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Group 1 Constituency Newsletter

WORLD BANK GROUP

OFFICE OF THE EXECUTIVE DIRECTOR

www.worldbank.org/eds14 e-mail: eds14@worldbank.org

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Burundi Chaired ACG Meeting

Burundi chaired the African Consultative Group Meeting with the WBG President, Mr. David Malpass. 📄 P. 6

IDA20 Negotiations kicked off

Negotiations of Advanced IDA20 kicked off with IDA Participants agreeing on the strategic directions. 📄 P. 7

First MICs Forum Held

The Constituency hosted the first MICs Forum aimed at increasing WBG support. 📄 P. 8

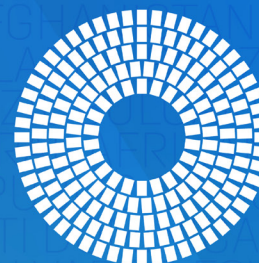
Highlights of the Twenty-First Statutory Constituency Meeting

Governors of the Africa Group 1 Constituency (AfG1) held their twenty-first statutory meeting virtually on April 8, 2021 under the Chairpersonship of Hon. Selibe Mochoborone, Minister of Development Planning and Governor for the Kingdom of Lesotho.

The Executive Director updated Governors on the Constituency Office and World Bank Group (WBG) Board engagements over the last 6 months. Governors were also updated on the efforts being taken by the WBG and the Global Alliance for Vaccine

Africa Group 1 Constituency Meeting

April 8, 2021



SPRING MEETINGS
2021 | VIRTUAL
WORLD BANK GROUP
INTERNATIONAL MONETARY FUND



Botswana Burundi Eritrea Eswatini Ethiopia The Gambia Kenya Lesotho Liberia Malawi Mozambique
Namibia Rwanda Seychelles Sierra Leone Somalia South Sudan Sudan Tanzania Uganda Zambia Zimbabwe

Immunizations (GAVI) to ensure availability and accessibility of COVID-19 vaccines through COVAX Facility.



Hon. Selibe Mochoborone, Minister of Development Planning, Governor for Lesotho to the WBG and the Chairperson of Africa Constituency Group 1 and Panel

Executive Director's Report to Governors

Executive Director, Mr. Taufila Nyamadzabo, delivered his first report to the AfG1 Governors on April 8, 2021. After thanking Constituency countries for appointing him as their representative to the WBG Board, the Executive Directors updated the Governors on matters arising from the twentieth statutory meeting of the Constituency held in October 2020. Updates were provided on: the (i) request by governors for the Executive Director's Office (OED) to facilitate the participation of Governors in discussions around the evolving financial architecture of the Bank arising from the need to counter the COVID-19 pandemic; and (ii) the impact of the post-COVID debt dynamics on Sub-Saharan Africa (SSA) economies. The remaining part of the presentation focused on topics contained in the 2021 Interim Report. A brief highlight of each subject is presented below.

WBG Response to the COVID-19 Pandemic

The Executive Director drew the Governors' attention to the deepening economic and social crisis precipitated by the COVID-19 pandemic. As of the end of March 2021, total infections in Africa surpassed the three million mark, with more than 77,000 reported deaths. The pandemic also exacerbated the problem of poverty and acute food insecurity. WBG's swift response to counter the pandemic was commended, including its US\$14 billion Fast Track COVID-19 Facility (FTCF) and MIGA's US\$6.5 billion COVID

response program, followed by another IFC US\$4 billion health package. On implementation, the WB and IFC committed US\$4.2 billion and US\$4.5 billion, respectively, from the FTCF up to the end of March 2021, US\$2.5 billion of which went to finance long-term IFC investments in SSA projects. To support a broader economic recovery, the WBG subsequently launched a US\$160 billion economic response package to be deployed until June 2021.



Mr. Taufila Nyamadzabo, Executive Director

As of the end of February 2021, half of the 22 Constituency countries accessed, through stand-alone operations, the Bank's COVID-19 health response facility, with a total allocation of US\$506 million. Preparation for 12 more projects is underway, with a total allocation of US\$430 million targeting the remaining 12 countries. The latter set of projects includes several operations focusing on vaccine financing, supported by the WB's US\$12 billion vaccine finance approved in October 2020.

Debt Relief Under the Debt Service Suspension Initiative (DSSI) and Progress on the Sustainable Development Finance Policy (SDFP)

The pandemic has added more pressure on many developing countries' debt challenges contributing to the doubling of the number of low-income countries at high risk or already in external debt distress. In response to the worsening global debt situation, the G20 launched a Debt Service Suspension Initiative (DSSI) to offer temporary debt relief to eligible developing countries. Out of the 73 eligible countries, 43 have benefited from an estimated US\$4.9 billion of temporary debt service suspension in 2020. The Executive Director also highlighted that nine (9) countries from the Constituency participated in DSSI, with an estimated temporary debt service suspension

benefit of around one (US\$1) billion between January 2021–June 2021.

