Africa Group I Constituency

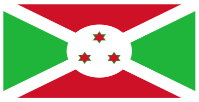
WORLD BANK GROUP

2023 Interim Report

Dr. Floribert Ngaruko
Executive Director

AFRICA GROUP 1 CONSTITUENCY MEMBER COUNTRIES


Republic of Botswana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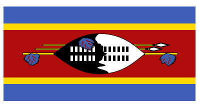
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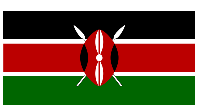
Republic of The Gambia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Kingdom of Lesotho


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Republic of Mozambique


Republic of Namibia


Republic of Rwanda


Republic of Seychelles

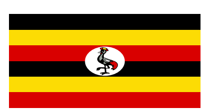

Republic of Sierra Leone


Federal Republic of Somalia


Republic of South Sudan


Republic of Sudan


United Republic of Tanzania


Republic of Uganda


Republic of Zambia


Republic of Zimbabwe

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ACRONYMS AND ABBREVIATIONS

AfG1	Africa Group 1 Constituency
AML/CLF	Anti-Money Laundering/Countering the Financing of Terrorism
BEE	Business Enabling Environment
CCDRs	Climate and Development Reports
COVID-19	Coronavirus Disease 2019
Common Framework	G20 Common Framework for Debt Treatment
CPF	Country Partnership Framework
CPSD	Country Private Sector Diagnostics
CRW	Crisis Response Window
EAC	East Africa Community
ED	Executive Director
EMDE	Emerging Market and Developing Economies
ESF	Environmental and Social Safeguards
FCS	Fragile and Conflict-Affected Situations
FCV	Fragility, Conflict and Violence
FDI	Foreign Direct Investment
FIF	Financial Intermediary Fund
FY	Fiscal Year
GCRF	Global Crisis Response Framework
GDP	Gross Domestic Product
GGWI	Great Green Wall Initiative
GTFP	Global Trade Finance Program
GTSF	Global Trade Supplier Finance Program
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IFF	Illicit Financial Flows
IMF	International Monetary Fund
JET	Jobs and Economic Transformation
LIC	Low Income Countries
LTF	Long Term Finance
MIGA	Multilateral Investment Guarantee Agency
MSMEs	Micro, Small and Medium Enterprises
OED	Office of the Executive Director
PPR	Prevention, Preparedness and Response
PSW	Private Sector Window
SADC	Southern African Development Community
SCF	Supply Chain Finance
SSA	Sub-Saharan Africa
STF	Short-Term Finance
UNCCD	United Nations Convention to Combat Desertification
UNCTAD	United Nations Conference on Trade and Development
US	United States
WBG	World Bank Group

Executive Director with Hon. Samuel Tweah, Chairman of Africa Group 1 Constituency and WBG Governor for the Republic of Liberia

Executive Director with Ambassadors representing Constituency Countries to the United States

FOREWORD

I am pleased to present the 2023 Interim Report, the first since I assumed my role as Executive Director of the Africa Group 1 Constituency. At the outset, I wish to express my sincere gratitude and appreciation to the World Bank Group (WBG) Governors and Alternate Governors of the Constituency for entrusting me with the stewardship of the Office of the Executive Director (OED) for the period beginning November 1, 2022, to October 31, 2024. I am both proud and humbled by this privilege. I count on your guidance and support throughout my term of office.

Fiscal year 2022, like the previous year, was marked by challenging moments for the international community and the WBG. Global growth slowed from 5.5% in 2021 to 2.9% in 2022 and across the world rising food and energy prices were pushing millions of people into poverty, particularly in Sub-Saharan Africa (SSA). Rising interest rates in developed countries have exacerbated SSA's debt service burden. The activities of the WBG continue to be dominated by interventions aimed at mitigating the adverse impact of these crises on client countries, with limited financing allocated to 'build back better' and restoring progress towards the 2030 agenda.

The Constituency's Medium-Term Strategy (2020-2025), which I developed in collaboration with my predecessor and modified to reflect current priorities, will continue to guide deliverables of the OED during my tenure. The Strategy aims to serve two purposes: (a) to ensure continuity of the Office of the Executive Director (OED)'s work program, and (b) to enhance OED's accountability to Governors. It is based on five pillars, i) Mobilizing Financial and Technical Resources; ii) Supporting Private Sector Development; (iii) Increasing WBG Support to Middle Income Countries; iv) Advocating Diversity and Inclusion; and v) Enhancing/Advocating for Capacity Building in the Constituency countries.

The implementation of this strategy during the previous two years was focused on the two central pillars of advocating for substantial mobilization of resources from the WBG for the benefit of Constituency countries and their private sectors, supported by progress around the other three pillars. We have highlighted the magnitude of the needs of our member countries grappling with the pandemic impact and other socio-economic crisis, and the necessity to rebuild their economies better as they recover.

Thanks to concurrent advocacy efforts with other African Constituency offices, the Board of Executive Directors, and other allies in the South and the North, International Development Association (IDA) and International Bank for Reconstruction and Development (IBRD) have continued to deepen their support to our member countries. This was coupled with a strong plea to creditors for the suspension of debt service payments, as countries remain saddled by unsustainable debt levels. IDA20, the primary source of financing for most of our Constituency countries, has started delivering at strong pace. However, implementation of IDA's Crisis Response Window (CRW) is reflecting the countries' needs and the gaps created by the high energy and food prices. If we are to maintain the countercyclical role of the CRW, we will need to continue advocating for additional resources to the CRW. More broadly, while we have encouraged Constituency countries' efforts to frontload some of the resources available under IDA20 in

FY23 to counter the effects of muti-crises global environment, we also need to advocate for maintaining strong financing capacity in FY24-25.

A new initiative was triggered by the Development Committee in October 2022. The initiative responds to various shareholders' calls for the WBG to develop a Roadmap to strengthen its role and capacity to respond to the pressing global challenges, including climate change, pandemic risks, inflation, heavy debt burdens, and increasing fragility and conflict, while maintaining its focus on eradicating extreme poverty and reducing inequality. The approach elaborating how the institution can evolve has been provided in a Roadmap Paper which articulated how the WBG will enhance its mission, financial and operational models to support the evolving needs of all client countries, with particular focus on global challenges. Negotiations on the elements identified in the Roadmap Paper are expected to continue through 2023, with an update to Governors and decisions at the Spring Meetings and the Annual Meetings. The OED continue to advocate for the priorities and development issues of our Constituency countries and the SSA continent at large.

Between July 2022-February 2023, IBRD/IDA committed US$6.3 billion for 15 constituency countries, mostly from IDA. Considering the pipeline projects planned for the rest of the Fiscal Year, the end-year total commitment level to Constituency countries could reach US$9 billion, approaching the US$10 billion delivered in FY22. Overall, the disbursement performance for the first eight months of FY23 is strong, with a total of US$4.7 billion disbursed to 20 constituency countries. However, the Office's assessment shows that more efforts are needed to accelerate disbursements for active World Bank portfolios in Constituency countries.

The WB's Fragility, Conflict and Violence (FCV) has continued as an effective targeting framework to deliver urgently needed support to FCV countries, including through IDA FCV envelope and WBG global crisis response instruments. FCV countries received US$11.9 billion financing from the Global Crisis Response Framework (GCRF). From July 2021 – December 2022, IFC total investment in Constituency countries reached US$ 2.3 billion, comprising US$2.2 billion in Long-Term Finance (LTF) and US$100 million in Short-Term Finance (STF). The Office will continue to monitor the strong pipeline of projects which could benefit many Constituency countries.

My term will continue to be marked by the call for maximizing finance for our countries to help them respond more effectively to external shocks and longer-term development needs. In line with the Office's Strategy, particular emphasis will be on advocating for more resource flows to Constituency countries. We will also continue to advocate for more efforts to raise disbursement levels.

The Constituency will remain fully engaged on the discussions on the WBG Evolution Roadmap after the Spring Meetings. We will actively advocate for the priorities and development issues of our Constituency countries and more broadly Sub-Saharan Africa. The Office of the Executive Director will continue to consult with our Governors and keep them informed throughout the process.

Finally, I extend my gratitude to the Governors and Alternate Governors for the unwavering support, a solid foundation upon which the OED's success rest. I affirm my promise to fulfill my mandate. I also wish to thank the Alternate Executive Director, Dr. Zarau Wendeline Kibwe, and OED staff for their dedication and tireless contribution to the work of the Office. It is my hope that Governors will find this report a valuable resource for their deliberations during the 2023 Spring Meetings in Washington, DC.

Dr. Floribert Ngaruko
Executive Director

EXECUTIVE SUMMARY

The global economy is experiencing growth deceleration exacerbated by advanced countries' synchronous monetary tightening accentuated by lingering effects of the pandemic. In the face of elevated inflation, higher interest rates, reduced investment, and disruptions caused by war in Ukraine, global growth is expected to slump to 1.7% in 2023, the slowest pace outside the 2009 and 2020 recessions since 1993. The world's largest economies – US, Euro area and China, – are expected to grow at lower rates due to tightening financial conditions, and disruptions caused by the war in Ukraine.

Sub-Saharan Africa's average Gross Domestic Product (GDP) growth is expected to stabilize at 3.9% in 2023 and 2024, up from 3.4% in 2022, but the region's exports are expected to experience a sharp decline, mainly due to lower demand for non-energy commodity exports. Moreover, while developed economies are attracting more Foreign Direct Investment (FDI) to reverse low growth, Emerging Market and Developing Economies (EMDEs) are struggling with capital outflows. It remains unclear how under these circumstances, EMDEs can attract the external financing required to strengthen investments, food resilience, and other priorities. The World Bank has warned of a recession in 2023 and indicated a sharp, long-lasting slowdown is expected to hit developing countries.

During Fiscal Year 2023, the Executive Board of the World Bank Group (WBG) discussed several policies and received various updates on policy-related issues. During the 2022 IMF/WBG Annual Meetings, the Development Committee called on the WBG to develop a roadmap to enable and scale the WBGs capacity to respond to global challenges while delivering on the Twin Goals and the SDGs in all client countries. The roadmap engagements are a Board-led process expected to yield proposals intended to evolve the WBGs mission and vision, the Operating Model, and the Financial Model. The process is expected to produce proposals for consideration by the Development Committee during the 2023 Annual Meetings.

On food security, the World Bank Food Security Update issued in February 2023 highlighted that the World Bank Group had provided US$30 billion to respond to the food security crisis. On Pandemic preparedness, the WBG Board of Executive Directors approved the establishment of a Financial Intermediary Fund (FIF) for Pandemic Prevention, Preparedness, and Response (PPR). The Fund's Governing Board approved US$300 million in financing to help developing countries better prepare for and respond to future pandemics. On Climate Change, the World Bank Group launched the Country Climate and Development Report (CCDR) in FY22 to deliver high-quality diagnostics that integrate climate action and development. As of November 2022, the WBG had initiated 25 CCDRs covering 29 countries. On Regional Integration, the OED is collaborating with the Southern African Development Community (SADC) and the East African Community (EAC) to build partnerships to deepen regional integration through various initiatives that address specific priority areas identified within the respective regional blocks.

The debt situation in SSA continues to present significant risks to Africa's development agenda. In January 2023, the World Bank released its Global Economic Prospects, which highlighted that total EMDEs debt reached a 50-year high. SSA's debt dynamics show worsening trend. Government debt remained above 60% of GDP in almost half of SSA economies. Fiscal deficits have deteriorated due to the inability to raise funding from international capital markets coupled with the erosion in investor sentiment, negatively impacting debt sustainability in SSA. On supply chain finance, the IFC is mobilizing private capital from banks and insurers to support its Global Food Security Platform and the Africa Trade and Supply Chain Recovery Initiative. The IFC's total trade and supply chain finance commitments reached US$ 8.8 billion, increasing by 43%. On Illicit Financial Flows (IFFs), the Office continues to advocate for additional focus on addressing IFFs to strengthen the financing for development and is using the Evolution Roadmap discussions to ampliFYthe urgency. On remittances, the World Bank released a report in 2022, highlighting that remittance flows to SSA grew slightly by 5.2%, from US$50 to US$53 billion. The slow recovery was influenced by the war in Ukraine and the rising prices of global commodities, which created inflationary pressure affecting migrants' income in host countries.

The report also covers the WBG's operations for the fiscal year 2023 (FY23 Year-To-Date). The combined commitments of the WBG amounted to US$46.3 billion during this period, which represents an increase of 51.8% over the amount recorded in the previous fiscal year. Under IDA financing framework, net commitments increased by 15.8 billion, up 38.9% over FY22 similar period, while disbursements increased by 47.5%. Compared to other WBG institutions, IFC commitments increased by US$19 billion (51.9%) in FY23 first half, combined with a higher and more advanced pipeline than the previous year. During FY23 first half, MIGA issued guarantees totaling US$1.6 billion, up 32% from the previous year.

The Office of the Executive Director has continued to implement the Medium-Term Office Strategy and has made good progress in the past six months. On resource mobilization, the OED has remained engaged in IDA discussions by supporting the participation of the Constituency's IDA Borrower Representatives. The IDA Borrower Representatives advocated for additional contributions to the IDA Crisis Response Window, during the IDA meeting held in December 2022. The OED, through its Board engagements, supports the enhancement of IBRD's lending capacity. Between July 2022-February 2023, the Bank committed a total of US$6.3 billion for 15 constituency countries, mostly supporting IDA eligible clients. Both the FY22 and FY23 commitments reflect a surge in the financing of Bank activities to counter the negative effects of global challenges facing client countries.

Private sector development is a key pillar for the Office's engagement with the WBG. During the first half of FY23, IFC new commitments for Constituency countries reached US$ 579 million. IFC commitments in SSA have historically been driven by short-term finance. From July 2021 – December 2022, IFC had investments in sixteen Constituency countries, reaching a total commitment of US$ 2.3 billion. The Africa region continues to benefit from a large proportion of the IDA Private Sector Window commitments. The Office will continue to advocate for the full utilization of the IDA-20 PSW.

To fulfill the strategic objective of enhancing the interaction between the Office and Constituency countries, the Executive Director undertook seven official missions since November 2022. The WBG Eastern and Southern African Vice President, Ms. Victoria Kwakwa also visited seven countries in the region, in two of which the OED was a part. The Office continues to promote diversity and inclusion in the WBG, particularly in middle management. In reflection of the feedback and comments the Office receives from WB staff based in the region, the OED has continued to advocate for the WBG to address the significant losses experienced in the actual value of the compensation package due to high inflation rate. In support of the economic transformation ambition of constituency countries, the OED has prioritized its advocacy role for increased WBG support to capacity building in SSA. To advance this agenda and inform more concrete action from the WBG, the OED has approached the Committee for Development Effectiveness (CODE) to facilitate a systematic review of the Bank's efforts to support capacity building in SSA.

