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Jobs and Economic Transformation (JET) Agenda gains traction across WBG governance

Global poverty is increasingly becoming an African phenomenon due to stubbornly high rate of poverty, making the Continent home to about half of the global poor (41 percent). This trend stacks against the “rising Africa” narrative when most African countries posted high jobless growth rates since the 2000s. Lack of commensurate generation of more and better jobs has hitherto challenged policymakers to revisit growth models in their arsenals with a view of solving a puzzle of jobless growth. Africa needs to generate about 14 million jobs per annum up to 2030, compared to an average of only 4 million jobs created over 2007-2017. Economic transformation is, therefore, critical because empirical literature confirms that job creation through industrialization and rural development is the most assured pathway to poverty reduction, particularly in Sub-Saharan Africa. Noting that global poverty is an employment problem¹, there is a need to systemize how the development community pools resources together to support IDA countries to expedite the pace of economic transformation.

The International Development Association (IDA), a WBG Institution with a dedicated mandate to help developing countries uplift millions of their citizens out of poverty, is the right entity to coordinate mobilization of those resources. Under IDA18 special theme of Jobs and Economic Transformation (JET), IDA has strategically positioned itself to

support its client countries to ramp up operations that would help diversify sources of and improve quality of growth, generate more and better jobs, especially for the youth and women, and ultimately reduce poverty.

IDA Deputies and Borrowers Representatives recognized the imperative of JET since the inception of IDA18, but its importance was strongly emphasized during the IDA18 Mid-Term Review held in Livingstone, Zambia and called for more resources and ambitious policy commitments. Interestingly, there is a consensus that JET should be maintained as a special theme under IDA19. Retaining the JET theme is pivotal in tracking impact on the ground as economic transformation takes time to materialize.

These views on JET are equally shared by the WBG Executive Board, which proposed it be one of the topics for discussions by the WBG Development Committee during the 2019 IMF/WBG Annual Meetings. The purpose of that discussion will be to seek Governors’ guidance on the WBG’s approach to systemize its interventions related to the JET Agenda. During the discussion, Governors will be updated on how the WBG is supporting countries in embedding the JET agenda in country programs and what needs to be done differently to support upstream reforms to unlock private investments. Systematizing this agenda is timely as it closely aligns with and is supported by the WBG corporate priorities such as the Human Capital Project,

¹ Many people in developing countries remain poor even when employed, and this is a much more pervasive problem than unemployment (Gary S. Fields and Janneke Pieters, 2018).

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empowering women and strengthening Fragile, Conflict and Violence (FCV) economies. Additionally, the JET agenda will be discussed concurrently with the *World Development Report 2020: Trading for Development in the Age of the Global Value Chains*, which analyses whether and how a country can deepen economic transformation by increasing its integration into Global Value Chains (GVCs).

Agricultural Transformation in Africa

International cooperation is a fundamental tool for agricultural transformation. Since independence in the 1960s, African countries have been receiving support from development partners to complement their development efforts, especially in agriculture. This support includes developing multi-stakeholder partnerships through the sharing of knowledge, expertise, technology, and financial assistance. Despite all these efforts, since the 1980s, agricultural productivity has been broadly stagnant in the continent. This has partly been due to little attention paid to the crucial role of private capital and government capacity to implement reforms.

Throughout history, agriculture has been the foundation for economic transformation. Agriculture should be a predominant private sector activity including farming, input supply and marketing, whose transformation is largely determined by national government institutions, investments and policies. The role of government is to put in place the reforms necessary to unlock agriculture's potential as the key driver to agricultural transformation. These reforms include access to land, new technologies, extension services, market access,

access to finance, and private sector investment facilitation.