The Executive Director also walked the Governors through the new IDA Sustainable Development Finance Policy (SDFP). The SDFP serves as the basis for engagement between client countries and the Bank on debt issues. Several countries have already agreed on a country-level framework for medium-term engagement on debt-related reform with the Bank. Accordingly, the Bank has identified 55 client countries that require the implementation of Performance and Policy Actions (PPAs) in FY21.

IDA19 Implementation and Transition to IDA20

On the implementation of IDA19 and advancement of IDA20, the Executive Director highlighted that IDA countries' resource needs increased significantly due to additional spending for the COVID-19 response and economic recovery. The Bank responded by frontloading IDA19 resources and raising the annual commitment target of FY21 and FY22 to US\$35 billion, from a past average of US\$22 billion. The clients' actual resource needs were higher than planned for FY22-FY23.

The Executive Director informed Governors that development partners broadly recognize the heightened financing needs of IDA clients, hence the need for additional IDA resources. However, despite improvements in the implementation capacity of many IDA countries, many development partners expressed concerns about the absorptive capacity of IDA beneficiaries. The modality for raising additional finance agreed to was to bring forward IDA20 by one year. The Executive Director requested the Governors to use all available channels to call for a robust IDA20 replenishment while also emphasizing to clients the criticality of improved absorptive capacity. The Executive Director informed Governors about the appointment of Dr. Denny Kalyalya, the former Governor of the Bank of Zambia, as an independent co-chair of IDA20 negotiations.

2021 Statutory Review of the Rules Guidelines and Procedures

Governors were further updated on the next Statutory Review of the Rules, Guidelines, and Procedures (Review) governing the Constituency. The Constituency Panel is mandated to conduct the Review every five years. The Review will be presented to Governors with recommendations for the necessary modifications to improve the effectiveness and efficiency of the Constituency Office and equity in the Constituency's representation. The Constituency

Panel met on April 6, 2021, and approved the Terms of Reference (TOR) for the conduct of the 2021 Review. The TOR's approval at the Constituency Meeting formally commenced the Review. The Panel would be expected to complete this task by October 2021, with the support of the Office of the Executive Director, which will provide secretarial support throughout the review process.

The Review is expected to be highly consultative to provide all member countries with an equal opportunity to provide input to the process. The Panel will constitute a Technical Committee drawn from the Panel Member countries. The Technical Committee will meet between May – June 2021 to consider the Scoping Report presented by OED. The Panel will then meet in July 2021 to consider the Technical Committee's Report and provide guidance to the Report's proposals. The Panel's Report will be submitted to Constituency members for consultation between August and September 2021.

Medium-Term Office Strategy

The Executive Director unveiled the AfGI Constituency Medium-Term Office Strategy for the 2020–2024 period during the meeting. The Strategy aims to serve two purposes: (a) to ensure continuity of the OED's work program, and (b) enhance OED's accountability to Governors. The Strategy focuses on five broad areas, namely: i) Mobilizing Financial and Technical Resources, ii) Supporting Private Sector Development, iii) Enhancing OED Engagement with the Member States, iv) Supporting Diversity and Inclusion, and v) Advocating for Relevant Capacity Development in the Member States. Details of each strategic goal and associated strategic objectives are contained in the Strategic Plan.

As part of implementing the Strategy, the Executive Director cited the two ongoing activities: WBG's re-engagement of Constituency countries in the transition stage and increasing WBG support to Middle-Income Countries (MICs) in the Constituency.

Enhanced Engagement Between the WBG and Countries in Transition

Eritrea: Following the peace agreement between Eritrea and Ethiopia in 2018, the State of Eritrea had signaled interest in the re-engagement with International Financial Institutions, including the WBG. Although the WBG immediately started working closely with the Government of Eritrea, not much progress has been accomplished since Eritrea later signaled that need for more time for them to get ready to pursue the process at this stage. The OED is

looking at ways to facilitate the process.

Sudan: The re-engagement with the Republic of Sudan reached an important milestone on March 23, 2021, when the WBG Board approved a decision to clear Sudan's arrears to IDA amounting to US\$1.1 billion. This decision paved the way for Sudan to access IDA financing for its poverty reduction and economic recovery. The Republic of Sudan is now eligible to access up to US\$2 billion of grants from IDA. The IDA arrears clearance also took Sudan one step closer to securing comprehensive external debt relief under the Heavily Indebted Poor Country (HIPC) Initiative. Sudan is now projected to reach HIPC Decision Point in May or June 2021.

Zimbabwe: Although the WBG re-engagement with Zimbabwe still requires a lot of work on both sides, the Government of Zimbabwe has continued to undertake substantive reform measures that will support future re-engagement discussions. Foremost among these is the work on stabilizing the economy and the exchange rate and efforts to bring down inflation. With further progress, there is a good chance for the Government to negotiate another Staff Monitored Program (SMP) with the IMF, a key requirement for re-engagement and debt clearance under the Paris Club framework.

Updates on COVID-19 Vaccines to the Africa Group 1 Constituency

The OED invited two guest speakers, the Vice President for Human Development at the World Bank, Ms. Mamta Murthi, and the Managing Director of the Global Alliance for Vaccines and Immunizations (GAVI), Ms. Marie-Ange Saraka-Yao, to address Governors on the issue of the supply, financing, and distribution of COVID-19 vaccines, during the 21st Statutory Meeting of the Africa Group 1 Constituency.