CHAPTER 1: ECONOMIC DEVELOPMENTS AND PROSPECTS

Executive Director, Dr. Floribert Ngaruko meeting with the leadership of Bankers Association and CEOs of Commercial Banks in Burundi, and representatives of the Federal Chamber of Commerce and Industry

CHAPTER 1: GLOBAL ECONOMIC DEVELOPMENTS AND PROSPECTS

This Chapter presents an overview of recent economic developments, the medium-term outlook, as well as risks to the global economy. It also focuses on the economic performance and prospects in the Sub-Saharan Africa (SSA) region, including the Africa Group 1 Constituency.

1.1 GLOBAL ECONOMIC PERFORMANCE

The global economy continued to grapple with multiple crises in 2022. The rise in food prices caused in part by the war in Ukraine has had a devastating impact globally and regionally, driving millions of people into hunger and food insecurity. The world has also seen a spike in energy prices, the worst since the 1973 energy crisis. There have also been natural disasters, such as recent floods in Mozambique and Malawi, drought in East Africa, as well as increased conflict and instability.

Across the world, inflation has risen, eroding purchasing power, raising the prices for business, including labor and materials, and driving millions of people into poverty, particularly in Sub-Saharan Africa (SSA). Higher interest rates in advanced economies designed to control inflation exacerbated the burden of debt service and tightened financial conditions, with rising borrowing spreads for the most vulnerable Emerging Market and Developing Economies (EMDEs).[1] Global foreign direct investment has been on a downward trajectory, as continued uncertainty, inflation, and the risk of recession dampened investor response. In the second quarter of 2022, global FDI flows reached roughly US$357 billion, down 31% from the first quarter.[2] Developed countries have continued to absorb a large part of the global capital over the past two years, mainly through running large fiscal deficits, while there is also heavy borrowing by both small and large firms. This has reduced the flow of capital to developing countries and increased the cost of borrowing.

The World Bank warns that the ongoing geopolitical and economic crises could tip the global economy into recession which for the first time in more than 80 years would result in the occurrence of two global recessions during the same decade[3].

Mid-Term Outlook

Global Growth

Global economic activity is witnessing a sharper than expected slowdown, reflecting the impact of the war in Ukraine, financial pressures, tightening monetary policy, as well as rising geo-political tensions. The global economy growth is estimated to have slowed from 5.5% in 2021 to 2.9% in 2022 and is forecast to decline to 1.7% in 2023 and then pick up to 2.7% in 2024[4] - the slowest pace outside the 2009 and 2020 recessions since 1993. A Significant contribution to growth in 2023 is expected to come from the East Asia and Pacific region, projected to grow at 4.3% in 2023. This is driven by a pick-up in activity in China following the removal of its zero-COVID strategy. This trajectory will help reverse the per capita income losses caused by the economic impact of the pandemic in EMDEs. However, downside risks still dominate the outlook, reflecting the possibility of repeated disruptions related to the pandemic, prolonged stress in China's real estate sector (accounting for

1 2022 Globla Report on Food Crisis, Mid-Year Update

2 UNCTAD, Quarterly Trend Monitor Report, https://www.fdiintelligence.com/content/news/global-fdi-forecast-to-decline-further-81604

3 Global Economic Prospects Report, World Bank, JNUARY 2023.

4 Global Economic Prospects report, World Bank, op. cit.

up to 25% of China's economic activity), financial pressures, and disruptive weather conditions.

and the global slowdown. EU growth is expected to pick-up to 1.4% in 2024.[6]

BOX 1.1: Investment Growth After the Pandemic

As COVID-19 spread across the world with unprecedented speed, business operations were disrupted, and investor behavior dramatically shifted. Triggered by heavy selling, major equity indices plunged, and EMDEs, excluding China, suffered a particularly sharp investment decline of more than 8 percent, a larger drop than what occurred in the 2008-2009 recession. Regionally, the decline in investment during the pandemic was most severe in Latin America and the Caribbean and South Asia, the two regions where output fell the most. After a strong recovery in 2021, investment growth is projected to average 3.5 percent per year in EMDEs in 2023-24, which is below the long-term average (2000-21) for this group of countries. It is also projected to be below the individual country trend of the past 20 years for about three-fifths of the EMDEs during this period.

Several factors may further dampen investment prospects. Spillover effects of the war in Ukraine, rising inflation, tightening financial conditions, and rising corporate debt that may constrain investment growth. These prospects raise concerns about the health of the economic situation of EMDEs, and their ability to meet the infrastructure needs of the growing populations and climate change preparation.

To achieve the SDGs related to infrastructure, an estimated investment of $1.5-$2.7 trillion per year is required on average during 2015-30, mostly for transport and electricity. Digital capabilities in commerce and governance and clean energy transition are also areas of high potential growth in investment. These reforms should be prudently sequenced and implemented according to country-specific circumstances. Given the limited fiscal space in Low Income Countries and Middle Income Countries, strong support from the donor community is required to address these investment challenges.

Regional Growth

Expectations of intensifying economic weaknesses and the adoption of a tighter monetary policy by the US federal reserve raised fears of a recession in 2023. US real GDP growth is estimated at 2.0% year-on-year in 2022, expected to slow to 0.2% in 2023, and pick-up to 1.7% in 2024.[5] The European Commission estimates the Eurozone economy growth at 3.3% in 2022, expected to slow down sharply to 0.5% growth in 2023, owing to the war in Ukraine, monetary policy tightening

The Latin America and Caribbean region is estimated to have grown by 3.6% in 2022, mainly driven by strong consumer spending and surge in remittances, although activity subsided in late 2022 in some countries as the global economic slowdown spread to the region. The region's growth is expected to slow to 1.3% in 2023, mainly affected by tightened financial conditions and slowing global demand, before picking-up to 2.4% in 2024.

China's economic growth fell from 8.1% in 2021 to an estimated 2.7% in 2022, the second lowest level in four decades, mainly due to anti-COVID measures and a downturn in the real estate

5 The Conference Board, The Conference Board Economic Forecast for the US Economy, January 2023, (https://www.conference-board.org/research/us-forecast#:~:text=This%20outlook%20is%20associated%20with, to%201.7%20%20in%202024)

6 OECD, Economic Outlook, November 2022, (https://www.oecd.org/economy/euro-area-and-european-union-economic-snapshot/).

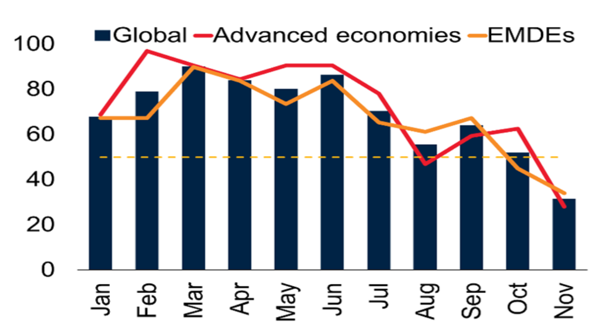
sector. However, activity is picking up after the removal of Covid-19 restrictions, and growth is projected to increase to 5.2% in 2023 and 6.3% in 2024. The recovery will be a big boost for global suppliers grappling with the rising recession risks in Western economies.

Growth in SSA slowed sharply to 3.4% in 2022, weighed down by slowing global growth, rising inflation, weak external demand, and rising debt crisis risks. Most of the population in SSA has been affected by the rise in food prices, with more than 40% of average spending allocated to food. Looking ahead, growth in SSA is expected to pick up slightly to 3.5% in 2023 and 3.9% in 2024. The Eastern and Southern African sub-region is expected to grow by 4.5% in 2023 and 5.0% in 2024.

Global Inflation

Inflation rose significantly in almost all countries in 2022 (Figure 1.1). Global inflation was around 9% at the end of the year, the highest rate since 1995. Soaring fuel and food prices have pushed inflation to around 10% in EMDEs, 12.2% in SSA, and 9% in advanced economies, the highest rate in decades. China was the largest economy with the lowest inflation rate, registering 1.8% in 2022. Its "no pandemic" strategy has pushed spending well below its pre-pandemic trend. For Africa, food inflation was exacerbated by currency depreciation and the monetization of fiscal deficit.

Figure 1.1: Share of economies with rising inflation - 2022



Source: World Bank

The global rise of prices in 2022 reflects a mix of supply and demand factors. The common factors were skyrocketing fuel and food costs, which on average accounted for more than half of inflation. These factors have been exacerbated by the war in Ukraine, particularly the blockade of grain exports from Ukraine, a major wheat producer. Prices of many consumer goods were already trending higher at the start of 2022 due to the ongoing impact of COVID-19 on supply chains, particularly transportation and tight labor market. As a result, firms started to pay higher wages to attract workers, adding to the inflationary momentum.

Some of the factors which fueled the inflationary pressures began to recede towards the end of 2022 although, high core inflation rates persisted in many countries, indicating that global inflation will remain high over the medium term. The cost of oil has fallen back to its level in 2021, thanks in part to a recovery in production. Moreover, tighter monetary policy has begun to stifle demand.

Commodity Prices

2022 was an exceptional year for commodity markets. The war in Ukraine caused a huge shock to commodity markets, especially those for which Russia and Ukraine are major exporters, including energy, fertilizers, sunflower oil, and grains. These price increases came against a backdrop of commodity markets already strained by the strong recovery in demand from the pandemic in 2021, as well as continued supply constraints caused by the pandemic. Global wheat prices increased by over 60% over the period from February to June 2022 compared to the average in January 2022, as Russia and Ukraine were among the leading wheat exporters.

The non-resolution of the conflict and the resulting production losses are expected to significantly reduce supplies of Ukrainian wheat and corn to the world market in 2023. Agricultural prices are expected to decline moderately in 2023, largely reflecting better prospects for global production and easing fertilizer and energy costs. In addition to strong demand, the war in Ukraine has contributed to the rise in oil and gas prices. This is particularly the case as Russia accounts

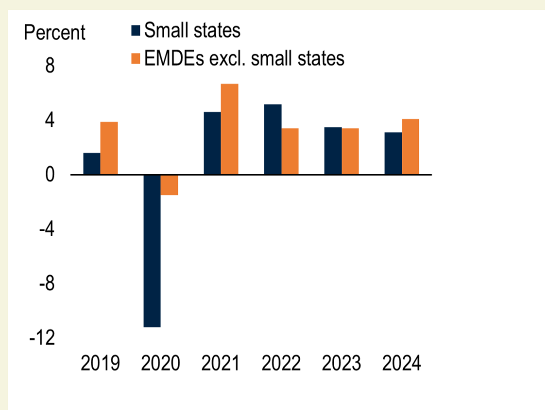
Box 1.2: Small States- Overlapping Crises and Multiple Challenges

While all economies are vulnerable to external shocks, the ramifications are greatly magnified for Small States due to their disproportionate vulnerability to external shocks arising from a narrow production base, reliance on trade openness, high concentration of exports, and reliance on strategic imports, including stable food and energy. Entering the pandemic with already weak growth prospects, COVID-19 has led to a sharp decline in GDP and a reversal of anti-poverty gains in Small States. Remoteness and lack of scale, and susceptibility to natural disasters, exacerbate the effects of economic shocks.

The World Bank estimates that Small States contracted by 11 percent compared to 1.7 percent for all EMDEs in 2020 (Figure 1.2). The slowdown was deeper in three-fifths of small states classified as dependent on tourism, which shrank by about 13 percent. Inflation reached 7.5 percent in September 2022 in Small States, compared to 2 percent in early 2020, even as domestic demand remained subdued. The sharp rise in shipping costs has particularly hit Small States due to COVID-19 impact and made worse by the spillover effects of the war in Ukraine and the tightening of monetary policy to control the growing global inflation. Small States recovery is expected to be prolonged and extensive. Growth is projected to slow to 3.5 percent in 2023, from an estimated 5.2 percent in 2022. For tourism-reliant States, it is expected to ease to 4.3 percent in 2023, from an estimated 6.1 percent in 2022. With debt levels well above the EMDEs average, global monetary policy tightening raises debt servicing costs and threatens to further slow their recoveries. Many Small States are highly dependent on remittances and external aid, an important source of current account and budget deficits financing.

The long-term prospects of Small States can be improved through policy makers by taking steps that support diversification into higher value-added sectors and improve infrastructure to expand the production base. Lowering trade costs and strengthening domestic institutions should help raise productivity. The global community can help small states by supporting building capacity and helping deal with excessive debt, keeping official aid flowing, and providing support to reduce vulnerability to challenges of climate change.

Figure 1.2: Economic growth in Small States



Source: World Bank

for 15% of global exports of crude oil. It is also the world's largest exporter of pipeline natural gas and the fourth largest exporter of liquefied natural gas, with about 45% of Europe natural gas imports received via Russian pipelines.

In the wake of the war in Ukraine, global oil prices topped US$139 a barrel, the highest since 2008, amid fears of a global supply shortages. However, prices fell sharply in the second half of 2022 as central banks raised interest rates and the global economy slowed, raising fears of a recession, and depressing countries' demand for oil.

By the end of 2022, Brent crude was trading at US$85.91 per barrel. Prices are expected to stabilize at an average price of US$88 per barrel in 2023. Any tighter supply by the Organization of Petroleum Exporting Countries (OPEC) in 2023 is likely to be offset by lower fuel consumption due to a deteriorating economic environment. Moreover, Europe's imports of Russian gas were significantly cut during the second half of 2022, which led to a significant drop in gas prices. Meanwhile, the European Commission has announced a plan to ramp up the introduction of renewable energy sources and end the dependence on Russian gas by 2030.

Metals prices continued to rise in early 2022, based on a strong recovery in demand in 2021. However, in the second half of 2022 prices for minerals such as gold, copper, steel, bauxite, cobalt, and other industrial metals from Africa fell due to slowing demand, especially from China. Metals in which Russia plays a major role, such as uranium and aluminum, also faced stagnant demand by the end of 2022. These products could be at risk of supply bottlenecks due to divestments by non-Russian companies and sanctions affecting access to international banking and insurance markets that could lead to higher prices in 2023.

Debt Dynamics

Metals prices continued to rise in early 2022, based on a strong recovery in demand in 2021. However, in the second half of 2022 prices for minerals such as gold, copper, steel, bauxite, cobalt, and other industrial metals from Africa fell due to slowing demand, especially from China. Metals in which Russia plays a major role, such as uranium and aluminum, also faced stagnant demand by the end of 2022. These products could be at risk of supply bottlenecks due to divestments by non-Russian companies and sanctions affecting access to international banking and insurance markets that could lead to higher prices in 2023.