Current Challenges and Concerns

Sub-Saharan Africa is highly vulnerable to climate shocks such as the recent droughts in the Sahel, Horn of Africa and Southern Africa, among others. These impact everything from low agricultural productivity, forced displacement to food price increases and droughts. Currently, many African countries are experiencing the high value of food imports to supplement their nutrition requirements. Annually, Africa imports US\$35 billion worth of food. The link, therefore, between fragility and food security is a concern that should be taken into consideration in policy discussions such as the WBG current IDA 19 negotiations. The constraints in the agricultural sector must not only be seen as demand and supply issues but as a challenge to food security. Thus, the need for a Bank-wide regional approach to drive agricultural transformation.

It is important to note that while there were significant agricultural transformation on the continent in the early parts of the 2000s, the food system does not deliver the necessary outcome, including food productivity growth. Therefore, there is a need for a renewed synergy and resolve among stakeholders to transform the sector. Considering this, the WBG in collaboration with partners organized the Africa Food Security Leadership Dialogue (AFSLD) on August 5-7, 2019 on *Adapting African Agriculture to Climate Change*. This initiative is intended to help galvanize actions and financing to address Africa's food security challenges through the Comprehensive Africa Agriculture Development Program (CAADP). It

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could be recalled that CAADP is the African Union's strategic policy framework for agricultural transformation on the continent. CAADP was established in 2003 by the African Union and NEPAD to encourage member countries to dedicate at least 10% of their annual national budgets in the agricultural sector.

The Kigali event which was hosted by H.E. President Paul Kagame, President of Rwanda was attended by over 55 Ministers of Finance, Planning, Agriculture and Environment across the continent. It also brought together development partners, senior leadership of the Food and Agriculture Organization, International Fund for Agricultural Development, African Development Bank, World Food Program and other organizations.

Outcome and the Way Forward

- The AFSLD provided a platform for development partners to commit to a new way of working together to address the region's urgent food security situation in a changing climate. It has culminated with the finalization and endorsement of a *Communique* expressing the intention by partners to prioritize food security in their programs in Africa.
- The platform set the tone for development partners to mobilize more support for the CAADP, hold each other accountable, synchronize their country engagement cycles as well as galvanize commitments from African leaders on the necessary reforms.

Opportunities

- The launching of the African Continental Free Trade Area on July 7, 2019, serves as a platform to strengthen Africa's Regional approach to negotiation by giving the continent more power to negotiate as a bloc, as opposed to negotiating as small fragmented countries.
- By 2030 Africa will have a food market of US\$1 trillion, thus, presenting an opportunity for private sector participation.

Update on the World Bank's Response to Cyclone Idai through its Crisis Response Window

The Bank, collaborating with other development partners, has reacted to the regional crisis caused by Cyclone Idai. The Bank has responded to the crisis by availing **US\$700 million** in IDA resources—including up to **US\$545 million** from the IDA Crisis Response Window (CRW).

- Zimbabwe has been allocated US\$72 million grant for the Idai Recovery Project, which was approved by the World Bank Board of Executive Directors on July 16, 2019. The grant will address the early and medium-term resilient disaster recovery needs of cyclone-affected communities.
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- Mozambique has been allocated **US\$350 million**. Of this amount, US\$190 million has already been committed. Additional financing for other projects is expected to be presented to the Board in the new financial year. Disbursements amounting to \$50 million from the CRW resources have already been made for road and bridge repairs, distribution of agricultural inputs through FAO for 140,000 families, and for the repair of water supply systems.
- Malawi has been allocated **\$120 million** in CRW funding. \$50 million of this amount has been disbursed for the restoration of affected water supply services, rehabilitation of education, flood protection and transport infrastructure, as well as for immediate food assistance to the affected communities.

Update on The Review of The Inspection Panel Toolkit

The IBRD and IDA Boards of Executive Directors commissioned a review of the Inspection Panel's toolkit in August 2017. The Committee of Development Effectiveness (CODE) of the Board, steered the process whose objective was to generate a qualitative advisory on the effectiveness of the Inspection Panel tool kit in enabling the IPN to execute its mandate. The review focused on generating viable interventions that would address the following seven areas: (i) monitoring of Management Action Plans (MAPs); (ii) dispute resolution; (iii) advisory services; (iv) time limit on the eligibility of Requests for Inspection; (v) the extension of Panel case eligibility to Bank-Executed Trust Funds (BETFs); (vi) processing of complaints

about co-financed projects; and (vii) communication with Requesters.