Ms. Murthi's presentation gave an overview of WBG Support for COVID-19 vaccines. She highlighted issues of acquisition and deployment, the progress of WBG Support to countries in the Constituency, the next steps to accelerate progress, key lessons on successful vaccine roll-out for Constituency countries, and long-term challenges for human capital development. She noted that the WBG offered support in vaccine purchase, data analysis, and technical guidance, institutional and health systems strengthening. She mentioned 15 countries in the constituency, namely, Ethiopia, Eswatini, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Rwanda, Seychelles, Sierra Leone, South Sudan, Somalia, Zambia, and

Zimbabwe that had either received support or had vaccine projects under preparation.

Ms. Saraka-Yao's presentation focused on the role of the COVAX Facility to connect a pool of demand by consolidating the buying power and provide participants access to a broad and actively managed portfolio, to a pool of supply by providing manufacturers access to a massive, demand-assured market for COVID-19, thus creating economies of scale. She highlighted the objectives of COVAX which are, to end the acute phase of the pandemic by the end of 2021, deliver two (2) billion doses by the end of 2021, guarantee fair and equitable access to COVID-19 vaccines for all participants, support the largest actively managed portfolio of vaccine candidates globally and offer a compelling return on investment by delivering COVID-19 vaccines as quickly as possible.

The presentations further highlighted the unprecedented global crisis unleashed by the COVID-19 pandemic. They underscored the robust partnership between research, the private sector, and government agencies in the emergency authorization and use of the Pfizer, Moderna, AstraZeneca, and Johnson & Johnson vaccines in the COVID-19 response. The presentations also expressed concern over the very slow roll-out of vaccines to developing countries, highlighting the challenges of nationalism and inequity in global access.

The Governors appreciated the presentations and expressed concerns about Africa's limited access to vaccines. Among other questions asked by the Governors, was the need to understand how the COVAX Framework worked and whether it recognized the bilateral approaches being pursued by countries and the risk factors associated with them. Governors also sought clarification on "the no-fault compensation framework" and emphasized the need to explain the messaging of the meaning of the framework. They further underlined the need for no country to be left behind and called for closer collaboration between Africa and its partners to ensure that a significant portion of the population in Africa is vaccinated.

Responding to the Governors, the presenters advised that it was better to be united and negotiate collectively in a constrained environment. COVAX had the advantage of pooling demand and using that aggregate to negotiate lower prices with manufacturers. On the "no-fault compensation framework", they noted that COVAX had developed a standard indemnification and liability clause and a no-fault compensation fund for vaccines that would be distributed through COVAX. They further pointed out that because most developed countries were familiar with the contractual arrangements and the

companies are based in their territories, they had already acquired large quantities of vaccines bilaterally through advance commitment contracts. The complex market arrangements for these contracts put small countries at a disadvantage, hence the decision by the African Union to participate in the vaccine market negotiations.

In the short term, they emphasized the need to curb the spread of the virus and limit its ability to

mutate and the importance of financing and equal access in the distribution of vaccines to everyone. They encouraged Governors to advocate for the increased role of the IFC in supporting regional manufacturing in the long term. They further called on African countries to promote public health measures, expand surveillance measures, and strengthen the national regulatory agencies' capacities to access vaccines.

Constituency Panel Discussions

The Constituency Panel for the period 2020-2022 convened its first meeting on April 6, 2021, on the margins of the 2021 IMF/WB Spring Meetings. The Vice-Chairperson of the Constituency, the Governor for the Republic of Liberia, Honorable Samuel D. Tweah, chaired the Panel meeting in the absence of the Governor for the Kingdom of Lesotho. The Panel members who attended the meeting included: The Republic of Liberia, Kingdom of Lesotho, Republic of Rwanda, and the Republic of South Sudan. The Panel met to consider two substantive agenda items: i) the Terms of Reference (TOR) of the 2021 Statutory Review of the Rules, Guidelines, and Procedures; and (ii) the Constituency's first Medium-Term Strategy (2020-2024).

The Terms of Reference for the 2021 Statutory Review of the Constituency Rules Guidelines and Procedures

In executing its mandate, the Constituency Panel met to define the Terms of Reference that would guide the conduct of the 2021 Statutory Review of the Rules. The Governors' approval of the TORs would formally trigger the commencement of the 2021 Statutory Review of the Rules. The Panel also approved the constitution of a technical team that would consider the scoping report of the review and present a proposal of the reviewed rules to the Panel for consideration and consultation with other members of the Constituency. The Panel reviewed the TOR's and emphasized the need to ensure that a consultative approach was applied to the review process. The Panel noted the expectation to complete the review of the Rules and present a report to the Constituency for endorsement in October 2021. They, therefore, welcomed the constitution of the technical committee and acknowledged that this would improve the efficiency of the review process, given the tight time frame provided for the review. The Panel approved the proposed TOR's as presented

for the consideration and approval of the Constituency Governors.