According to the Institute of International Finance, global debt amounted to nearly US$300 trillion in June 2022, or 349% leverage on global GDP[7]. This debt covers borrowing by governments, businesses, and households. In 2021, global debt reached a record US$303 trillion, which was a further jump from record global debt of US$226 trillion in 2020. This was the biggest one-year debt surge since World War II, mainly due to COVID-19[8]. However, borrowing was already skyrocketing before COVID-19 — but the pandemic, and more recently the war in Ukraine, have pushed it to new heights. Governments have justified the massive increase in debt as the only way to deal with the pandemic, protect people's lives and livelihoods, and save a huge wave of impending bankruptcies.

While global debt has always been increasing over the past three decades, the recent increases in indebtedness have been worrying, as the pace of external debt accumulation has outpaced growth in most low- and middle-income countries. Moreover, many countries have experienced a sharp decline in their export earnings which has reduced their ability to service debt. The world's poorest countries now owe US$62 billion in annual debt service to official bilateral creditors, up 35% from the past year. The World Bank warns that the growing burden is increasing the risk of default, particularly in SSA[9].

High debt has also been significant in advanced economies where the debt-to-GDP ratio exceeds 100, as in the US, UK, France, Germany, Italy, Belgium, Greece, Ireland, and Japan, among others. In most cases, governments quickly coordinated with the banks to prevent liquidity crisis by lowering interest rates to make it easier for the governments and the private sector to borrow.

1.2 ECONOMIC PERFORMANCE IN SUB-SAHARAN AFRICA

7 Global Debt Leverage: Is a Great Reset Coming? S&P Global, https://www.spglobal.com/en/research-insights/featured/special-editorial/look-forward/global-debt-leverage-is-a-great-reset-coming

8 IMF, Global Debt Database, 2022

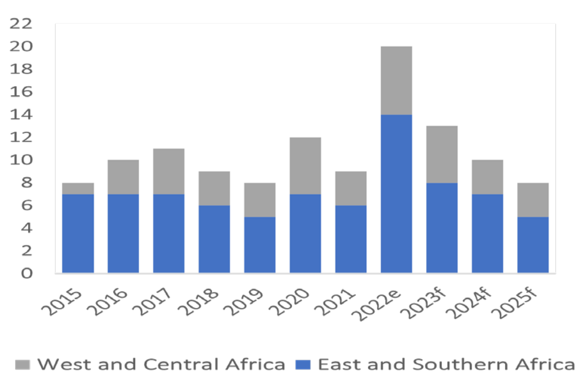
9 Are we ready for the coming spate of debt crises? Marcello Estevão, World Bank, March 2022, https://blogs.worldbank.org/voices/are-we-ready-coming-spate-debt-crises

Recent Developments

Sub-Saharan Africa's recovery from the economic impact of the pandemic has been interrupted by a range of shocks. With the global slowdown, economic growth in the region slowed from an estimated 4.1% in 2021 to 3.6% in 2022[10], with tighter global financial conditions and rising global inflation spilling over into a region already strained by a series of persistent crises. Increases in the cost of living, caused in part by the war in Ukraine, lowered the affordability of food for a large segment of society and led to sharp increases in the number of poor, particularly in countries lacking social security programs.

The current downturn is occurring at a time when many countries are still grappling with the lingering impact of the pandemic. Fiscal deficits have widened due to contraction in economic activity, leading to increases in already high public borrowing. Moreover, after a marked improvement in 2021, most countries experienced widening current account deficits, mainly due to softening global demand for exports, widening trade deficits, higher borrowing costs, and lower-than-expected current transfers. Exchange rates also came under pressure, reflecting slower foreign exchange inflows and a general deterioration in the terms of trade for non-oil exporting countries.

Figure 1.3: Number of SSA countries that experienced double-digit infation



Source: World Bank

The region has also been affected by the turmoil in global commodity prices. For example, wheat prices nearly doubled at the start of the war in Ukraine, before falling to their pre-war level during the second half of the year. Large increases in fuel and fertilizer prices have worsened the external balances of non-oil-exporting economies. Activity also subsided in the region's small states, which have suffered from higher food and energy import prices and lower remittance flows.

2022 also saw a surge in consumer price inflation, which accelerated to 9.2%. Rising food and energy prices as well as weaker currencies were the main drivers for the 14-year high record in inflationary pressure in SSA (Figure 1.3). The number of countries with double digit average annual rates of inflation increased from 9 in 2021 to 21 in 2022. Going forward, a slowdown in aggregate demand, declining commodity prices, and monetary policy tightening across the continent is expected to exert a downward pressure on inflation in 2023 and 2024.

With the tightening of financial conditions in developed countries, and sharp increases in interest rates, Low Income Countries are finding it increasingly difficult to service their debts. Moreover, the US dollar has soared in the global currency markets, and since 90% of Africa's external debt is denominated in dollars, this makes repayment prohibitively expensive, resulting in the rise of borrowing costs to unsustainable levels for highly indebted countries. Chapter 2 provides a lot more detail on debt in SSA.

Outlook

Some of the factors encountered in the previous year are expected to hamper SSA's growth prospects in 2023, but the region in general is expected to hold steady rather than suffer a major downturn in economic growth. In this challenging environment, economic activity in the region is projected to continue to decelerate to 3.1% in 2023 before picking up to 3.7 and 3.9% in 2024 and 2025, respectively (Figure 1.4). The per capita growth is expected to fall sharply to 0.6% in 2023 before recovering to 1.2 and 1.4% respectively in 2024 and 2025. Looking into growth prospects for the Eastern and Southern Africa region, GDP growth

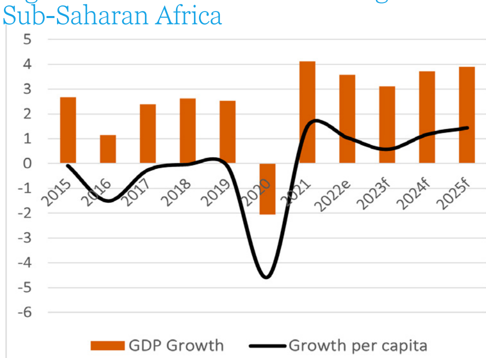
10 Africa Update: Africa's Pulse volume 27, World Bank, April 2023.

is expected to decelerate to 3% in 2023, from 3.5% in 2022. Growth is forecasted to accelerate to 3.7% and 3.9% in 2024 and 2025, respectively.

However, these prospects are related to developments in the global economy, such as the demand for industrial exports, especially from China, the tightening of global financial conditions, and commodity prices. Although the expected decline in global commodity prices should moderate increases in the cost of living, tougher policy stances to tackle high inflation will weigh on domestic demand. Moreover, as monetary policy tightens, capital inflows are expected to decline. This could lead to increased pressure on exchange rates, leading to further currency depreciation and inflation in many countries.

Overall, the external environment is expected to remain challenging for the region, with further declines in the prices of many non-oil commodities leading to lower export earnings and growth. Energy and food prices are also expected to fuel inflationary pressures, albeit at levels lower than those seen in 2022.

Figure 1.4: Forecast of economic growth for Sub-Saharan Africa



Source: World Bank

Risks and Way Forward

A combination of internal and external shocks are undermining SSA's high growth prospects in 2023-24 and threatening stability, even though most of the region is expected to experience growth. The main concerns are the high burden of debt service, food insecurity as well as geopolitical tensions and conflicts. The outlook is clouded by a series of sovereign and corporate defaults due to unsustainable debt levels.

Overvalued local currencies are a common feature across the region, implying that large exchange rate movements risk derailing inflation expectations. Subsequent decline in exchange rates may act as shock amplifiers rather than shock absorbers, weakening monetary stability and prospects for the region. Moreover, many countries are affected by social unrest caused by high rates of inflation, constant disruption to the supply chain, weaker public spending on social program, which may weaken institutions and state governance. The reversal of poverty gains due to COVID-19 and subsequent increases in food prices also influence the outlook for the region. Most countries will not be able to afford expanded social programs given the limited fiscal space, while their economies are still struggling to recover from the impact of the pandemic.

Extreme weather conditions could lead to a grave shortage of water supplies, threaten the lives of millions of people, and destabilize entire communities and countries. Drought in the Horn of Africa is contributing to high volatility in crop production and livestock yields. Adverse weather is partly contributing to the recurrence of food insecurity in Ethiopia, Malawi, Zambia, and Mozambique. The challenge of food insecurity is more severe in Fragility, Conflict and Violence (FCV) affected countries.

On the external front, the outlook for the region is affected by the tightening cycle of monetary policy in advanced economies which may ampliFYthe uncertainties it faces. With almost 50% of the countries in SSA in high or medium debt distress, such tightening could lead to a reversal of portfolio flows, leading to currency depreciation, and increasing the likelihood of financial crises.

CHAPTER 2: SELECTED POLICY ISSUES AND UPDATES

Executive Director visiting a World Bank financed primary school in Kigali, the Republic of Rwanda, where students are seen using laptops.

Chapter 2: SELECTED POLICY ISSUES AND UPDATES

This chapter provides updates on key policies and strategies that have been the focus of the Executive Boards of the World Bank Group (WBG). The chapter covers updates on the Roadmap for the Evolution of the WBG, Global Food Security Situation and WBG Response, Pandemic Preparedness, WBG Country Climate and Development Reports, African Continental, and Regional Economic Integration, IFC Supply Chain Finance Program, SSA Debt Situation, Illicit Financial Flows in SSA and Remittance Flows to SSA.

2.1 Roadmap for the Evolution of the World Bank Group

During the 2022 IMF/WBG Annual Meetings, the Development Committee called on the Management of the WBG to systematically engage the Board of Executive Directors to develop a roadmap to enable and scale the WBGs capacity to respond to global challenges while delivering on the Twin Goals and the SDGs in all client countries. The Committee highlighted the need to enhance: the shared vision; including strategic priorities, strengths, gaps, incentives; the operational approach; and the financial capacity of the institution. The WBG Management developed an initial draft of the Roadmap titled “Evolving the World Bank Group’s Mission, Operations, and Resources: A Roadmap,” which formally initiated the Board-led dialogue between the WBG Management and the Executive Directors. The Roadmap engagements between Management and the Board are structured around three evolution building blocks: the WBGs Mission and Vision; the Operating Model; and the Financial Model. This update will summarize the critical issues discussed, highlighting the areas where the Board has reached a consensus in its discussions.

WBG Vision and Mission

The Executive Directors held a retreat on February 6, 2023, following numerous technical engagements, to discuss the vision and mission of the WBG, as well as the global context, megatrends, and the global challenges impacting the delivery of its mandate. The discussions highlighted the significant reversals in poverty and largely the SDGs due to the multiple global crises. There was a strong acknowledgment that the level of vulnerability remained high, with specific recognition of the magnitude, frequency, and broad impacts of the numerous cross-boundary crises. The discussions also emphasized the heightened urgency to scale up efforts to meet the growing client demands and ensure that the WBG's vision and mission remained relevant to respond to global challenges. The presentations on the WBG's operations highlighted that over 50% of the WBG’s financing is already deployed towards pandemic preparedness, fragility, and climate-related support.

The discussions concluded with the provisional revisions of the mission statement to the following text “To end extreme poverty and boost shared prosperity by fostering sustainable, resilient, and inclusive development.” The compromise text was agreed upon to reflect the need for more focus on resilience, sustainability, and inclusive development as core pillars of achieving the twin goals. The revised mission is expected to inform revisions to the corporate indicators and clariFYpoverty dimensions. The Board is committed to ensuring that any potential trade-offs regarding resources allocated for country engagement and global public goods are comprehensively addressed.

Financial Model

The Board held a retreat on March 3, 2023, to discuss Management proposals on options to enhance the WBG’s financial capacity to meet the enhanced institutional mission. The options presented by Management included a comprehensive response to the G20 Capital Adequacy Framework (CAF) recommendations and additional Balance Sheet Optimization (BSO) measures. The discussions highlighted the following principles as the bedrock of the discussions on the financial model: the need to preserve the triple-A rating, the Preferred Creditor Status, and the long-term financial sustainability of the WBG. There was general support for measures to increase IBRD's financing capacity through various capital optimization measures that increase IBRD's lending capacity by up to US$ 50 billion over ten years.

On the G20 Capital Adequacy Framework recommendations, there was broad consensus to move forward with the proposals to reduce Equity to Loan ratio (E/L) from 20% to 19% to free up additional lending capacity for IBRD. There was also broad support for removing the Statutory Lending Limit contained in the IBRD Articles of Agreement.

The Board and Management also discussed various options to inject additional capital into IBRD. One of the options presented was Hybrid Capital, a subordinated debt instrument that would be issued to shareholders without additional voting rights. The Executive Directors supported piloting the Hybrid Capital Issuance for up to US$1 billion.

On IDA's Financial Sustainability, there was a clear consensus on the need to mobilize donor contributions for the IDA Crisis Facility through the IDA20 Mid-Term Review and increased concern over the projected IDA cliff. The Executive Directors emphasized the need to mitigate the decline in IDA financing capacity by enhancing collaboration between the IDA Deputies, Borrower Representatives, and Management to support the possible increase in concessional resources.

Operational Model

The discussions emphasized the importance of the Country Engagement Model as essential to ensuring strong country ownership of the development agenda. The Board recognized that enhancements to the WBG operating model would be necessary to reflect the enhanced mission, maintaining the country-based approach as a fundamental principle.

The discussions acknowledged the importance of integrating the private sector through the One-WBG and Cascade approach. However, there was recognition that the WBG had not effectively delivered on the Cascade approach in previous years. There was a strong recognition of private capital's role in enabling the WBG to significantly raise its support to address the scale and scope of global challenges, recognizing the limited public resources. The Executive Directors also recognized the deteriorating debt situation in several client countries and highlighted the need to reflect these dynamics in reforming the operational model. There was also consensus on strengthening the WBG's engagement in client countries to improve Domestic Resource Mobilization to finance the development agenda sustainably. Executive Directors also highlighted the need to deepen partnerships with multiple stakeholders to strengthen the WBG's ability to mobilize resources for development.

The Board members recognized knowledge as an essential component of the WBG comparative advantage. There was broad support to mainstream Core Advisory Services and Analytics to reflect the enhanced mission and strengthen evidence-based decision-making on global challenges. The Executive Directors, however, acknowledged that a significant amount of information and analysis was needed to appropriately equip the Board to discuss the various reforms required to enable the WBG to deliver on its enhanced mandate. The engagements on the Roadmap will intensiFYafter the Spring Meetings, informed by the guidance from the Governors.

