IMPROVING WBG BUSINESS MODEL

- The WBG is pursuing internal improvements to ensure greater effectiveness and efficiency (fit for purpose) – Agile Bank
- Agile Pilots to streamline internal processes
- Increase field presence, especially in FCV countries, to enhance delivery of services (150 staff recruitment)

IMPROVING WBG BUSINESS MODEL

- Knowledge facilitation using the Global Practices
- Safeguards and procurement reforms should enhance effectiveness over time

SSA VOICE AND 2015 SHAREHOLDING REVIEW

- Shareholding review is at critical stage and the Office continues to seek an outcome that does not dilute the voice of the smallest and poor member countries

- Spring Meetings Report on Shareholding Review provides update on technical preparations and emerging policy issues relating to the size of GCI and SCI and the allocation rules

SSA VOICE AND 2015 SHAREHOLDING REVIEW

- The 2010 GCI review process will conclude in 2018
- Most countries are on track to fulfill the requirements for 2010 GCI subscriptions
- The 2010 SCI concluded on March 16, 2017:

3 countries were unable to subscribe to their allotted SCI. Constituency shares and voting power shrank as a result

SSA VOICE AND 2015 SHAREHOLDING REVIEW

- To protect the voting power of AFG1 Constituency, members need to take up allocated shares
- Governors are therefore encouraged to complete documentation and pay subscriptions for allocated shares

REENGAGEMENT AND ARREARS CLEARANCE ISSUES

- My office continues to pay attention to the reengagement and debt relief for Eritrea, Somalia, Sudan and Zimbabwe
- We continue to facilitate their reengagement and accrual rights with the WBG and other MDBs
- Rounds tables are planned for Somalia and Sudan during this Spring Meetings

DIVERSITY AND INCLUSION

- Good progress on diversity
- IBRD/IDA met 12.5% target for African/Caribbean nationals BUT
- IFC at 10.5% and MIGA at 9.8% still has to do more

DIVERSITY AND INCLUSION

- Good progress on Senior management – Vice Presidency level hire for Africans BUT
- Missing Middle for SSA nationals – WBG needs to build an adequate pool of technical and managerial level professionals

CONSTITUENCY POSITIONING IN THE WBG

- Governors called for enhanced resources flow, to protect the voice and voting power of the Constituency, and foster reengagement of member countries. Office Agenda 24 captures these.
- My appeal to you Governors is as follows:
  - Countries' CPIA will determine the IDA allocation, so it is important to improve on the yearly CPIA score
  - A robust pipeline of bankable projects to demonstrate demand will aide country absorption capacity of WBG resources
  - Take up all allocated shares from previous voice and representation reviews to protect the dilution of Afria's shareholding and voting power

IMPLEMENTATION OF CONSTITUENCY RULES

- Staffing review and rotation being undertaken
- Some Senior Advisors/Advisors to conclude tenure in 2017
- New wave of recruitment underway with 2 new staff from Somalia and The Gambia already on board
- Phased rotation prioritizing countries not currently serving in the Constituency Office
- The policy on staffing as prescribed in the Revised Constituency Rules is now being implemented accordingly

CONCLUSION

- Let me express my appreciation for Governors' guidance and support
- Outreach activities are planned for the remaining period of my tenure to Constituency countries to foster enhanced engagement with the WBG

Thank you for your attention

THANK YOU

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