Medium-Term Office Strategy (2020-2024)

During its statutory meeting held in the margins of the 2019 WBG/IMF Spring Meetings, the Constituency Panel recommended that the Office of the Executive Director develop a strategic plan to guide its work program over the medium term for the period 2020-2024.

The Panel noted that the Strategy was developed in the context of the WBG mission to reduce poverty and boost shared prosperity, and that was intended to enhance service delivery to the Constituency. They welcomed the Strategy as a tool to ensure that the Constituency member voices were heard across all WBG entities. They further noted that the Strategy provided a roadmap for which the Executive Director (ED) and Alternate Executive Director (AED) were expected to discharge their dual functions of advancing the interests of Constituency member countries and fulfilling their fiduciary oversight role over the WBG.

They welcomed the five key strategic goals outlined to guide the OED's work program for the next four years, which were: (1) mobilizing financial and technical resources; (2) supporting private sector development; (3) enhancing OED engagement with member states; (4) supporting diversity and inclusion; and (5) advocating for relevant capacity development in member states. The Panel welcomed the Strategy and emphasized the need to ensure that an appropriate monitoring mechanism was in place to measure progress over the four years and facilitate reporting to the Panel and Constituency Governors. The Panel approved the Strategy as presented for the consideration and approval of the Constituency Governors.

South Sudan Represented the Constituency on the 103rd Meeting of the Development Committee

The 103rd Meeting of the Development Committee took place virtually on April 9. The Governor from the Republic of South Sudan, Hon. Athian Diing Athian represented Africa Group 1 Constituency. This Paper highlights some of the key points that the Governor made.

On COVID-19 Crisis Response to Resilient Recovery – Saving Lives and Livelihoods and Green, Resilient, and Inclusive Development (GRID), the Hon. Governor acknowledged that the COVID-19 pandemic had reversed decades of progress in poverty reduction, health, education, trade, and employment worldwide, with a lasting implication in developing countries. He noted that the impact was more pronounced in Africa, where the fiscal crunch undermines recovery. The Constituency was calling on the WBG to broaden the GRID Approach to include all aspects of sustainable development and support all countries, including fragile and conflict states (FCS), small states, low and middle-income countries, and non-engaged countries. The Governor raised the need to support the diversification, capacity building, and the adoption of a phased approach as countries implement the GRID.

The Constituency also urged the WBG to support African countries implement the Africa Continental Free Trade Area (AfCFTA) agreement, the digital transformation of Africa, and the Jobs and Economic Transformation (JET) Agenda. Trade within the continent and industrial policies would boost private sector participation, investment in global value chains, and jobs creation, particularly for the youth. The Constituency called for IFC to increase private sector investment by implementing the cascade approach

and creating markets.

The Hon. Athian Diing Athian provided comments on the Debt issue. He stated that African countries were facing limited fiscal space and increased exposure to both internal and external shocks. The Constituency supported the G20 (DSSI) initiatives and Common Framework for Debt Treatments to help identify countries with unsustainable sovereign debt burdens and called upon the IMF, WB, and the G20 to encourage private creditors to participate in the initiative. The Governor urged the WBG and IMF to invest more in building the capacity of African countries and providing technical and financial support to Africa's efforts to improve public finance management, debt management, domestic resource mobilization, and curb illicit financial flows.

Finally, on the COVID-19 Update–Vaccines Access, Financing, and Distribution, the Constituency commended the WBG for availing resources for procuring and deploying COVID vaccines as well as prioritizing a fast-tracked response to the health crisis caused by the pandemic. While the Hon. Governor recognized the enormous importance of supporting health systems, he raised concerns regarding the slow pace of the vaccination roll-out in Africa. The Governor called on the WBG to ensure a fair and equitable distribution of vaccines to all countries so that no country was left behind. The Constituency supported the building of Africa's manufacturing capacity for vaccines. It urged the WBG to provide support aimed at ensuring fair and competitive pricing in bilateral contracts for vaccine purchases by countries of all income levels.

Burundi Chaired the 2021 African Consultative Group Meeting

The Minister of Finance, Budget and Economic Development Cooperation, and World Bank Group Governor for the Republic of Burundi, Dr. Domitien Ndiokubwayo, chaired the African Consultative Group (ACG) Meeting held on April 1, 2021. The 2021 ACG continued the discussion raised by the Governors on the 2020 Memorandum and added new concerns for the Bretton Woods Institutions' heads to consider.

The ACG discussed the impact of COVID-19, which had reversed Africa's development progress of recent years, hampered the region's growth prospects, and

eroded the gains made in poverty reduction, education, health, and other social indicators. The pandemic's risks underscore the need to curb the spread of the virus, build back economies, and enhance WBG's cooperation with African governments to accelerate the region's development.

The ACG discussed the following topics:

- Reinforcing Macro-Fiscal Policies and Governance, strengthening markets, private

sector, and jobs

Governors wanted to understand the Bank's work on strengthening domestic resources mobilization, public investment management, curbing illicit financial flows, among others, to help create fiscal space. They requested the WBG to support Africa to build the capacity to sustain measures that enhance governments, strengthen macro-economic Management, improve fiscal transparency, and enhance Public Financial Management (PFM).