2.2 Food Security Situation and WBG Response

Addressing food security has remained a key challenge for many developing countries. The COVID pandemic and subsequent global challenges further worsened the food security situation in many countries. Increased food insecurity has led to the chronic undernourishment of 839 million people worldwide and subjected 222 million to acute food insecurity in 53 countries and territories in 2022. Over 123 million people are food insecure in Sub-Sub-Saharan Africa, according to the 2022 World Food Program report.[1]

While factors such as trade restrictions, climate change, and global energy prices put pressure on fertilizers and global agricultural input, leading to a nearly 50% increase in import bills in 2022, the combined impacts of the war in Ukraine and the COVID-19 pandemic have resulted in unemployment, loss of income, and disruption of global supply chains, contributing to a more than 30% surge in food insecurity in Africa and a 50% increase in food prices (IMF, 2022a.).[2]

Over 55% of the average daily intake in many Sub-Saharan African countries is drawn from the five most consumed staple foods, maize, rice, cassava, wheat, and palm oil. It is essential to highlight that only maize and cassava are sourced from a few SSA countries. The remaining are mainly imported from Russia (wheat, 34.7%), Malaysia (palm oil, 47.8%), and India (rice, 36.3%). This has led to higher net imports of wheat, palm oil, and rice in the region (81.9, 80, and 52.9%).[3]

The World Bank Food Security Update issued in February 2023 highlighted that more than 70 million people in Eastern and Southern African countries would face acute food insecurity, including famine, by June 2023. Somalia and South Sudan are highlighted as countries facing famine situations, with approximately 10 million people in each country likely to be impacted. The World Food Program reports that 22 million people in Ethiopia are expected to be food insecure due to the conflict, severe drought, and economic crisis, according to the (WFP). The report notes that 5 million citizens experienced food shortages in Sudan. It also states that the continued conflict in South Sudan has increased the risk of famine in some parts of the country. Furthermore, 2.5 million individuals face acute food insecurity in the following constituency countries: Kenya, Malawi, Mozambique, Uganda, and Zimbabwe. While recent harvests in Kenya, Somalia, Sudan, and Uganda improved the market supply of some staple food, agricultural prices have increased in Constituency countries such as Burundi, Ethiopia, and South Sudan. It is projected that the half-a-decade long drought in the Horn of Africa will continue to affect the supply side of the food chain and increase the number of food-insecure people in the region throughout 2023.

The World Bank Group launched a US$30 billion food security and nutrition response package in April 2022 to support clients affected by the food security crisis. The package uses social safety nets, incentives, pooled fund, and scientific research combined with the Bank's convening power to achieve its planned development objectives. The Bank supports the most vulnerable through interventions that improve access to food and water and fast-tracking financing through existing projects. It uses its convening power by bringing together clients and partners to address food security challenges and monitor the Famine Action Mechanism and the Agriculture Observatory.

In addition, the WBG incentivizes the use of technology in farming systems and encourages climate-smart techniques to improve the food system and increase farm incomes. The WBG supports global food security programs and hosts the Global Agriculture and Food Security Program (GAFSP), an international financing instrument that pools donor funds and targets additional financing for agricultural development across the entire value chain.

IFC and MIGA work with governments and the private sector to facilitate trade in emerging markets, boost food production, and help reduce food insecurity in low and middle-income countries. The WBG supports the Consultative Group on International Agricultural Research and Global Alliance for Food Security to strengthen regional food system risk management and develop regional agricultural markets, respectively. The alliance, jointly convened by the WBG and the Group of Seven (G7) Presidency established the Global Food and Nutrition Security Dashboard, a platform that aims to use data to inform policy response to the global food security crisis. In the fiscal year 2022, the World Bank Group provided US$9.6 billion

1 Acute food insecurity definition and different phases of food insecurity, ranging from Phase 1 to 5

2 Climate Change and Chronic Food Insecurity in Sub-Saharan Africa 2022

3 Drivers of Staple Food Prices in Sub-Saharan Africa. Contributing to the WB FNS response

Table 2.1: Distribution of commitments by region and pillar of the GCRF ($billions)

	Responding to Food Insecurity		Protecting People and Preserving Jobs		Strengthening Resilience		Strengthening Policies, Institutions and Investments for Rebuilding Better		TOTAL Pillar Amount	
	IBRD	IDA	IBRD	IDA	IBRD	IDA	IBRD	IDA	IBRD	IDA
AFE	0.3	2.2	0.5	2.2	0.1	4.8	0.7	5.3	1.6	14.4
AFW	0.0	0.9	0.0	1.3	0.2	2.7	0.1	4.0	0.3	9.0
EAP	0.1	0.1	0.4	0.1	1.7	0.7	1.3	0.7	3.5	1.5
ECA	0.04	0.1	2.7	1.1	1.1	0.3	1.0	1.0	4.9	2.5
LCR	0.4	0.0	1.3	0.1	1.9	0.2	4.4	0.4	8.0	0.7
MNA	1.1	0.1	0.2	0.2	1.2	0.2	0.7	0.1	3.2	0.5
SAR	0.1	0.5	0.6	0.4	1.0	1.7	2.1	2.2	3.9	4.7
TOTAL	2.1	3.8	5.7	5.4	7.2	10.7	10.3	13.6	25.3	33.5

Source: WB Global Crisis Response Framework: Monthly Update for February 2023

through new IBRD/IDA lending to underscore its commitment to agriculture and food security.

As of February 2023, WB commitment from the Global Crisis Response Framework (GCRF) totaled US$25.3 billion from IBRD and US$33.5 billion from IDA (Table 2.1). Of this amount, IBRD financing of US$1.6 billion and IDA financing of US$14.4 billion went in support of Eastern and Southern Africa (AFE) countries. The GCRF support also included US$11.9 billion financing for FCV countries and US$1.6 billion for Small States.

The WB Food and Nutrition Security operations report shows that for the period between April 2022 and January 31, 2023, the WB approved 22 operations for Constituency countries with a total allocation of US$4.3 billion.

2.3 Update on Pandemic Preparedness

The devastating impact of COVID-19 on human, economic, and social life highlighted the urgent need for coordinated action to build more robust health systems and mobilize additional resources, to strengthen developing countries' capacity to prevent, prepare for, and respond to future global health threats. While many institutions and financing mechanisms support pandemic prevention, preparedness, and response activities, none focus solely on it.

On June 30, 2022, the World Bank Board of Directors, with broad support from the G20 and other partners, approved the establishment of a Financial Intermediary Fund (FIF) for Pandemic Prevention, Preparedness, and Response (PPR). The FIF Governing Board subsequently established the FIF at its inaugural meeting on September 8-9, 2022. The Governing Board oversees the Fund, sets the overall work program, and makes funding decisions.

The FIF's Governing Board includes an equal representation of sovereign donors, potential implementing country governments, and representatives from foundations and civil society organizations. This reflects the FIF's commitment to inclusivity and- equity, operating with efficiency, agility, and high standards of transparency and accountability.

The Fund aims to help low and middle-income countries to strengthen PPR and fill existing capacity gaps in core domains of the International Health Regulations at country, regional and global levels. It will bring additional, dedicated resources for pandemic prevention, preparedness, and response, incentivize countries to increase investments, enhance coordination among partners, and serve as a platform for advocacy. It will complement existing financing efforts and institutions and will have the flexibility to work through strong implementing institutions, drawing on their comparative strengths.

For its first round of funding, the Governing Board approved US$300 million in financing to help developing countries better prepare for and respond to future pandemics. Consistent with a One Health approach, this funding will prioritize financing projects that will strengthen comprehensive disease surveillance and early warning, laboratory systems, and human resources/ public health workforce capacity.

Eligible countries and Implementing Entities were invited to submit expressions of interest for potential high-impact projects to be supported by this initial funding by February 24, 2023. The Expressions of Interest will facilitate possible collaboration among countries and partners and better assess their needs. Formal proposals will be solicited in March 2023, and the selection process will conclude with a review. The Pandemic Fund's principles encourage Implementing Entities to provide significant co-financing to the projects and use the Pandemic Fund grant financing to catalyze additional project financing from other sources.

The newly formed Technical Advisory Panel, chaired by the World Health Organization, and comprising 21 diverse multidisciplinary experts, will advise the Board on funding allocations by providing analysis and evidence-based recommendations based on an evaluation of the individual formal proposals.

2.4 Update on WBG Country Climate and Development Reports

Climate change, the shifts in temperatures and weather patterns caused by anthropogenic activities, presents a significant threat to developed and developing countries. The World Bank Group considers climate change as one of the defining challenges of our time, along with poverty and inequality. Its effects, such as droughts, floods, cyclones, and other extreme weather events, have devastating consequences on people and development, especially those within low-income countries, Fragile and Conflict and Violence affected states (FCV), and Small Island Developing States (SIDS). Sub-Saharan Africa emits the lowest Green House Gases (GHG) but remains the most vulnerable to climate change globally.[4] The region's reliance on rain-fed agriculture and under-investment in resilient infrastructure makes it more vulnerable to extreme weather shocks (IMF 2020, IMF INFORM Risk Index).[5] According to the African Development Bank, the immediate financial costs of extreme weather events are estimated to be at least US$7–US$15 billion annually.[6] Investing in climate adaptation and building resilience is not only strategic in scope, but it also sets a solid foundation for the development agenda, particularly in constituency countries.[7]

As the world's largest multilateral provider of climate finance for developing countries, the WBG encourages partners and client countries to build resilience and adaptation to cushion people and economies against the effects of climate change while reducing GHG emissions to mitigate adverse changes.[8] For example, the WBG Climate Change Action Plan 2021–2025 interweaves climate and development agenda. Creating a synergy between the two is also at the core of the World Bank's Green, Resilient, and Inclusive Development approach. The Action aligns WBG financial lending with the Paris Agreement strategies to boost climate finance for

4 Climate Change and Select Financial Instruments: An Overview of Opportunities and Challenges for Sub-Saharan Africa: IMF STAFF CLIMATE NOTE 2022/009

5 The climate-driven INFORM Risk is an adaptation of the INFORM Risk Index, adjusted by IMF staff to distill, and centralize climate-driven risks. It has three dimensions: climate-driven hazard & exposure, vulnerability, and lack of coping capacity. https://climatedata.imf.org/pages/fi-indicators#fr2

6 In 2019, Mozambique and Zimbabwe were the world's most climate disaster-affected countries (Eckstein, Künzel, and Schäfer 2021).

7 Country Climate and Development Reports: integrating climate change and development

8 Country Climate and Development Reports: integrating climate change and development

mitigation and adaptation for better outcomes, including reductions in GHGs.[9]

The World Bank Group launched the Country Climate and Development Report (CCDR) in FY22 to deliver high-quality diagnostics that integrate climate action and development. The World Bank Board received an update on the deployment of the CCDRs in November 2022. The report noted that the WBG had initiated 25 CCDRs covering 29 countries, including the following Constituency Countries: Malawi, Mozambique, Rwanda, Kenya, and Zimbabwe. The CCDR has five recommendations: climate finance, decarbonizing power generation, economy-wide strength and transformation, water-related resilience, and decarbonizing transport. It provides the basis for the Bank to work with clients structurally to ensure that the climate agenda is embedded in the country engagement framework and operational portfolio. According to Climate and Development-an Agenda for Action 2021-2022, implementing transformational low-carbon policies reduce total GHG emissions by 70% in CCDR countries. Other aspects of climate action include infrastructure investment, renewable energy, climate-smart agriculture, technology diffusion, green finance, social protection systems, and active labor market policies.[10] Early warning systems and disaster responses are other instruments the Bank provides clients.

The WBG is not alone in the fight against climate change. The 27th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP27), which was held in Sharm el-Sheikh, Egypt, in November 2022, acknowledges that climate change is a common concern of humankind and calls for an urgent need to address it.[11] The Sharm el-Sheikh Implementation Plan recognizes that limiting global warming to 1.5 °C requires sustained reductions in global greenhouse gas emissions of 43% by 2030. It implores parties to accelerate the transition towards low-emission energy systems while providing targeted support to the poorest and most vulnerable. The Communique calls for developed countries to scale up the provision of climate finance, technology transfer, and capacity-building for adaptation and underlines the role of the Least Developed Countries Fund and the Special Climate Change Fund. The report notes the losses and damages associated with the adverse effects of climate change. Finally, the Communique projects gigantic financing estimates of about US$ 4 trillion annual investment in renewable energy up until 2030 to reach net zero emissions by 2050 and at least US$4–6 trillion per year to achieve the global transformation to a low-carbon economy at that same time frame.

In summary, Climate Change poses a considerable threat to Africa and its ecosystems, including rising sea levels, causing droughts, famine, and environmental degradation, displacing millions of people, exacerbating conflict, deteriorating agricultural productivity, and increasing food security in Sub-Saharan Africa, as rightly indicated by the impact of climate change on Africa (ISS Paper 220, November 2010). The WBG should use its instruments, such as CCDR and Climate Change Action Plan, among others to help African governments in their efforts to achieve the Paris Agreement objectives in line with the Nationally Determined Contributions.

2.5 Update on African Continental Regional Economic Integration

In Africa, regional integration remains a key development strategy for most countries. As part of regional integration efforts, many countries in the continent belong to specific regional and multilateral arrangements such as the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), the Economic Community of West African States (ECOWAS), the Economic Community of Central

9 Country Climate and Development Reports: integrating climate change and development

10 Main recommendations in the CCDRs

11 Draft decision entitled “Sharm el-Sheikh Implementation Plan” proposed under agenda item 2 of the Conference of the Parties serving as the Parties meeting to the Paris Agreement at its fourth session.

African States (ECCAS), the Intergovernmental Authority on Development (IGAD), the Arab Maghreb Union (AMU) and the Community of Sahel-Saharan States (CEN-SAD) among others. Accordingly, the Office of the Executive Director is working closely with Regional Economic Communities (RECs) in which constituency countries are members. Brief update on recent collaboration with SADC and EAC is presented.

Southern African Development Community (SADC)

Inspired by the Great Green Wall Initiative (GGWI) of the Sahel, SADC member states initiated the GGWI in the SADC region in 2015. The SADC Secretariat and the AUC launched the GGWI SADC region in 2016 following its endorsement by SADC Ministers of Environment and Natural Resources Meeting in 2015. Through collaborative efforts by SADC Member states, the SADC secretariat, the African Union Commission, and partners, a draft regional strategy and implementation plan of the GGWI in the region was produced in 2018. The SADC Joint Ministers of Environment, Natural Resources, and Tourism approved this strategy in November 2019. To build on the progress made to date, the Global Mechanism of the United Nations Convention to Combat Desertification (UNCCD), in collaboration with the SADC Secretariat, the African Union Commission, AUDA NEPAD, and the Commonwealth Secretariat, convened a SADC GGWI Stakeholder Engagement and Capacity Building Workshop on 2-4 August in Pretoria, South Africa. The workshop brought together representatives of the environment, land, climate change, finance sectors, and technical and development partners. It also provided an opportunity to pinpoint critical environmental, social, and economic challenges facing the SADC region, with a specific focus on launching technical and financial partnerships for the implementation of the regional strategy for the GGWI.