In October 2018, the Board discussed and approved measures to;

- recognize the Inspection Panel's advisory role in its mandate;
- clarify Management's obligations on the use of BETFs;
- Formalize the Panel's role in coordinating with the co-financier's accountability mechanism to facilitate efficiency in processing joint investigations;
- facilitate the sharing of IPN's Investigation Report with Requesters before its consideration by the World Bank Board.

The Board also agreed to conduct time-bound deliberations on the three remaining areas being; i) the extension of the time limit eligibility, ii) independent monitoring of MAPs, and iii) the establishment of a dispute-resolution function separate from Bank Management. The Board emphasized the need for timely consultations with stakeholders, particularly Borrowers who had not been consulted earlier in the review. As such, CODE identified eleven projects and the implementing agencies and communities who had engaged with the Inspection Panel in the last seven years, to seek their feedback on the pending areas of consideration.

CODE received eighteen responses from these groups, of which eight respondents were requesters, and ten were Government representatives from the eleven countries pre-identified by CODE. Two countries in our Constituency participated, the

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Republic of Uganda and the Republic of Kenya through the Uganda National Roads Authority and the National Treasury and Planning, respectively. CODE will synthesize these responses with those received from other stakeholders to provide a report to the Board for consideration in September 2019. The Board intends to conclude the exercise before the IMF and WBG Annual Meetings in October 2019.

Update on Re-engaging Countries

Somalia

On July 22, 2019, the IMF Board endorsed the fourth Staff-Monitored Program (SMP) with an Upper-Credit-Tranche condition, covering the period of May 2019 to April 2020. Somalia will reach the Decision Point under the Highly Indebted and Poor Country (HIPC) initiative and the Government's technical readiness for Arrears Clearance (A/C) within six months of implementing this SMP. The HIPC Decision Point is well advanced in terms of external debt data reconciliation and debt management capacity.

Eritrea

Eritrea has made tremendous efforts towards re-engagement with the International Financial Institutions. On July 22, 2019, the IMF Executive Board discussed the State of Eritrea's first Article IV Consultation in ten years. The authorities are engaged in extensive discussions with the World Bank on normalizing relations. In June 2019, the Executive Director, Africa Group 1 Constituency, Ms. Anne Kabagambe visited Asmara where she met and discussed with the authorities: i) Re-engagement Process, ii) Country Engagement Note (CEN), iii)

Arrears Clearance options, and iv) Development Policy Operation (DPO), among others. Since May 2019, there have also been high-level Bank's fielded missions, where the Bank and authorities exchange views.

In January 2019, the Regional Vice President for Africa, Mr. Hafez Ghanem also visited Asmara and met with the President of Eritrea who confirmed the country's intention to reengage with the World Bank Group. The Regional Vice President was accompanied by the Country Director, IFC Director, and Adviser/Interim Country Representative. In addition, the Bank had missions in November and December 2018 to begin preparation of a Debt Sustainability Analysis (DSA) and other policy discussions.

Zimbabwe

Zimbabwe has agreed on a Staff Monitored Program (SMP) with the International Monetary Fund (IMF) which will run from May 2019 to March 2020. The SMP is anchored on Zimbabwe's Transitional Stabilization Program (TSP) which commenced October 2018 to December 2020. The SMP, whose first review will be conducted in September, being undertaken alongside economic and political reforms, is a critical step towards re-engagement with the International Financial Institutions (IFIs). Considerable progress has been achieved on the economic front and efforts are now trained on the political ones as well, where efforts are underway to repeal and align some security laws with the nation's constitution. Debt clearance will be expected to follow at the conclusion of the SMP early next year.