- **Enhancing external assistance and aid effectiveness during the pandemic**

Governors emphasized the importance of efficient and effective utilization of resources provided to African countries and called on the Bank to ensure that all client countries in need, including the small income countries, the small states, and non-accrual states need to be provided with the much-needed critical resources to help cope with the pandemic.

- **Enhancing Africa's representation and voice in diversity in the World Bank Group**

On diversity and inclusion, Governors requested the President to address issues raised in the racial discrimination survey and consider increasing the representation of Sub-Saharan African nationals in the Bank beyond 12.5 percent. There was a need to increase SSA mid-level managers and African women across all grades in the Bank.

- **Scaling up service delivery in health, education, water, and social protection sectors**

Governors recommended the expansion and sustained Bank support in the private sector to enable domestic production of medical equipment, address the rapidly growing food insecurity, support African countries in

accelerating the expansion of existing social programs, and advance the strategy preparedness delivery response program utilizing the MPA. They requested the flexible and expeditious distribution of resources under the IDA refugee and community window to contain the spread of COVID-19 in refugee camps and supporting the expansion of Internet connectivity infrastructure and digitalization in Africa.

The President of the WBG, Mr. David Malpass, assured Governors of the continued collaboration among global institutions and the International Financial Institutions, including the IMF, to implement a common framework in combating the COVID-19 crisis. In 2020, the Bank had increased IBRD and IDA lending by 65 percent. Further, the Bank committed US\$24 billion to the African Continent. It was working closely with all the relevant organizations, particularly the Health Ministries in African countries, to assess the readiness to deploy and deliver the vaccines.

The IFC acknowledged the challenges faced by the African continent and, through the IFC 3.0 strategy, was strengthening the Bank's position and presence in FCV countries in Africa. IFC was working on representation in more than 30 countries in Africa and would open nine new offices in 2022.

MIGA informed the Governors that they had about US\$7 billion guarantees across Africa, with US\$2 billion earmarked for regional guarantees, reflecting increased MIGA transactions within the region. The Bank emphasized the importance of investing in infrastructure, working on digital connectivity, and reaching universal access to the energy baseload necessary for job creation.

Burundi would host the next meeting of the African Caucus in August 2021.

Highlights of the First IDA20 Replenishment Meeting

IDA Deputies and Borrower Representatives (Participants) held the first IDA20 replenishment meeting virtually on April 14–15, 2021. The main objectives of the meeting were to discuss the proposed adjustments to IDA19 implementation and strategic directions of IDA20. Mr. Sahr Lahai Jusu from Sierra Leone and Ambassador Libérat Mfumukeko from Burundi represented the Constituency in their capacity as IDA Borrower Representatives for Africa Group 1 Constituency.

In the advent of COVID-19 necessitated a shift in the trajectory for International Development

Association (IDA). During FY20 and FY21, the WBG adjusted country programs to provide for a swift and flexible response to meet COVID-19 induced country needs. The WBG redirected resources targeted for specific projects and programs, such as infrastructure and governance and institution building, towards strengthening countries' response to COVID-19. This support for COVID 19 recovery comprised support toward protecting the poor and vulnerable, reinforcing health systems, maintaining private-sector activity, and bolstering economic recovery.

IDA countries bore the most brunt of the destruction occasioned by COVID-19, with hard-worn

gains on poverty reversed significantly and progress on the achievement of Sustainable Development Goals (SDGs) halted. IDA has therefore had to shift its focus and redouble its efforts toward saving lives and livelihoods in IDA countries. This called for frontloading more than forty percent of IDA19 resources. The shift in focus and disbursement framework because of COVID-19 necessitated the shortening of the IDA19 implementation period to two years and advancing IDA20 by one year. This exceptional replenishment process implies a scaled-up and targeted response to IDA countries' needs to recover from the crisis and build back better.

The advanced IDA20 financing cycle presents an opportunity to focus on building back better from the crisis and also enhance the existing IDA policy framework to support the transition to a green, resilient, and inclusive future. The strategic direction to be adopted under IDA20 will advance several policy priorities, including human capital, crisis preparedness, and governance to build back better. Under IDA20, the special themes of Climate, Gender,

Fragility, Conflict, and Violence (FCV) and Jobs and Economic Transformation (JET) will be retained, and Human Capital added to the list of special themes. Debt, Technology, Governance and Institutions and Crisis Response will be adopted as Cross-Cutting Issues.

At the launch of IDA20 during the 2021 Spring Meetings, Participants discussed proposed adjustments under IDA19 in terms of volumes and terms and reallocations due to the advanced IDA20. These adjustments include maintaining continuity of the Performance and Policy Actions (PPAs) implementation across IDA cycles, an adjustment to set aside mechanism under the Sustainable Development Finance Policy (SDFP). IDA Participants also discussed how balance sheet optimization measures could be integrated into the IDA20 financing framework.

The second IDA20 replenishment meeting will take place on June 28–30, 2021, in which IDA Participants will discuss the proposed IDA20 Policy Package and Financing Framework.