On December 4th, 2022, the Office of the Executive Director and a representative from the Global Mechanism of the UNCCD met to discuss implementing the GGWI strategy in the SADC region with partners like the World Bank. During the meeting, the UNCCD proposed a Ministerial session for SADC Ministers of Finance during the upcoming 2023 WBG/IMF Spring Meetings to deliberate the implementation of the GGWI SADC Strategy. To facilitate this initiative, the ED met other EDs from offices whose jurisdiction covers the SADC region on January 30th, 2023, to map a way forward. They discussed the UNCCD proposal from the December 4th, 2022, meeting. A meeting was held between the Executive Directors and the WB Vice president for East and Southern Africa to discuss the collaboration between the Bank and UNCCD and consider the possibilities of hosting a Ministerial session for Governors.

Eastern Africa Community (EAC)

The ED and the EAC office proposed the East Africa Community Initiative (EACRI). EACRI is a joint regional initiative that will serve as a platform to enable EAC States to strategically use the World Bank Regional Window and other Multilateral Development Banks (MDB) regional financing tools to support regional development of mutual interest. In addition, the initiative aims to facilitate a systematic mobilization of resources from MDBs, development partners, and private sector capital to support the EAC Member States' advancement towards integration.

EAC Ministers of Finance met informally in May and October 2022 to discuss EACRI. During both sessions, the Ministers: (a) expressed strong interest in the initiative highlighting discussion timelines given the commencement of the IDA 20 cycle; (b) acknowledged the vitality of strengthening member state's coordination to improve project implementation efficiency and regional ownership of the projects and programs; and (c) recognized the need to develop a framework for identifying regional projects to advance EAC integration.

The EAC-OED initiative is leveraging lessons learned from the Horn of Africa Initiative (HoAI), launched in 2018. The HoAI aimed to strengthen regional integration in the Horn of Africa, historically characterized by fragility and conflict. The HoAI also sought to deepen integration efforts in the region. The lessons learned from the HoAI experience include (a) the importance of integrating a strategic approach to project identification; (b) the criticality of sustained political ownership and commitment to strengthening country ownership; and (c) the vitality of robust long-term views of the project pipeline to intensiFYpartnerships with traditional and non-traditional sources of financing.

The May and October 2022 meetings held by the EAC member states had called for use World Bank Regional Window resources to complement available resources for regional projects that advance integration in the EAC. However, the Ministers noted that slow regional project implementation resulted in lower-than-ideal resource absorption. Consequently, the Ministers emphasized the need for proactive project implementation and the benefit of accessing concessional resources due to constrained fiscal space of member countries.

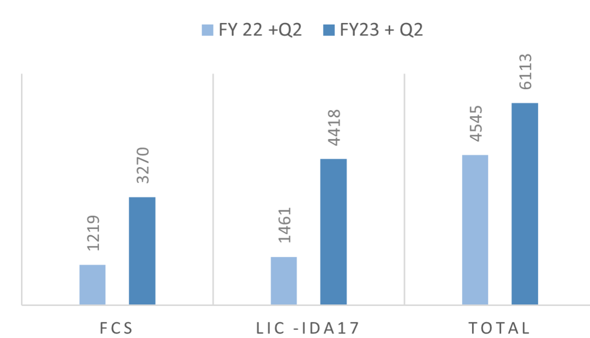
2.6 IFC Supply Chain Finance Program

IFC has been active in promoting Supply Chain Finance (SCF) in Africa to close the funding gap for Micro Small Medium Enterprises (MSMEs) in African value chains and drive sustainable economic development. Past studies reflect that there is an estimated financing gap of over US $300 billion on the continent, of which about 20% is locked in value chains. Supply Chain Finance is considered a means for financial institutions to accelerate the growth of lending to corporate and MSMEs clients and to improve the overall risk profile of portfolios. IFC's SCF Program, therefore, integrates advisory, investment, and knowledge by offering risk sharing facilities for partner financial institutions, and technical advice to strengthen supply chain finance capacity and grow portfolios. IFC also supports comprehensive industry development, creates new knowledge and disseminates best practices on supply chain finance.

Supply chains cover a vast number of MSMEs and every company that buys or sells to another business in an organized or formal market is connected to a supply chain while involved in the exchange of funds that flow in one or both directions within the supply chain. Leveraging the relationship of supply chains is a way to reach massive numbers of MSMEs to improve their access to finance. However, this requires a considerable scale up of SCF solutions around the world. Some studies estimate the potential market for SCF, which includes every invoice and receipt issued by corporates, to be up to US$17 trillion globally. According to IFC, the Supply Chain Finance programs are expected to reach more than 100 new buyers and over 11,000 emerging market suppliers including SMEs and women-owned SMEs. IFC seeks to mobilize private capital from banks/insurers and utilize blended finance, if possible, to support the existing platforms including the Global Food Security Platform and the Africa Trade and Supply Chain Recovery Initiative.

The IFC presented its Operations Report for the first half of FY23 in March 2023. The report highlights that the total trade and supply chain finance commitments, including the Global Trade Finance Program (GTFP) and the Global Trade Supplier Finance Program (GTSF), were US$8.8 billion, increasing 43% Year-on-Year (YoY) while core mobilization was close to US$0.8 billion. The total short-term finance IFC own-account commitments from GTFP and GTSF were US$6.1 billion, increasing 35% year-on-year (Figure 2.1). These two programs committed over US$ 4.4 billion or 73% of their combined totals to IDA-17 + FCS, an increase of 35% year-on-year. The initial commitments (US$13 million, including mobilization) were recorded under the Africa Trade and Supply Chain Recovery Initiative.

Figure 2.1: GTFP + GTSF Commitments (US$, millions)



Source: IFC Operations Report, 2023

Global Trade Finance Program (GTFP)

The GTFP continued to respond to the current food and energy crisis and the program committed funds amounting to US$5 billion in its own account, a 43% increase year-on-year. The largest contributors to the program's portfolio were agriculture and food items at 36%. Importing countries include Burkina Faso, Ethiopia, Honduras, Kenya, Liberia, Mongolia, and Vietnam. The single transaction value increased by more than 40% compared to the pre-COVID-19 era, reflecting high transaction costs rooted in inflation and high commodity prices.

Global Trade Supplier Finance Program (GTSF)

On the other hand, the GTSF commitments reached US$1.1 billion on December 31, 2022, of which 70% was disbursed to suppliers in IDA-17 countries. The transactions that materialized in the first half of FY23, in IDA-17 + FCS included Bangladesh, Cambodia, Honduras, Pakistan, Sri Lanka, and Vietnam. The number of active GTSF suppliers was 299, while the average outstanding for the program was US$369 million, both increasing year-on-year. In December 2022, the Board approved an increase of the GTSF limit, from US$500 million to US$1 billion.

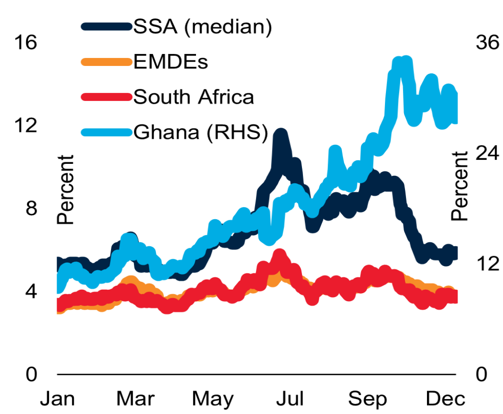
2.7 Update on SSA Debt Situation

The January 2023 World Bank Global Economic Prospects notes total EMDEs debt reached a 50-year high, accompanied by rising global interest rates, the latter limiting many EMDEs' access to global debt markets. Recent developments in global debt dynamics are closely associated with the two major disruptions of the past three years: the COVID-19 pandemic and the war in Ukraine. However, the debt dynamics between 2020-2021 had heterogeneous outcomes across country groups. While Advanced Economies' (AE) total debt declined by 10%age points of GDP, to 292% of GDP in 2021[12], total debt in Low-Income Developing Economies (LIDCs) increased to 88% of GDP in 2021.

Sub-Saharan Africa's debt and financing prospects

Growth-suppressing global developments continue to cascade to various regions, including Sub-Saharan Africa. Growth in SSA slowed to 3.4% in 2022, accompanied by sharp increases in food and energy prices. Global demand for SSA's non-energy commodities declined, further eroding governments' fiscal space, while a sharp increase in borrowing costs exacerbated debt dynamics. Deterioration in the fiscal position of many SSA economies, accentuated by pandemic-related fiscal outcomes, has lingered for most of 2022. Government debt remained above 60% of GDP in almost half of SSA economies. Inability to issue international bonds for many governments created additional challenges in financing deficits. On the other hand, several other economies witnessed erosion in investor sentiment and debt sustainability leading to rising borrowing costs.

Figure 2.2: SSA credit spreads in 2022



Source: World Bank

Tightening international financing landscape has led to widening credit spreads for many SSA economies, contributing to increased capital

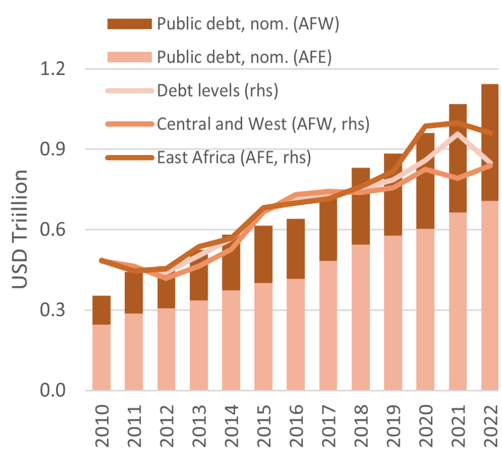
12 Global Fiscal Monitor 2022, IMF

outflows, credit rating downgrades and large currency depreciations. (Figure 2.2) [13]

This does not mean all SSA economies were affected at the same level and direction due to global dynamics. Relief for some economies emerged from elevated global prices of energy and metals. SSA's oil-producing economies saw a reduction in government debt averaging 10% of GDP supported by fiscal surpluses and stronger exchange rates. More diversified economies also coped better than those disproportionately dependent on negatively affected sectors.

Debt levels, financing and restructuring prospects in the Eastern and Southern Africa region

Figure 2.3: Public Debt Dynamics in Sub-Saharan Africa



Source: IMF World Economic Outlook, October 2022; World Bank

The debt level in the Eastern and Southern Africa (AFE) region has increased four-fold in the past decade, with recent surge in debt precipitated by the pandemic. The region's total debt reached US$707 billion in 2022, a three-fold rise compared to the level recorded in 2010 (Figure 2.3). The main drivers of public debt increase were persistent primary deficits, movements in real exchange rates.[14]

The risk of debt distress in the AFE region has increased in recent years, with 12 Constituency countries[15] found at high risk of external debt distress or in debt distress in 2022. This figure also indicates that more than half of the 22 Sub-Saharan Africa countries currently at high risk of external debt distress or in debt distress are located in the AFE region.

The gravity of recent debt dynamics is also observed in rising financing needs. During the 2020-22 period, SSA's public gross financing needs was estimated at 11% of GDP. Projections for the next five years show financing needs staying at around 10% of GDP, with greater needs identified for the AFE region.

External debt service in the AFE region rose to about US$22 billion in 2021 up from US$4 billion in 2010. The AFE region is also characterized by higher levels of external Public or Publicly Guaranteed debt service, with the amount rising from US$7 billion in 2010 to nearly US$31 billion in 2021.

Rising debt levels combined with narrowed market access for some SSA countries may have prompted increased recourse to the International Monetary Fund. Uganda and Rwanda have recently secured IMF staff-level agreements. Malawi reached staff-level agreement through the Food Shock Window of the Rapid Credit Facility. Somalia's IMF Article IV Consultation was concluded in December 2022.

Several countries have reverted to debt restructurings to resolve sustainability issues and rebuild fiscal space. Ethiopia and Zambia are among the four SSA countries which applied for external debt treatments under the Common Framework for Debt Treatment. Debt restructuring for Chad is completed while discussions to restructure Ethiopia's debt stalled due to political instability

13 Global Economic Prospects, January 2023, World Bank

14 Public Debt in Sub-Saharan Africa, Office of the Chief Economist of the Africa Region, World Bank, March 2023

15 Burundi, Ethiopia, Kenya, Malawi, Mozambique, Sierra Leone, Somalia, South Sudan, Sudan, Zambia and Zimbabwe

in the country. For Zambia, progress is still limited due to concerns raised by bondholders on the World Bank/IMF debt sustainability analysis methodology, and the request by China to include multilateral and nonresident domestic debt holders in the debt treatment. Malawi is following the route of bilateral engagements with private creditors and bilateral donors.

A key challenge for the Common Framework thus far was its inability to bring in a more diverse group of creditors for negotiation. To make further progress, measures to formalize the implementation process should be put in place. The Common Framework will also need a mechanism to encourage private sector participation. To alleviate current challenges on borrowers, the Common Framework could include measures that suspend debt service to official creditors for all applicants during the negotiations and broadening the eligibility requirements to include other heavily indebted and vulnerable lower-middle-income countries.

2.8 Illicit financial flows in SSA

Illicit Financial Flows (IFFs) are defined as illegal movements of money or capital from one country (outflows) to another (inflows). The United Nations elaborates on this definition by clarifying these financial flows as illicit in origin, transfer, or use; reflect an exchange of value; and across the country's borders. The United Nations Conference on Trade and Development (UNCTAD,2020)[16] report indicates that Africa is estimated to lose substantial resources through IFFs originating from several sources. It classifies their typology into four categories: (i) tax and commercial activities, (ii) illegal markets, (iii) corruption, exploitation-type activities, and (iv) financing of crime and terrorism.

The UNCTAD report shows that IFFs have a substantial and crippling effect on societies and economies, not only on the African continent but also worldwide. The Covid-19 pandemic, the war in Ukraine, and the increasing cost of climate change and environmental challenges have also devastated developing economies, highlighting the critical need to address the financing gap. IFFs have consistently harmed the economies of both developed and developing countries. It is interesting to note, however, that very often, illicit financial outflows from developing countries ultimately end up in the banking system of developed countries. This depletes the resources needed to fund public initiatives or critical investments in countries where outflows occur.

The report further illustrates how IFFs drain resources needed to achieve development due to their implicit depletion of domestic resource mobilization. In fact, illegal practices such as trade mis-invoicing, tax evasion, corruption, and some legal practices, such as tax avoidance, divert funds earmarked for social development to tax and financial havens. The report illustrates the negative impact of this practice by highlighting that, countries that report high levels IFFs spend on average, 25% less on health and 58% less on education. UNCTAD has conducted a pilot analysis for some countries in Sub-Saharan Africa for 2021-2022 to assess the statistical outcomes using different methods and covering different types of IFFs, commodities, and activities (Table 2.2).

Landry Signé et al. (2020)[17] research demonstrates the significant drain IFFs have had on the SSA economies. Their paper assesses the movement of IFFs between 1980-2018 and highlights that over the 38-year period, SSA countries received nearly 2 trillion in Foreign Direct Investments (FDI) while losing US$1.3 trillion in IFFs. The study also highlights that the top four African countries emitting IFFs in SSA constitute over 50% of total IFFs from Africa.