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African Caucus Meeting



The 2019 African Caucus Meeting for African Governors was held on August 1-2, 2019 in Accra, Ghana, and chaired by Honorable Ken Ofori-Atta, Minister of Finance of Ghana under the theme “Africa Beyond Aid: Enhancing Institutional Capacity and Innovative Finance for Sustainable Growth”, where Governors discussed the following topics:

- Enhancing Human Capacity and Skills Development to Accelerate Jobs and Economic Transformation;
- Strengthening Institutional Capacity and Public Financial Management;
- Promoting Innovative Finance for Private Sector-Led Growth;
- Africa’s Development Financing Needs and Debt Sustainability; and
- Facilitating Economic Integration through Trade.

Governors acknowledged that Africa has a growing youthful labor force which has been characterized by the lack of relevant skills. This, they said, posed major constraints to Africa’s economic transformation. They underscored the importance of enhanced institutional capacity together with Public

Financial Management reforms and the importance of entrepreneurship and private sector participation in accelerating sustainable and inclusive growth and also, recognizing the need to promote business-friendly environment for private sector investment. They noted Africa’s enormous infrastructure needs and the urgency of bridging the infrastructure gap to support private sector participation and development. Concerns about rising debt vulnerabilities in many African countries were raised and discussed in the context of domestic resource mobilization and illicit financial flows. Following the launch of the Africa Continental Free Trade Area (AfCFTA), Finance Ministers committed to collaboration in removal of trade and non-tariff barriers to facilitate regional and economic integration.

Governors expressed deep appreciation to Madame Christine Lagarde, outgoing Managing Director for her support and commitment to advancing Africa’s reform efforts towards strengthening macroeconomic stability and promoting inclusive and sustainable growth. They reiterated their request to the IMF Executive Board to select the next Managing Director in an open, transparent and merit-based manner and wished that the incoming Managing Director will serve the interests of all member countries.

Mission to the United Republic of Tanzania

The Executive Director, Ms. Anne Kabagambe, accompanied by her Senior Advisor, Mr. Zarau Kibwe, undertook a mission to the United Republic

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of Tanzania on August 20-23, 2019 to consult Government Officials on Tanzania's development agenda and utilization of IDA18.



The Executive Director held meetings with the Minister of Finance and Planning and Governor to the WBG, Hon. Dr. Philip Mpango; Minister of Education and Vocational Training, Prof. Joyce Ndalichako; and Governor of the Bank of Tanzania, Prof. Florens Luoga. She visited beneficiaries of the two World Bank-financed projects in Temeke District, Dar es Salaam. She also visited a Government-financed Standard Gauge Railway (SGR), which, upon completion, is expected to unleash trade potentials not only of Tanzania but also of neighboring countries.

In her meeting with Hon. Dr. Mpango, the Executive Director appreciated Authorities' efforts to reactive the country portfolio, which has been inactive for almost a year due to amendments made to the Statistics Act of 2018. She also acknowledged their efforts to convince World Bank Management to reverse their decision to downgrade Tanzania Country Office. Further, the Executive Director

discussed how Tanzania could fully use its remaining indicative IDA18 allocation (about US\$ 1.7 billion). On this, Authorities identified three areas of further support related to increasing equitable access to secondary education, expanding social safety nets and urban development. The Meeting also discussed areas for future support from the WBG under IDA19, particularly those contributing to Jobs and Economic Transformation as well as human capital development.

The Executive Director also held a meeting with Hon. Prof Ndalichako, Minister of Education and Vocational Training, to discuss a growing portfolio of human capital. During this meeting, the two discussed the performance of the education portfolio and shared their concern of low disbursement, a challenge partly attributed to the complex project design. Hon. Minister assured the Executive Director that performance of education projects would improve as her technical team in the Ministry is expected to fully participate in the design of upcoming projects. The meeting also discussed further areas for World Bank support, such as investing in the early years childhood education, as well as strengthening technical and vocational education and training. Further, the Executive Director met with the Governor of the Bank of Tanzania, Prof. Florens Luoga, where she had an opportunity to learn how Tanzania is implementing fintech agenda as well as combatting illicit financial flows.