Mr. Sahr L. Jusu, AFG1 IDA Borrower Representative (Sierra Leone)



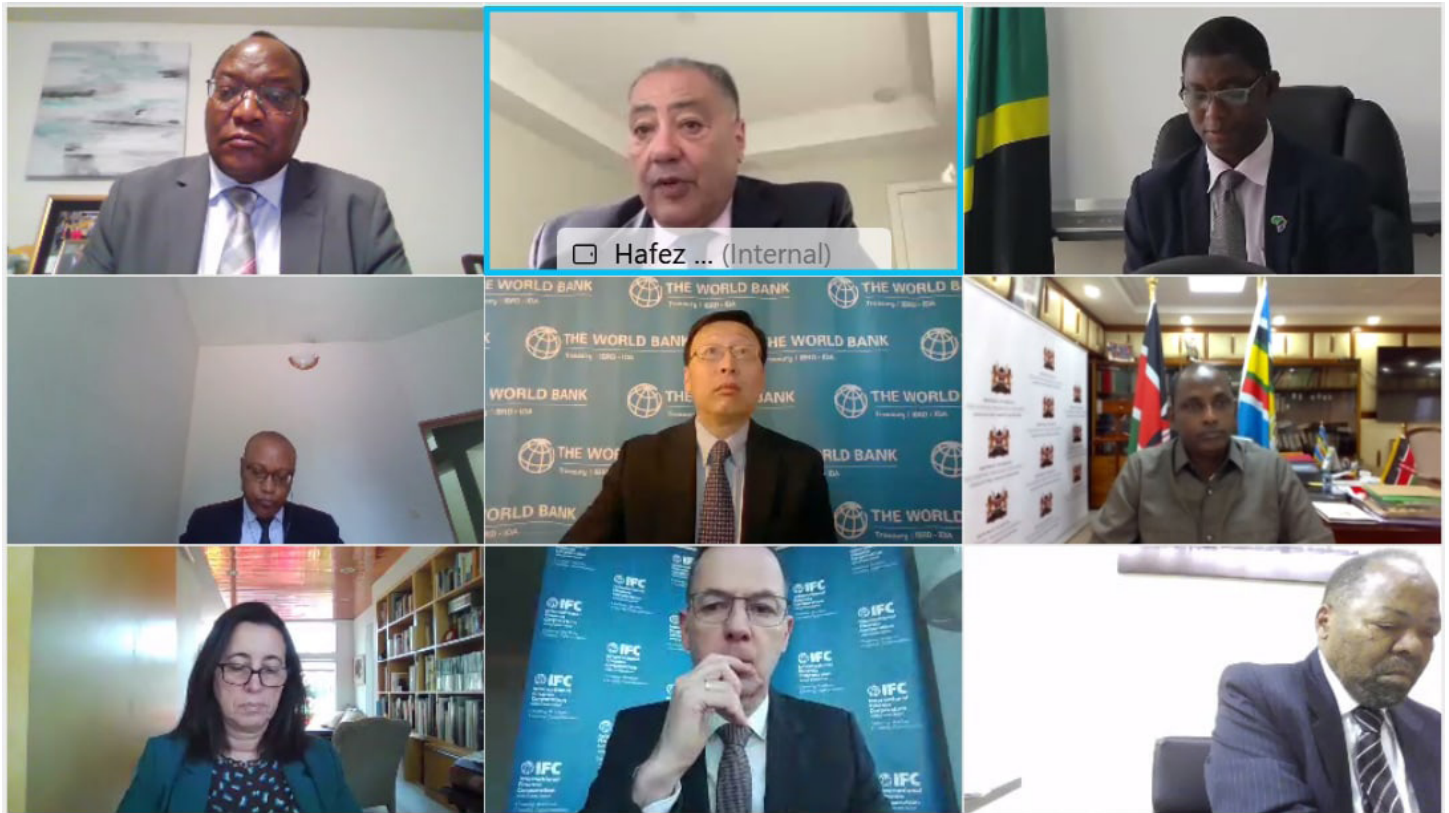
Amb. Libérat Mfumukeko, AFG1 IDA Borrower Representative (Burundi)

Increased WBG Support to Middle-Income Countries (MICs) in the Constituency

To initiate this strategic objective, the Constituency held the first Middle-Income Countries (MICs) Forum virtually on April 23, 2021. The Forum was chaired by the Governor of World Bank Group and Cabinet Secretary for the National Treasury and Planning of the Republic of Kenya Hon. (Amb.) Ukur Yatani Kanacho. The WBG Governor and Minister of Economic Planning and Development of the Kingdom of Eswatini, Hon. Dr. Thambo Gina; Alternate Governor for the Republic of Botswana, Dr. Wilfred Mandlebe; and Alternate Governor for the United Republic of

Tanzania, Mr. Emmanuel Mpawe Tutuba, attended the Forum. Government officials from these countries and the Republic of Zambia also participated. Also in attendance from the Management side were the Vice President (VP) of the Eastern and Southern African Region, Dr. Hafez Ghanem; VP WBG Operations, Ms. Manuela Ferro; VP for IFC Middle East and Africa Region, Mr. Sergio Pimenta, and VP and Treasurer of the World Bank Treasury, Mr. Jingdong Hua together with their teams.