The study has further analyzed the destinations of IFFs out of Africa. It finds East Asia, the Pacific,

16 Source: https://unctad.org/system/files/non-official-document/IFFsInAfrica_Report_20230110_Final_en.pdf (UNCTAD, Counting the Cost: Defining, Estimating and Disseminating Statistics on Illicit Financial Flows in Africa, 2020).

17 Illicit Financial Flows in Africa: Drivers, Destinations and Policy Options", Landry Signé, Mariama Sow and Payce Maden, March 2020, https://www.brookings.edu/wp-content/uploads/2020/02/Illicit-financial-flows-in-Africa.pdf

Europe, and Central Asia as the regions receiving the most significant IFFs from Africa.

Table 2.2: Statistical estimates of resource drain from SSA due to IFF

Country	Description of the IFFs	Amount in US Dollar
Burkina Faso	Trade mis-invoicing, inward and outward IFFs	6.8 billion
Ghana	(2000-2012) Trade mis-invoicing/ Both inward and outward IFFs with the USA and EU)	8.4 billion
Gabon	(2010-2021) Trade mis-invoicing/ inward and outward IFFs	65 billion
Namibia	Trade mis-invoicing/ inward IFFs	19.6 billion
Namibia	Trade mis-invoicing / outward IFFs	4.7 billion
South Africa	2017, Trade mis-invoicing/ Inward IFFs	21.9 billion
South Africa	2017, Trade mis-invoicing, outward IFFs	40.4 billion
Zambia	2012-2020, Trade mis-invoicing/ Inward and outward IFFs	44.9 billion

Source: Counting the Cost: Defining, Estimating and Disseminating Statistics on Illicit Financial Flows in Africa, UNCTAD, 2020

Notably, the volume of intra-Africa IFFs is also significant, constituting 10.3% of import and export discrepancies in bilateral trade.

The breakdown into countries shows that China hosted 16.6% of estimated IFFs from Sub-Saharan African countries between 1980 and 2018, followed by the United States (9.1%), the United Kingdom (5.4%), and India (5.0%).

2.9 Update on Remittance flow to SSA

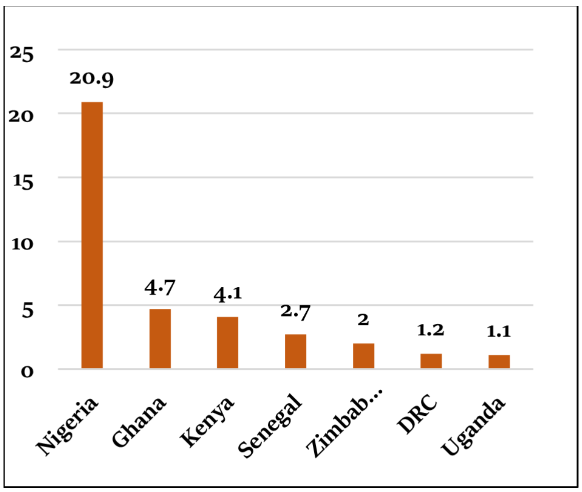
Sub-Saharan Africa still suffers from the effects of the multiple crises ranging from spiraling inflation to rising prices of food, fuel, and fertilizers. Support from SSA migrants to families in their countries of origin has also dwindled due to economic contractions in their income resulting from the multiple global crises, including COVID-19 and the war in Ukraine.

Remittance as a source of external finance continues to serve as a buffer for the poor and vulnerable populations in developing countries to the extent that it constitutes a significant component of the Gross Domestic Product (GDP) in several SSA countries. Remittance flows to SSA dropped by 10% from 47 billion in 2019 to 43 billion in 2020 due to the closure of economic activities in destination countries due to the upsurge of COVID-19. Relaxation of COVID-19 restrictions and the opening of business activities worldwide saw a sharp rise in remittances to SSA by 16.4% to US$50 billion in 2021.

In 2022, remittance flow to SSA grew by 5.2% - from US$50 to US$53 billion. The slow recovery was influenced by the war in Ukraine and the rising prices of global commodities, which created inflationary pressure affecting migrants' income in host countries. According to the Global Knowledge Partnership on Migration and Development (KNOMAD, 2022), a World Bank initiative, remittance flow to SSA is expected to rise to US$55 billion in 2023.

A comparison of remittance flow shows the uneven distribution in SSA countries. From 2019 to 2022, Nigeria received US$81.4 billion in remittance flows. In 2022 alone, remittance flows contributed 4.2% to the country's GDP. Other top recipients of remittances in 2022 in SSA countries include Ghana, Kenya, Senegal, Zimbabwe, and the Democratic Republic of Congo (Figure 2.4). Remittances also contribute significantly to the GDP of several other SSA economies. In 2022, The Gambia received US$615 million, representing 28.3% of the country's GDP, while Lesotho received US$527 million, representing 21% of their GDP (Figure 2.5). Other countries where remittances are a significant proportion of their GDP include Comoros, Cape Verde, Guinea-Bissau, Senegal, Liberia, and Togo.

Figure 2.4: Top Recipients of Remittances in Sub-Saharan Africa ($ billion, 2022e)

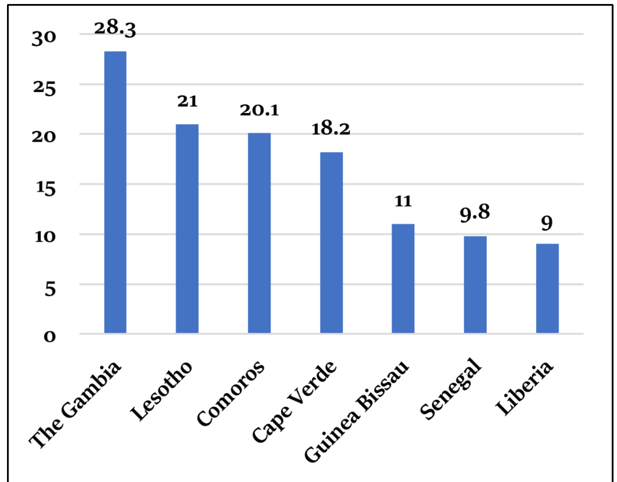


Source: Global Knowledge Partnership on Migration and Development (KNOMAD, 2022)

However, in terms of intra-regional migration, South Africa serves as the leading destination country for several SSA countries. In 2019, the country hosted an estimated 3.7 million formal and informal migrants from Southern African Development Community (SADC) countries. A 2019 RemitSCOPE Africa report indicated that outflow from South Africa totaled US$1.05 billion compared to a totaled inflow of US$840 million. Zimbabwe is the most significant corridor for remittance (46%) outflow, followed by Malawi, Lesotho, and Mozambique with 18, 10, and 6%, respectively.

While remittance inflow boosts the economies of recipient countries in SSA, senders bear an additional burden regarding the cost of sending money back home. SSA remains the most expensive region in transaction fees. The Global Knowledge Partnership on Migration and Development, in its 2022 Migration and Development Brief, noted that among developing country regions, the transactional cost was lowest in South Asia, at about 4.1%, while SSA reported an average cost of about 7.8%.

Figure 2.5: Top Recipients of Remittances in Sub-Saharan Africa (% of GDP, 2022e)



Source: Global Knowledge Partnership on Migration and Development (KNOMAD, 2022)

The high cost of remittance flows to SSA, which is above the SDG average, significantly stresses the already distressed and uneven income of migrant workers in the host countries. The cheapest method is using mobile operators, which averaged around 3.5% and account for less than 1% of total transaction volume. While this digital method is faster and less expensive than other services, it is allegedly vulnerable to money laundering and the financing of terrorism. To mitigate illicit financial flows, the World Bank is assisting member states in monitoring the flow of remittances through various channels, the costs and convenience of sending money, and regulations to protect the financial integrity that affects remittance flows. A reduction in the costs of remittances could help boost the income of migrants and reduce the rate of poverty in the countries of origin. SDG 10.C commits, by 2030, to reduce to less than 3% the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5%. According to the UN, by reducing the average costs to 3% globally, remittance families would save an additional US$20 billion annually.

CHAPTER 3: WORLD BANK GROUP OPERATIONS

The ED visit to a sub-station of the Liberia Electricity Corporation (LEC) in Paynesville outside Monrovia. The power station which is a WB supported program supplies electricity to several communities outside Monrovia. The WB provided two transformers to assist with power generation and management.

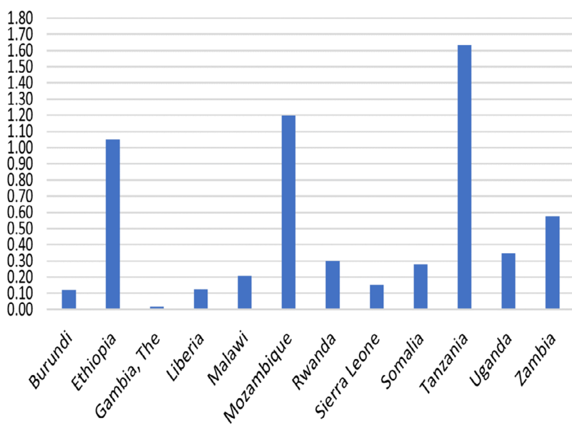
CHAPTER 3: WORLD BANK GROUP OPERATIONS

This chapter summarizes the operational performance of the WBG institutions, with focus on Constituency countries. It covers commitments and disbursements of resources made by the International Development Association (IDA), International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Multilateral Investment Guarantee Agency (MIGA).

3.1 IDA Operations

The beginning of 2023 was a continuum of multiple and overlapping crises experienced in 2022 for WBG client countries, such as the impact of the Covid-19 pandemic and the impact of the war in Ukraine. This manifested, among others, in worsening food insecurity, energy supply disruptions, increased fragility and conflicts and macroeconomic instability. In addition, the effects of climate change continued to hinder the economic recovery globally, regionally and at countries levels.

Figure 3.1: AfG1 Constituency Countries IDA Commitments, US$ Billion, (FY23 July – February)



Source: World Bank

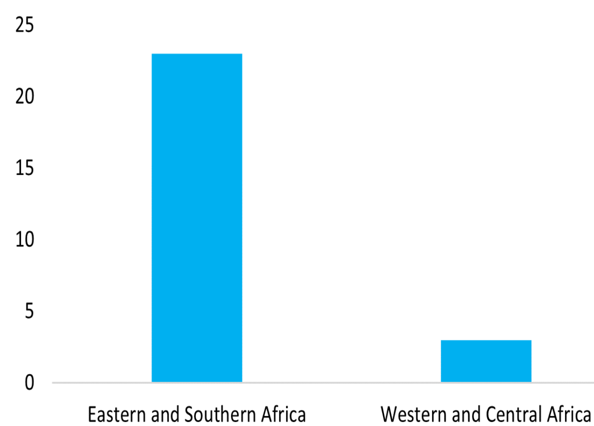
The WBG's response is aimed at preserving jobs and supporting a green and resilient recovery, balancing an effective short-term response with continued focus on long-term outcomes.

As of end February 2023, twelve Constituency countries accessed IDA financing, for a total commitment amount of US$ 6 billion (Figure 3.1). In addition, additional delivery of US$ 2.62 billion is expected before the end of the fiscal year for Constituency countries.

As per the portfolio, 26 operations were approved by the Board between July 2022 and February 2023, with 23 operations for the Eastern and Southern Africa region, and 3 in the Western and Central Africa region (Figure 3.2).

The net commitment for the operations amounts to US$ 4.87 billion for all the Constituency countries, out of which US$ 4.73 billion are from IDA, with the balance coming from IBRD.

Figure 3.2: AfG1 Constituency Countries Portfolio by Region and Number of Operations, (as of end Feb 2023)



Source: World Bank

Cumulative disbursement from IDA under the current AfGI constituency portfolio was US$1.36 billion for the Eastern and Southern region leaving US$3.28 billion of undisbursed balance (Figure 3.3). For constituency countries in the Western and Central Africa region, the corresponding figure is

US$ 158.97 million and an undisbursed balance of US$48.84 million.

IDA has played a crucial role in helping countries with their recovery efforts since the onset of COVID-19. Almost all Constituency countries continue to struggle with the ramifications of the pandemic coupled with disruptions caused by the war in Ukraine. Consequently, client countries expect IDA to sustain its support at a comparable scale for FY24-FY25 as it did during FY21-FY23.

However, recent discussions and simulations of IDA financing scenario indicate a substantial decrease in the resource available for FY24-FY25. It therefore expected that a successful resource mobilization under the proposed Crisis Facility will bridge some of the shortfall in upwards of US$6 billion for client countries. Additionally, the IDA20 Mid-Term Review, planned for early December 2023 in Tanzania, will provide an opportunity to optimize resource allocation to effectively support priority areas.

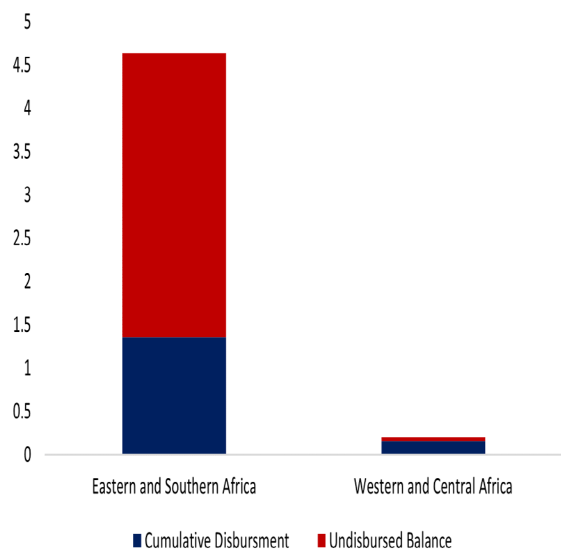
3.2 IBRD Operations

The International Bank for Reconstruction and Development (IBRD) is the arm of the World Bank that provides financing and knowledge services to middle income countries and creditworthy low-income countries. Since the 2022 WBG Annual Meetings, IBRD's future role and scope of operation has been at the center of conversation as part of the Evolution Roadmap for the WBG.

In the above context, IBRD lending operations during the first six months of FY23 provided new commitments of US$10 billion, comparable to the IBRD delivery in the same period of FY22 (Figure 3.4). The regions with the largest share of commitments were Latin America and Caribbean region with 42%, and Europe and Central Asia with 25% of the total. The Eastern and Southern Africa region accounted for 7%.

