

# Africa

## Group 1 Constituency Newsletter | EDS14



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SEPTEMBER–OCTOBER 2020

### END OF BOARD TERM

October 31<sup>st</sup> will mark the end of the Board term for the Executive Director. The Africa Group 1 Constituency office will hold a farewell event in honor of Ms. Anne Kabagambe on October 21, 2020. Her term as Executive Director reflects several milestones achieved. Under her leadership, the Constituency saw the successful negotiation of the IDA Replenishment which attracted US\$ 82 billion in financing commitment; and with the emergence of the COVID-19 pandemic the fast-tracked resources to Constituency Countries. The ED's tenure witness the re-engagement of the Republic of Somalia and Sudan. In addition, ED Kabagambe is credited for bringing to the fore and leading critical conversations on gender diversity at the Board.

During her tenure, the WBG Board deliberated on critical and challenging issues of the implementation of the Debt Service Suspension Initiative (DSSI); with the overriding objectives to provide needed fiscal space to low-income countries for effective response to COVID19 health, social and economic challenges. She was instrumental in the Board's approval of the first-ever Fragility, Conflict, and Violence (FCV) Strategy, whose objective is to enhance the WBG's effectiveness in supporting countries address the drivers and impacts of FCV in strengthening economic resilience. Ms. Kabagambe was pivotal to the Bank's response to catastrophes like Cyclone Idai, which raised resources totalling US\$350 million towards the recovery and resilience of three affected Southern African countries, Malawi, Mozambique and Zimbabwe. Most recently, she and the Board dealt head-on with the global demand for a response to matters of racial justice and inequity, and how to tackle the unprecedented task of response to the COVID-19 pandemic.

As Executive Director for twenty-two countries of low and middle income states that are at risk and most economically fragile, Ms. Kabagambe ends her term having overseen these countries gain access to the World Bank Group's Fast Track Facility for Preparedness and Response to COVID-19 challenges and other financing interventions. Her term in office culminates amid a COVID-19 driven period of heightened uncertainty. Undoubtedly, she has laid a firm foundation as outgoing Executive Director for the continued development of the Constituency.

On behalf of the Africa Group 1 Constituency, we wish to thank Ms. Kabagambe for her time in office and wish her the best in her future endeavors.



Anne N. Kabagambe  
Executive Director



Anne N. Kabagambe and her team

## WORLD BANK GROUP MANDATE: NEW LENS ON DEVELOPMENT IMPACT

During July 2020, the Board of Executive Directors conducted its annual retreat, albeit virtually, due to the COVID-19 Pandemic. The retreat provided Executive Directors and Senior Management of the WBG an opportunity to discuss and analyze potential changes to the World Bank Group’s (WBG) future external operating environment. The agenda sought to evaluate if the WBG is fit for purpose to continue making a meaningful contribution to the global development agenda. The WBG could not have been predicted the magnitude of disruption occasioned by the COVID-19 pandemic. The pandemic revealed structural weaknesses in both developed and developing countries. As such, the scale and composition of client countries’ needs have changed and will put the institution’s operational and financial model to the test. Additionally, the need to establish an appropriate balance between immediate response and investments in resilience building is paramount.

During the retreat, Executive Directors highlighted the growing gap between the WBG available resources and the clients’ financing. They noted that client demands for FY21 were already expected to exceed the allocations for FY21. Their critical concern, therefore, was the WBG’s capacity to provide robust solutions to support recovery in the short

term and resilience and growth in the long term. The retreat overall initiated a more long-term strategic conversation on the role of the World Bank Group going forward, which emphasized selectivity in its approach, leveraging its comparative advantage and resilience-building. The anticipated changes in the external environment will most certainly impact the operational model of the WBG. It will, therefore, be critical that client countries intensify their engagement with the WBG to ensure that they receive the appropriate support for recovery and growth.

## AFRICA CAUCUS 2020



On August 06, the 2020 African Caucus virtual meeting was held under the theme **“Protecting Africa’s Human Capital in the face of COVID-19: Saving Lives, Preserving Well-being, and Safeguarding Productivity and Jobs”**, and chaired by the Honorable Governor

H.E. M. AlamineOusmane MEY,  
Minister of Economy, Planning and

Regional Development, Republic of Cameroon. The meeting took place under the backdrop of the extraordinary



challenges facing Africa, including unprecedented health and economic crisis, a slump in global commodity prices, severe decline in global economic growth, and reduction in demand and supply due in part to the impact of COVID-19 pandemic. The African Ministers of Finance and Governors of Central Banks discussed the following five critical topics:

- **On enhancing external assistance and Aid Effectiveness during COVID-19**, African Governors welcomed the adoption of the Multi-phase Programmatic Approach (MPA) to fast-track disbursements and the frontloading of IDA-19 resources at the WBG and commended the WBG and IMF for spearheading the G20's Debt Service Suspension Initiative (DSSI);
- **On scaling up service delivery: Health, Education, Water and Social Protection**, the African Ministers of Finance and Governors of Central Bank underlined how their countries aimed at responding to the public health challenges while strengthening national systems for public health preparedness and enhancing education, water systems, and social safety nets;
- **On reinforcing macro-Fiscal policies and governance**, the Governors emphasized that they would deploy fiscal policy tools to minimize health, economic, and humanitarian impact of the crisis while adopting counter-cyclical policies, given fiscal crunch;
- **On Strengthening Markets, Private Sector and Jobs**, African Governors underscored the millions of jobs that would be lost across Africa during this pandemic and stressed that private sector-led economies coupled with an improved infrastructural deficit and enhanced access to finance would promote growth and job creation in the region; and
- **On Enhancing Africa's Representation and Voice, and Diversity in BWIs**, the Governors noted the progress made in recent years. Notwithstanding, they urged both the WBG and IMF to do more to achieve some diversity benchmarks.

Having successfully deliberated on these matters, African Governors issued the 2020 African Caucus Memorandum. The Memorandum reflects the African Ministers of Finance and Governors of Central Banks' call on the WBG and the IMF to support digitalization in Africa to enable efficient delivery of education, health, social protection programs. It urges the WBG to help leverage the Africa Continental Free Trade Agreement (AfCFTA) and support its implementation; calls for the inclusion of Multilateral Development Banks (MDBs) and private creditor participation in the DSSI and inclusion of Middle-Income Developing Countries in the initiative; and calls for an increase in the share of staff from underrepresented regions, notably Middle East-North

Africa and Sub-Saharan Africa, through a more proactive approach and robust commitment at all levels.

## PROGRESS ON COUNTRY RE-ENGAGEMENT

Three of the Africa Constituency Group 1 (AfG1) countries are in the process of re-engaging with the World Bank Group and other multinational development banks (MDBs). The fourth, the Federal Republic of Somalia, achieved integration in March this year. This situation poses significant development challenges for those countries as little or no development finance can flow due to their non-accrual status. The impact on their development landscape is further compounded when natural disasters or catastrophes strike, and these countries cannot easily access emergency funds from the MDBs. The AfG1 office is working tirelessly, in partnership with its counterparts, to facilitate the re-engagement of these countries. Challenges to making progress have arisen, informed to a great extent by activities within the respective countries, such as demands by development partners to implement political in addition to economic reforms. The positive development with Somalia has given additional impetus for pursuing the re-engagement of Eritrea, Sudan and Zimbabwe more vigorously.

### STATE OF ERITREA

In 2018, the State of Eritrea indicated an intention to re-engage with the World Bank Group. Following the expression of the country's intention to re-engage, the WBG held several high-level missions to Asmara, Eritrea between December 2018 and December 2019. Specifically, in January 2019, the Regional Vice President for Africa at the World Bank Group visited Asmara and met with the President of Eritrea, who reaffirmed the Government's willingness to re-engage. Several missions to the Red Sea State to engage with the authorities and exchange views on improving the working relationship between the Government, the WBG and the IMF followed. Some of the critical issues discussed during the negotiations include the various steps pertaining to the preparation of a Debt Sustainability Analysis (DSA), Country Engagement Note (CEN), arrears clearance options, and infrastructure financing projects as part of the re-engagement process. These discussions led to the conclusion of the IMF Article IV Consultation in May 2019, after ten-year hiatus.

These steps demonstrate a considerable momentum towards re-engagement efforts and underscore the criticality of improved dialogue and ownership on the part of the Government. The re-engagement negotiations between Eritrea and World Bank Group, however, were put

on hold in January 2020 to allow the country to address emerging priorities. Eritrea is one of the few countries that has not received any Fast Track COVID-19 support from the Bank or new IDA resources due to the Board-approved policy on non-concessional borrowing of July 2006. The WBG is exploring avenues to access Trust Fund resources to support the country.

## SUDAN

Following the formation of a transitional government in Sudan, in August 2019, the African Group 1 Constituency office arranged a Sudan Roundtable on October 10, 2019, led by the then Minister of Finance, His Excellency, Mr. Ibrahim Ahmed Elbadawi. WBG Board members attended the briefing and discussion session, which focused on the status of the economy, the country's reform agenda and the need to assist the transitional Government re-engage with the WBG and the broader development community.