The Forum was motivated by the concern that despite the WBG's commitment and the provisions



From top left: Mr. Taufila Nyamadzabo, Executive Director; Mr. Hafez Ghanem, Regional Vice President for Eastern and Southern Africa; Mr. Emmanuel Mpawe Tutuba, Alternate Governor for the United Republic of Tanzania; Mr. Floribet Ngaruko, Alternate Executive Director; Mr. Jingdong Hua, Vice President and Treasury of the WBG; Hon. (Amb.) Ukur Yatani Kanacho, Governor for the Republic of Kenya; Ms. Manuela Ferro, Vice President-WBG Operations; Mr. Sergio Pimenta, IFC Vice President for Middle East and Africa Region; Hon. Dr. Thambo Gina, WBG Governor for the Kingdom of Eswatini.

of the 2018 Capital Package to increase support to MICs, the WBG’s engagement with some MICs in the Constituency has consistently been weak. Admittedly, MICs are grouped into this category based on their income status, which conceals the diverse levels of economic, political, or social development of the countries within this classification. The discussion sought to provide an opportunity for Management to engage with the six MICs in the Constituency, namely, Botswana, Eswatini, Kenya, Namibia, Tanzania, and Zambia, as well as Seychelles, a high-income country, whose geographic positioning as a Small Island Developing State (SIDC), exposes the country to peculiar vulnerabilities.

To prepare for the Forum, the Constituency Office prepared a Strategy Paper to increase World Bank Group (WBG) support to the MICs. The Executive Director presented the Paper outlining the different and unique geographic and economic environments, endowments, challenges, and specific needs common to all these countries, the provisions of WBG’s 2018 Capital package and the IFC’s overarching approach to supporting MICs. The Paper also outlines the areas for further engagement and increased WBG support for the MICs and the Republic of Seychelles. The key strategic areas on which monitoring indicators

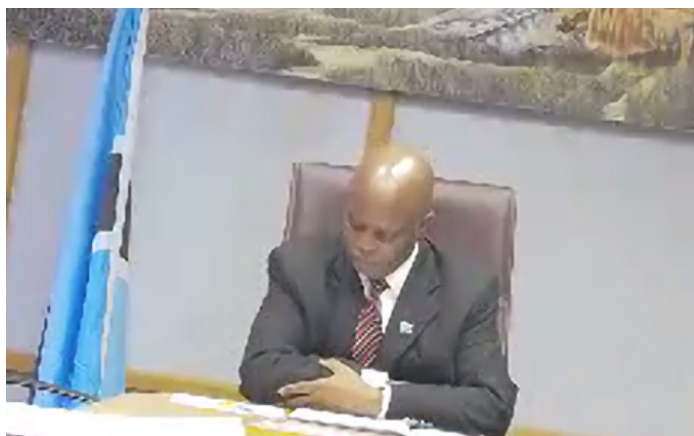
will be developed are: (i) support to Human Capital Development, (ii) Jobs and Economic Transformation, (iii) Private Sector Investment and MSME development, (iv) Regional Integration and Trade, (v) Support to Capital Markets, (vi) Investment in Infrastructure and Digital Technology, (vii) Debt Management and Advisory Support, (viii) Disaster Risk Management, and (ix) Mitigation and Managing Financial Risk.

In his remarks, Mr. Ghanem noted that the identified strategic areas were aligned with the policies and programs the Bank was supporting. He further remarked that the COVID-19’s economic and social impacts continued to be felt across the African continent and increased the financing needs. He said the Bank was committed to working with MICs to prioritize policy actions and investments that address the challenge of creating more, better, and inclusive jobs. He stated that the key focus areas for long-term engagement with MICs included boosting human capital and empowering women, accelerating Africa’s digital economy, promoting regional integration, and increasing access to affordable renewable energy.

Mr. Ghanem explained that energy was a critical driver of economic transformation, mitigating climate impacts, and supporting human development. With the new Energy Access Initiative, the WBG was scaling

up its investments in energy access to enable SSA countries to meet the objective of achieving universal access by 2030 (SDG7). He observed that a funding gap existed in all the MICs. Botswana requires an investment of US\$440 million; Eswatini of US\$344 million; Kenya of US\$6.2 billion; Lesotho of US\$560 million; Namibia of US\$1.1 billion; Tanzania of US\$4.6 billion; and Zambia of US\$2.3 billion to achieve universal access by 2030. He reiterated that the current access gap can only be closed by mobilizing the private sector, innovation, regional solutions, and reforms to unlock markets. The World Bank could play a convening role in bringing public and private financiers around a common framework of access expansion.