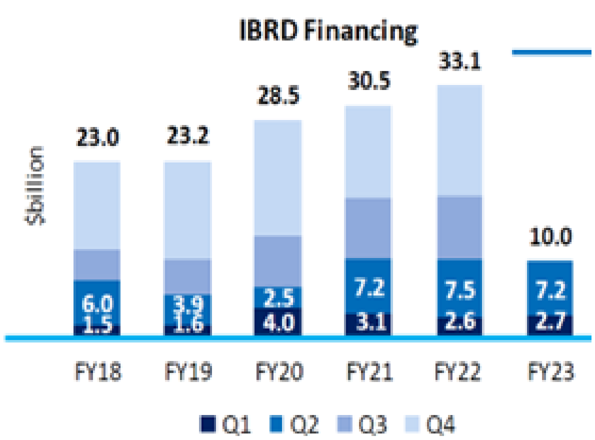
IBRD disbursements reached US$15.3 billion in the first six months of FY23, marginally higher than the US$1.52 billion provided in the same period in FY22. Of this amount, US$1.05 billion was allocated to the Eastern and Southern Africa region (7%), compared to US$5.82 billion to Latin America and the Caribbean region (38%), US$3.26 billion to Europe and Central Asia region (21%), and US$2.4 billion to East Asia and Pacific region. Based on lending instruments, Development Policy Financing instruments contributed the highest level compared to the last five years (Figure 3.5)

Figure 3.3: AfG1 Constituency Countries Cumulative Disbursement by Region, US$ billion (as of end Feb 2023)



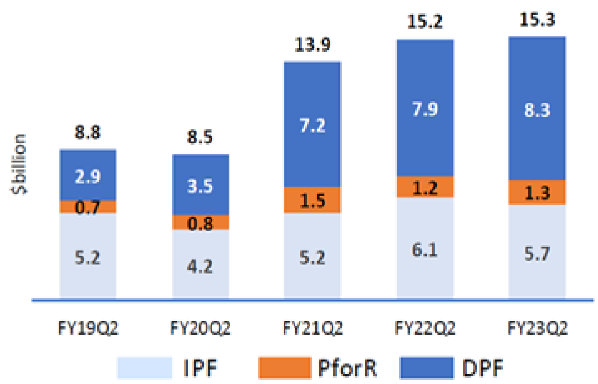
Source: World Bank

Figure 3.4: Trend in IBRD commitments and FY23 first half delivery



Source: World Bank

Figure 3.5: IBRD disbursements in FY23 first half



Source: World Bank

One of the focus areas of IBRD is implementation of the WBG's 2024-2030 Gender Strategy, which promotes gender empowerment, including by expanding opportunities to build and protect human capital, jobs, asset control and ownership, and leadership as well as voice and agency. As of the first half of FY23, 55% of IBRD operations are contributing to narrowing the gender gap.

The World Bank Group's Global Crisis Response Framework (GCRF), is an umbrella instrument deployed to assist clients in their effort to respond to the multiple crisis, including Food Security and Nutrition (FNS). Under the GCRF, IBRD committed US$24.7 billion during first half of FY2023. Of this amount, IBRD approved US$4.4b in new FNS commitments from April 2022 to December 2022, almost equally balanced between the crisis response and long-term resilience.

3.3 IFC Operations

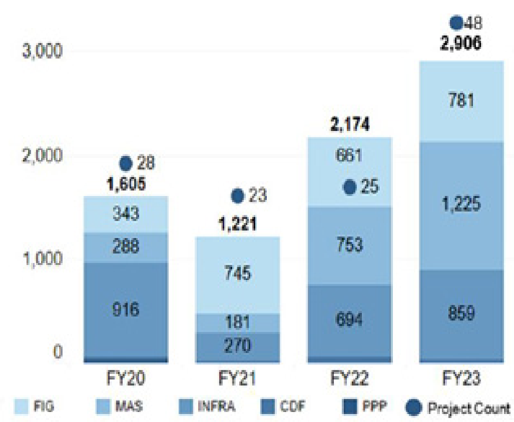
IFC recorded US$19 billion in total Long-Term Finance (LTF) and Short-Term Finance (STF) commitments, equivalent to 55% of the combined FY23 target of US$34.7 billion, for the first half of FY23. The total LTF commitments reached US$12.9 billion, equal to 49% of the annual target. In comparison, the Own-account (O/A) commitments recorded a solid quarter and reached US$7.4 billion, more than double by the end of Q2 in FY22. IFC core mobilization reached US$5.5 billion by December 31, 2023. These robust results reflect rebound of Public Private Partnership (PPP) activities and record-high delivery in the Manufacturing, Agriculture and Services (MAS) space.

By the end of 2022, IFC STF commitments reached US$6.1 billion, increasing by 35%, with the bulk of the delivery directed to IDA-17 + FCS (73%). The three-year LTF O/A investment pipeline stood at US$28.5 billion as of January-end. The FY23 pipeline is higher than the FY22 pipeline on the same date and more advanced in the project cycle. Similarly, the five-year Upstream pipeline totaled US$30.4 billion at the end of the first half of FY23.

IFC Commitments in Africa

IFC performance in Africa was strong in the 2nd quarter of FY23 in LTF delivery compared to the previous years. The period's performance was an improvement across Financial Industry Group (FIG), the Infrastructure and Natural Resources category (INFRA), and Manufacturing, Agriculture and Services (MAS) (Figure 3.6). In the first six months of FY23, IFC also contributed to the Advisory and Upstream portfolio, reaching US$475 million (332 projects). The total LTF investment pipeline is US$7 billion, including US$5 billion for IFC Own-Account (O/A) investments.

Figure 3.6: IFC total LTF Commitments by Industry in Africa (number of projects)



Source: IFC

During the period, IFC partnered with Nimble Group, a South African asset management firm, to launch a US$165 million facility to invest in financially distressed businesses in Botswana, Eswatini, Kenya, Lesotho, Namibia, and South Africa. IFC also provided US$194 million in a mix of local currency and USD loans to Airtel Africa, a leading provider of telecommunications and mobile money services across 14 countries in Africa. The financing will support operations in the Democratic Republic of the Congo, Republic of Congo, Kenya, Madagascar, Niger, and Zambia.

Advisory Upstream

By the end of Q2 of FY23, Advisory program delivery rose by 2% compared to the same period in the previous fiscal year. Most new projects were in IDA countries, accounting for 55% of new approvals. At 38%, the African region accounted for the largest share of the overall program at 2022-end, followed by East Asia and Pacific with 12%. The Financial Institutions Group (FIG) led among the industries, with a 27% share of the total program, while Regional Advisory accounted for 21%.

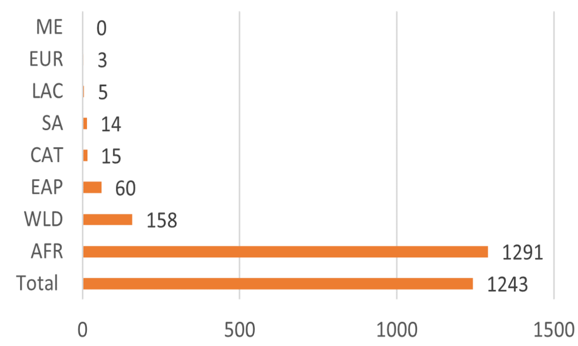
Investment Pipeline

The IFC's three-year Long-Term Finance, Own-Account (LTF own-account) investment pipeline stood at US$28.5 billion by FY23 end. The FY23 pipeline is higher than the FY22 pipeline and more advanced. From an industry angle, Manufacturing, Agriculture and Services (up by 36%) and Infrastructure and Natural Resources (up by 26%) recorded the most substantial increases compared to last year. In addition, IFC built strong core mobilization pipeline during the first half of FY23, reaching US$6.8 billion.

Blended Finance and IDA PSW

On IDA Private Sector Window (PSW), the IFC started deploying IDA-20 PSW in FY23 Q2, including an investment to support on-lending and leasing services for small and medium-sized enterprises in Cameroon and IFC's first investment in South Sudan in a decade. Figure 3.7 presents the size of pipeline projects targeted for PSW support by region, as of Q2 of FY23. Africa (abbreviated as AFR in the chart) has the largest size of pipeline projects.

Figure 3.7: Size of IFC Pipeline Projects by Region (US$, millions)



Source: IFC

3.4 MIGA Operations

The Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group focuses on driving impactful foreign direct investment to developing countries by providing political risk insurance and credit enhancement to investors and lenders. Despite continued uncertainties created by the backlash of the COVID-19 pandemic and the ongoing war in Ukraine, MIGA has remained resilient in the expedition of its mandate. The Agency issued new guarantees amounting to US$1.47 billion in FY23 first half in support of 10 projects, all of which addressed one or more of the Agency's strategic priority areas. This represented year on year increase of 32% (US$0.4 billion), with outstanding portfolio amounting to US$25.1 billion, i.e., 2.6% over similar period of FY22.

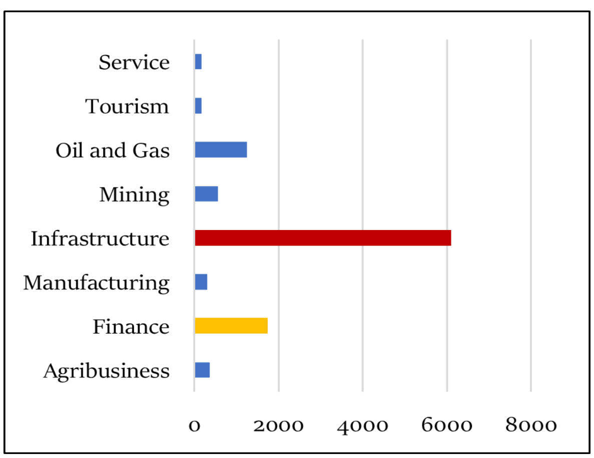
During FY22, MIGA delivered US$5 billion in new guarantees across 54 projects and leveraged additional US$6.5 billion in total financing from private and public sources through guarantees to cross-border private investors in developing countries. Fragile and conflict-affected countries also benefitted from an increased in MIGA projects. Support to FCVs rose from 4% in FY2021 to 12% in FY2022. Compared to FY22, the Agency's target for new guarantees in FY23 is US$5.5 billion, and it expects to close several projects that address one or more of the strategic priority areas during the remainder of the fiscal year.

MIGA Investments by sectors

From FY15 to December 31, FY23, MIGA issued guarantees amounted to US$32.5 billion. MIGA's gross portfolio from FY18-FY22 in Sub-Saharan Africa totaled US$31.1 billion, representing a 22.2% increase. During the period, the financial, health, energy, infrastructure, and tourism sectors attracted the largest volumes. In FY22, MIGA issued 16 IDA-PSW supported guarantees to 10 countries- including to Ethiopia, Malawi, Mozambique, Uganda, and Zambia for a total of US$457 million.

Figure 3.8. shows total guarantees issued in Sub-Saharan Africa from FY09 to FY22 amounting to US$10.6 billion. Of this amount more than 56% went to infrastructure (Figure 3.8). This was followed by a 16% and 11% to finance and oil and gas respectively. The tourism, agriculture and service sectors attracted the less amount of issuance from the agency. Several of the issuance of FY22 is focused on the tourism sector, especially through investment with Kasada Capital Management which is building hotels in several SSA countries including Kenya, Namibia, Nigeria, Cameroon, and the Cote d'Ivoire.

Figure 3.8: MIGA's SSA Business Volumes by sector



Source: Source: MIGA 2022 Annual Report, World Bank

FDIs in Sub-Saharan Africa

Emerging markets and developing economies have been the hardest hit with rising prices of fuel, fertilizer, and food with lingering impacts on inflation, increased poverty and debt distressed. In 2021, Africa started to see some recovery in economic activities, which corresponds to UNCTAD's report of a rebound in FDI in 2021. FDI inflows into the continent increased from US$39 billion in FY20 to US$83 billion in FY21. continent increased from US$39 billion in FY20 to US$83 billion in FY21.

FDI to SSA accounted for US$73 billion in FY21, with Southern Africa attracting more than US$40 billion in FDI. Overall, SSA' share of FDIs is small in comparison to other regions. FDI to Asia between FY20-21 grew from US$519 to US$619 billion reaffirming the resilience of the region. In terms of subregions, Southern Africa (SA), East Africa (EA), and West Africa (WA) saw their investment flows rise while those of Central Africa remained flat. The high FDI inflow into Southern Africa is on account of South Africa and Mozambique, especially in digitization and greenfield projects.

To reverse the slow growth in investment amid global challenges including climate change and the war in Ukraine, more action will be required in Sub-Saharan Africa, including in the areas of promoting regional integration (centering on the Africa Continent Free Trade Area - AfCTA), promoting policy measures which facilitate the expansion of manufacturing capabilities, investment in regional projects which improve connectivity and energy, implementing policies and strategies that would tap into the vibrancy of its youthful population and women, and create an enabling environment for both domestic and international investors.

CHAPTER 4: IMPLEMENTATION OF THE OFFICE MEDIUM-TERM STRATEGY

The Executive Director visiting beneficiaries of WB financed Zambia Agribusiness and Trade Project

CHAPTER 4: IMPLEMENTATION OF THE MEDIUM-TERM OFFICE STRATEGY

Chapter 4 presents an update on the implementation of the Medium-Term Office Strategy, reporting progress made under each of the five strategic objectives: mobilizing financial and technical resources; supporting private sector development; enhancing engagements with the Constituency countries; advocating for diversity and inclusion; and advocating for capacity development.

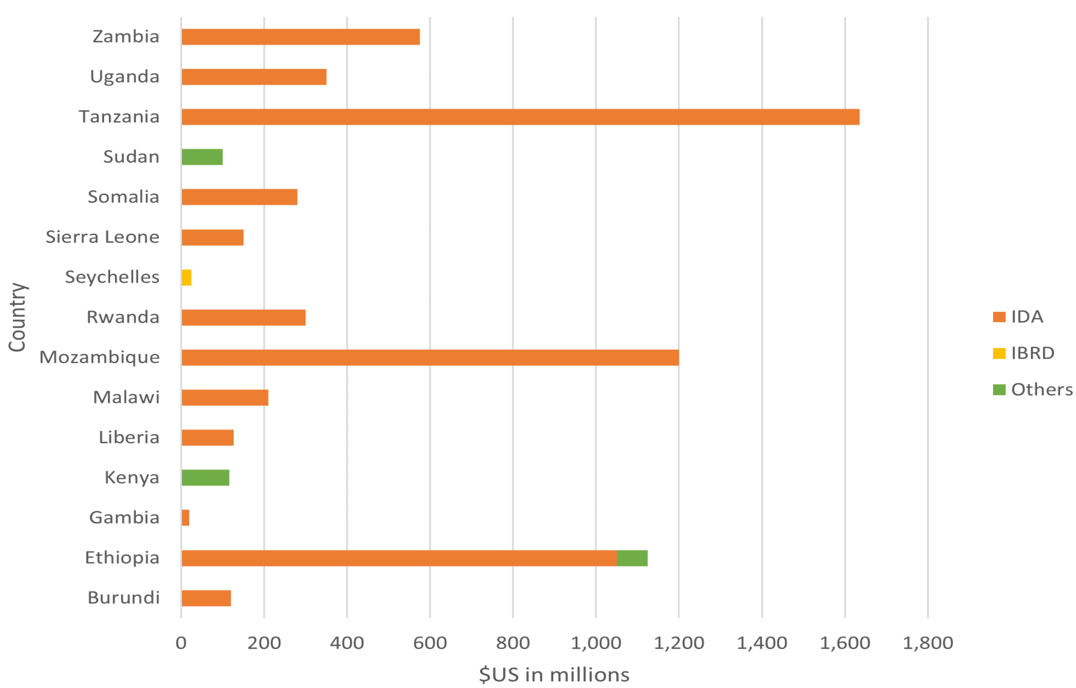
4.1 Mobilizing Financial Resources and Technical Resources

The first two years of implementing the OED Medium-Term Strategy (MTS) was completed in October 2022. To align the MTS' focus with emerging priorities of the Constituency, a mid-term review of the MTS was conducted in November 2022. The MTS affirmed that mobilizing financial resources will remain an overarching goal of the Constituency Office, considering the elevated financing needs of Constituency countries associated with a weakened global economy, ramification of the food and energy crisis precipitated by the war in Ukraine and generally the social and economic impact of the crises. In addition, the mid-term review recommended retaining the other four goals of the MTS with appropriate modifications as described below.