In addition, His Excellency Dr. Abdalla Hamdok, Prime Minister of Sudan, organized a discussion forum on December 4, 2019, with the WBG Executive Directors representing key development partners. The Prime Minister briefed Executive Directors on Sudan's reform agenda, progress to date, challenges and the support needed from the WBG and the international community. Since then, efforts have been directed at advancing the Sudan Reengagement initiative. In May 2020 a team of WB Executive Directors, coordinated by the Executive Director for Germany commenced regular meetings, where the WBG, IMF and bilateral partners discussed actions for supporting Sudan's reform agenda of stabilization and economic recovery.

The Sudan Reengagement initiative is advancing in three phases. The first phase focuses on mobilizing support for Sudan's Family Support Program – a program which will provide safety net support to the vulnerable population. The second phase, expected to start in January 2021, will include support to economic recovery and stabilization, while phase the third will focus on longer-term recovery efforts.

## ZIMBABWE

The re-engagement process for Zimbabwe has been slowed down by the challenges around the implementation of the Staff Monitored Program without financial support from the MDBs, necessary to help provide safety nets for the poor and vulnerable. Zimbabwe has, however, made considerable progress on the economic and critical political reforms demanded by the development partners, that include the repeal of the security laws deemed unsupportive of opening up democratic space for other players.

Furthermore, we have noted encouraging efforts by our Zimbabwe authorities to stabilize the exchange rate in the last few months as well as the economy, which efforts seem to be yielding positive results. The landmark agreement with former white farmers for the compensation of farms acquired for land resettlement, and the return of Bilateral Investment Promotion and Protection Agreement (BIPPA) farms to their original owners is a huge step towards the re-engagement process.

The Executive Director visited the country end of February 2020 and encouraged the authorities to persevere with the re-engagement program. Since then, the country has, unfortunately, grappled with the effects of the Covid-19 pandemic with very little support from the MDBs. The Constituency Office recently organized a WB technical briefing to highlight the challenges Zimbabwe was facing and received the support of most developing countries. The process of requesting for more robust support for the pandemic is ongoing. Similarly, efforts for the broader re-engagement continue to be pursued by the Constituency Office.

## THE USE OF DEVELOPMENT POLICY FINANCING IN THE WBG RESPONSE TO COVID-19

Under the World Bank Group Fast Track COVID-19 Facility approved by the Board on March 17, 2020, an amount of US\$2 billion was mobilized through a combination of: (i) new stand-alone Investment Project Financing (IPF) or Development Policy Financing (DPFs) from existing IDA and IBRD envelopes; (ii) restructuring existing operations; and (iii) cancellation of un-disbursed amounts under existing operations and recommitment to the WB COVID-19 Response.

Coordinating closely with the IMF, the WBG is focusing on: (i) enhancing debt sustainability analysis for both LICs and MICs; (ii) helping countries manage public debt vulnerabilities (including SOEs) and improve debt transparency; (iii) supporting financial management, tax and expenditure reforms to help create fiscal space while improving expenditure quality and oversight; (iv) supporting macroeconomic stability, fiscal strengthening, and maintenance of service delivery, as well as selected policy and institutional reforms under the four pillars of the WBG COVID-19 response approach, through DPFs; (v) supporting the use of private sector solutions to lower the financial burden on the public sector; and (vi) supporting the implementation of the DSSI initiative.

The DPFs have played an important role in shaping an effective crisis response and establishing conditions for resilient recovery. Policy action and financing to ensure

adequate fiscal space for crisis interventions, including to reach the poor and vulnerable as well as to maintain service delivery, are essential to successful crisis response. Support for focused and feasible policy actions is enabling the WBG to scale up the impact of its health, social, and economic responses. DPFs associated with COVID-19 response are supporting reforms agreed with governments to help the poor, boost median incomes, promote inclusion, and strengthen transparency and governance. Moreover, DPFs that are part of a programmatic series incorporate crisis response actions while retaining focus on addressing fundamental long-term development challenges. The need to support policy and institutional reforms will remain pressing going forward, as will the need for budget financing for essential services. The WBG will continue to emphasize coordination on policy and institutional measures across development partners.

The following four countries benefited from DPFs under the COVID-19 Response program:

- **Ethiopia:** Second Ethiopia Growth and Competitiveness Programmatic Development Policy Financing (US\$250 million)
- **Kenya:** Inclusive Growth and Fiscal Management Development Policy Financing; Transforming Health Systems for Universal Care (US\$1 billion)
- **Seychelles:** COVID-19 Crisis Response Emergency Development Policy Financing; Disaster Risk Management Development Policy Loan with CAT DDO (US\$15 million)
- **Uganda:** Uganda COVID-19 Economic Crisis and Recovery Development Policy Financing; Uganda Reproductive Maternal and Child Health Services Improvement Project (US\$300 million)



Ethiopia



Kenya





Malawi



Rwanda



Seychelles



Tanzania



Zambia





Zimbabwe



Constituency Meeting



Female Executive Directors