On the Digital Economy for Africa (DE4A), he informed the Forum that digital transformation could unlock new pathways for inclusive growth, innovation, job creation, service delivery, and poverty reduction in Africa. He indicated that the WBG was helping countries reach the goal through the DE4A, ensuring that every African individual, business, and Government is connected to the internet by 2030. He said that Forum this goal could boost growth as much as two percentage points per year and reduce poverty by one percentage point per year. He further informed the Forum that the WBG was working on a diagnostic assessment on the state of the digital economy to inform the governments and guide WBG support in this area. The Bank recently completed digital economy diagnostics in Kenya, Seychelles, South Africa, Tanzania, and Zambia. Another was underway in Botswana.



Dr. Wilfred Mandlebe, WBG Alternate Governor for Botswana

On Human Capital, Mr. Ghanem said that the COVID-19 crisis underscored the need to protect and bolster human capital in the overarching effort to save lives, promote well-being, and safeguard future productivity. The WBG was prioritizing five “game-

changers” aimed at accelerating human capital development in the wake of the pandemic. These were: (i) scaling up financing and policy reforms; (ii) investing in women’s empowerment and demographic change; (iii) addressing fragility and conflict; (iv) leveraging technology and innovation; and (v) building knowledge and partnerships.

Finally, the VP assured MICs that the Bank would continue scaling up work on regional integration, taking a holistic view of the continent to improve connectivity, leverage economies of scale, and advance collective action to address shared challenges. The focus was on strengthening connectivity through infrastructure development in transport, energy, and digital technology; supporting trade and building markets; improving human capital by providing opportunities for skills development, empowering women, and managing diseases and pandemics; and promoting resilience through work on farming and livestock, food security, climate change, displacement, and transboundary waters. The WBG is fully committed to strengthening regional trade integration through support to the African Continental Free Trade Area (AfCFTA).

The IFC Vice President for the Middle East and Africa Regions, Sergio Pimenta, briefed the Forum about current IFC’s work in non-IDA countries. He indicated that over the past ten years, IFC’s work in non-IDA countries was highly selective. Its overarching approach to engaging in these selected MICs would focus on the technology and innovation, climate change, capital market, and financial infrastructure development to exploit the leveraging effects inherent in globalization, inclusion, frontier regions, south-south/regional integration, support public-private partnerships, and infrastructure development.

Mr. Pimenta indicated the IFC, in collaboration with IBRD, could help establish or expand National Credit Guarantee Schemes designed to support SME lending and improve financial inclusion. IFC would leverage the experience gained in the Middle Eastern and North African (MENA) countries to enhance the governance and supervision of the microfinance sector in SSA to strengthen the financial sector’s resilience. Furthermore, IFC would leverage its expertise in risk management to support central banks enhance their stress testing frameworks and help financial institutions upgrade their risk management practices. He stated that, building on IFC’s Country Private Sector Diagnostics (completed and ongoing), the Bank Private Sector Assessment and its Strategy was tailored to address identified specific constraints that could unleash concrete opportunities to build back better the economies with a particular focus on

transformation and employment creation. He then updated the Forum on the specific areas of support in each of the Constituency MICs.

The Vice President and Treasurer of the World Bank, Mr. Jingdong Hua, gave an overview of the work of the World Bank Treasury in Africa. He noted that since the pandemic outbreak, his Office actively supported clients in many AfG1 countries to mobilize financing and manage financial risks. He then highlighted the following five potential avenues for the World Bank Treasury Support:

- **Mobilizing Favorable External Financing**

Given the relatively low levels of financial intermediation in some AfG1 countries, the public sector would require access to external financing to meet investment needs. The Treasury could help explore options for other types of external financing that may be suitable, including international capital markets where appetite exists for sovereign and sub-sovereign debt.

- **Increasing Sustainable Financing**

The Treasury could provide advisory support to clients on sustainable bonds, enabling AfG1 countries to diversify the investor base, promote transparency, indicate a commitment to the SDGs, and potentially yield more favorable financial terms. Their work also involves seeking out donors to support transactions, developing the appropriate frameworks for sustainable bonds, bringing in third-party verifiers, helping with the reporting and monitoring, and sharing experiences from other issuers worldwide.

- **Managing Financial Risks**

The Bank could also help in the area of interest rate risk management. Fiscal authorities in AfG1 countries should explore tools to manage the financial risks of

the debt portfolio more efficiently. The Treasury offers interest rate conversions within the IBRD flexible loan agreements. It allows borrowers to convert from a floating to a fixed reference rate, and they can also explore local currency options that may be suitable for certain AfG1 countries. This was offered as an embedded option in IBRD and IDA scale-up window loans, and where feasible, converting the loans to local currency could be another way to manage debt risks effectively.

- **Transferring Disaster Risks**

The WB Treasury could also bring support to the region through solutions to help manage disaster risks, including climate change-induced risks. Advisory services on risk transfer products and options, including insurance and catastrophe bonds, are offered. The Bank could also provide intermediation services to transfer client's risks to insurance and capital markets.

- **Hedging Commodity Risks**

Finally, Mr. Hua highlighted the area of managing exposures to commodity price risks. Treasury offers several solutions for commodity price risks, including advisory services on hedging such risks and the policies and strategies to set up hedging programs. They arrange hedging transactions for several countries, which helps smooth budgets and make them more predictable.