IDA and IBRD

The provision of financial resources is the primary modality through which the World Bank Group supports the development efforts of client countries. Since the beginning of FY23, the Executive Director's Office (OED) has remained engaged in IDA discussions by supporting the

Figure .4.1: WB Resource Commitment to Constituency Countries FY23 (July – end February)



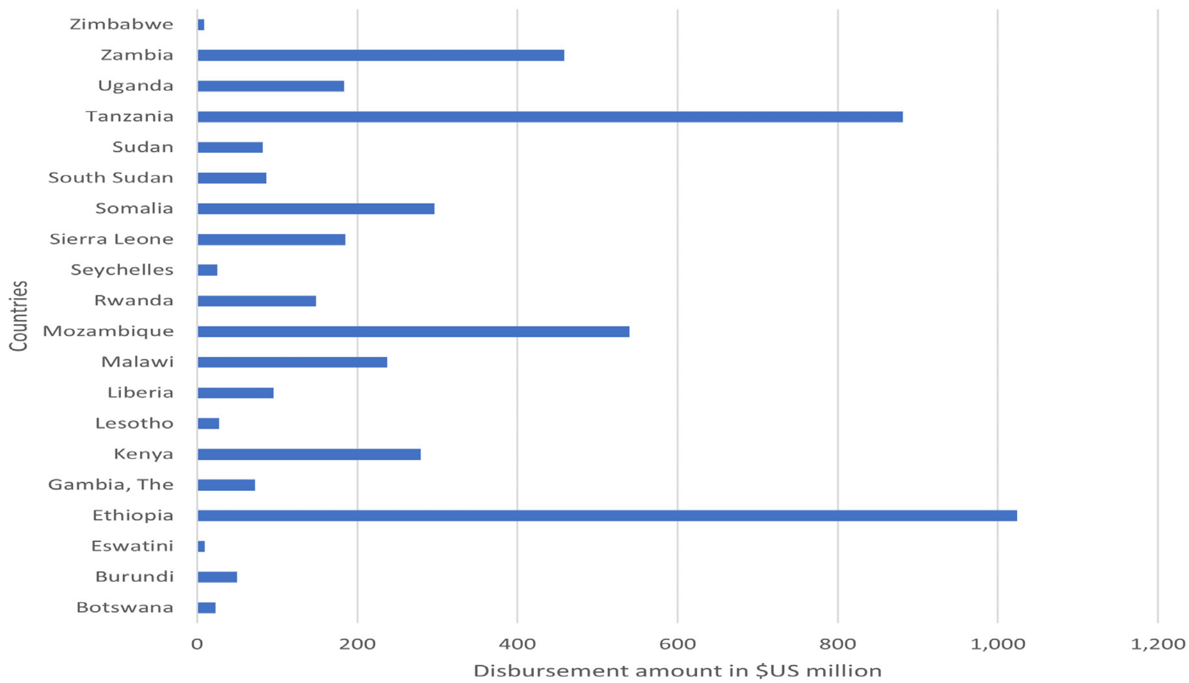
Source: World Bank

participation of the Constituency's IDA Borrower Representatives. During the Official Launch of IDA20 in Tokyo, in September 2022, the Borrower Representatives had an opportunity to highlight the priorities of Constituency countries. The OED also participated in the first 'IDA for Africa Summit', held in Dakar Senegal, in July 2022.The IDA Borrower Representatives advocated for additional contributions to the IDA Crisis Response Window, during the December 2022 IDA meeting.

Bank's country engagement model to effectively meet the twin goals and address global challenges.

The OED's medium-term strategy gives priority focus to resource mobilization in the form of enhanced performance in commitments and disbursement of resources to Constituency countries. Accordingly, these focus areas regularly feature on the agenda of the OED's engagement with World Bank Management and client countries during missions.

Figure .4.2: WB disbursements to Constituency Countries FY23 (July – end February)



Source: World Bank

Resources availability for IBRD countries has remained constrained by the limited capital size of IBRD despite the improvements facilitated by the 2018 Capital Increase Resolution. The discussion around the 'Evolution of the WBG' includes proposals to enhance the lending capacity of IBRD, mostly through balance sheet optimization measures. The OED, through its Board engagements, supports the enhancement of IBRD's lending capacity, while enhancing the WBG's operational model and maintaining the

Between July 2022-February 2023, the Bank committed a total of US$6.3 billion for 15 constituency countries (Figure 4.1). IDA was the major source for the commitment comprising 95% of the volume. There was only one IBRD loan during the period with the balance came from trust funds co-financing the projects. Taking into consideration pipeline projects planned for the rest of the Fiscal Year, the end-year total commitment to constituency countries could reach US$9 billion. This amount signifies a strong delivery, approaching the US$10 billion total commitments registered during FY22. Both the FY22 and FY23 commitments reflect a surge in the financing of

Bank activities to counter the negative effects of global challenges facing client countries.

In FY23, the focus of the OED will be on monitoring disbursements since there is no Bank-wide major resource replenishment process during the year. The role of the OED is to regularly engage the WB Management on how to improve the disbursement and portfolio performance of constituency countries. Discussions with Governors during Official missions also place emphasis on identifying projects that encounter difficulty in disbursements.

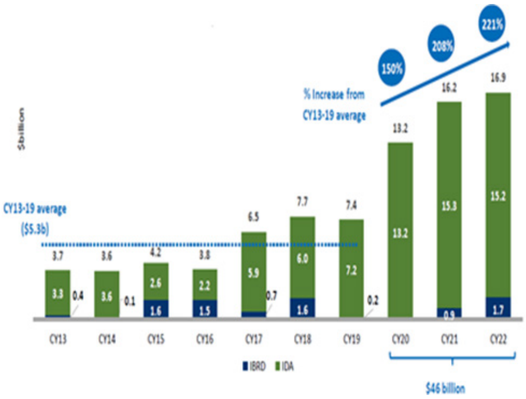
Overall, the disbursement performance for the first eight months of FY23 is strong, with a total of US$4.7 billion disbursed to 20 constituency countries (Figure 4.2). However, the Office's assessment indicates that more efforts are needed to accelerate disbursements for active WB portfolios in Constituency countries. A comparison of cumulative disbursements with undisbursed amounts for each active IBRD/IDA financed project in Constituency countries reveals that the disbursement ratio for seven constituency countries ranges from 31% to 37%, five countries have ratios ranging from 41%-45%, while the rest are performing better with ratios of 50% or above.

Low average disbursement ratio, for Constituency countries whose average portfolio age is more than three years, is indicative of the need to put more effort to accelerate disbursements. The OED will continue to work with client countries and the WB Management to address issues holding projects back from disbursing as planned.

Support to Countries in Fragile, Violent and Conflict Situations

The World Banks Fragility, Conflict and Violence (FCV) strategy continues to anchor support to one of the most vulnerable groups of client countries - FCVs. The FCV strategy enabled to target a record size of US$16.9 billion financing by the IBRD and IDA to client countries during the 2022 calendar year (Figure 4.3). Close to half of this financing went to clients in the African continent, owing the large size of countries which are grappling with conflicts and fragility in the continent.

Figure 4.3: Trend in WB financing to FCV countries



Source: World Bank

The OED witnessed the continued relevance of the FCV strategy in providing a dedicated targeting framework to support FCV countries, including through IDA FCV envelope and WBG global crisis response instruments. The Global Crisis Response Framework (GCRF) was used to deliver US$11.9 billion to FCV countries. IFC's Long-Term Finance and Short-Term Finance (STF) instruments as well as MIGA's guarantee instruments helped in raising the size of interventions supporting FCS locations.

After the crisis scenario subsides, lessons learned from the implementation of the FCV strategy will provide insights for adjustments and potentially modifying the strategy in the future.

Support for Countries in non-accrual status

The Office continues to monitor progress and advocate for the reengagement of the State of Eritrea and the Republic of Zimbabwe. On Zimbabwe's reengagement efforts, the Government of Zimbabwe in December 2022, established a Structured Dialogue Platform with all creditors, Development Partners, and other stakeholders to institutionalize dialogue on economic and governance reforms that support the Arrears Clearance and Debt Resolution Process. The President of the African Development Bank, Dr. Akinwumi A. Adesina, is championing this process with the former President of the Republic of Mozambique, H. E. Joaquim A.

Chissano, as the High-Level Facilitator supported by Mrs. Luisa Diogo, former Prime Minister of Mozambique as the technical advisor.

The Government held the inaugural Structured Dialogue in December 2022, followed by its second dialogue on February 23, 2023. Two similar engagements are expected to be held before a High-Level Forum during the second week of May 2023. In collaboration with the IMF Office of the Executive Director, the Office has planned for a Round Table with the Boards of the IMF and WBG on Wednesday, April 12, 2023, on the margins of the IMF/World Bank Spring Meetings. The meeting is intended to update the Boards of the IMF and the World Bank on the progress made in implementing comprehensive economic and governance reforms.

On the State of Eritrea, the Office of the Executive Director has been putting in a lot of effort to facilitate the country's re-engagement with the World Bank. Eritrea will benefit from re-engagement with the World Bank through access to concessional resources that will support its development effort. The OED will continue to reach out to authorities in Eritrea to discuss modalities for reengagement and how the Office can assist in the process.

4.2 Supporting Private Sector Development

The OED Medium Term Strategy emphasizes the importance of private sector development in facilitating economic recovery and sustainable growth in Constituency countries. This update will provide a synopsis of the Office's activities to deliver on the four identified goals associated with the strategic goal.

Growth of the IFC investment portfolios in the Constituency countries.

During the first half of FY23, IFC commitments in constituency countries reached US$ 579 million (Table 4.1). IFC commitments in SSA have historically been driven by Short-Term Finance (STF). The first half of FY23 saw a rebalancing in the SSA portfolio with a 64% increase in Own

Table 4.1: IFC FY23 first half Commitments in Constituency Countries – in US$ millions

Country	LTF Own Account	Core Mobilization	Total LTF	STF Own Account	Total STF
1. Ethiopia	0.0	0.0	0.0	6.0	6.0
2. Kenya	250.0	0.0	250.0	239.8	239.8
3. Lesotho	0.0	0.0	0.0	0.0	0.0
4. Liberia	0.0	5.0	5.0	10.8	10.8
5. Malawi	0.0	0.0	0.0	13.7	13.7
6. Sierra Leone	0.0	0.0	0.0	3.7	3.7
7. South Sudan	3.8	0.0	3.8	0.0	0.0
8. Tanzania	4.9	0.0	4.9	20.9	20.9
9. Uganda	5.0	0.0	5.0	0.0	0.0
10. Zambia	15.0	0.0	15.0	0.0	0.0
	278.7	**5.0**	**283.7**	**294.9**	**294.9**

Source: IFC

Account Long-Term Finance (LTF) compared to a 22% increase in Own Account Short-Term Finance. CPSDs; the Republic of Sudan in FY22, the Republic of Zambia, Zimbabwe, and Somalia in FY23. The

Table 4.2: IFC Country Private Sector Diagnostics (CPSD) for Constituency Country

No	Country	CPSD Status
		First Half of FY23
1	Federal Republic of Somalia	Initiated in FY23 - Ongoing
2	Republic of Zambia	Initiated in FY23 - Ongoing
3	Republic of Zimbabwe	Initiated in FY23 - Ongoing
4	Republic of Sudan	Initiated in FY22, Pending progress on WBG reengagement
5	Republic of Burundi	Completed and published in Nov 2022
6	Kingdom of Eswatini	Completed and published in September 2022
7	Republic of Namibia	Completed and published in July 2022
		Completed before July 2023
8	Republic of Botswana	Completed and published in June 2022
9	Republic of Uganda	Completed and published in February 2022
10	Republic of Mozambique	Completed and published in June 2021
11	Republic of Malawi	Completed and published in July 2021
12	Republic of Rwanda	Completed and published in June 2019
13	Republic of Kenya	Completed and published in July 2019
14	Federal Republic of Ethiopia	Completed and published in May 2019

Source: IFC

In FY22, IFC had investments in fifteen constituency countries. In the first six months of FY23, IFC secured its first investment in South Sudan in a decade. This has been supported by ongoing upstream efforts to improve the bankability of private sector operations, particularly in SSA. As of December 2023, IFC investments in constituency countries reached US$2.3 billion, comprising US$2.2 billion in LTF and US$100 million in STF. Building on the performance of FY23 first half the Office will continue to monitor the IFC pipeline and advocate for IFC's engagement in Eswatini, Lesotho, and Somalia. Concerning Zimbabwe, and Sudan, the Office is pleased to report that IFC has initiated the Country Private Sector Diagnostics (CPSD) for Zimbabwe and Sudan. Completing the CPSD will lay the foundation for IFC's engagement once reengagement expectations are met.

On Constituency CPSDs, IFC initiated CPSDs in 14 countries, completing ten diagnostic products (Table 4.2). It commenced work on the following CPSDs have contributed to the IFC development of a pipeline of bankable projects in SSA. Below is a summary of the CPSD initiated and completed by the IFC. The tables below summarize the current IFC exposure in constituency countries (Table 4.3). Total LTF and STF portfolio exposure for sixteen Constituency countries was US$2.3 billion (as end December 2022). The IFCs pipeline in Africa, which currently stands at US$7 billion, represents 24% of the total LTF investment pipeline and includes US$5 billion of IFC's own account. It is important to note that the SSA pipeline is the most significant share per region of the overall IFC pipeline. Additionally, 25% of the IFC Upstream pipeline relates to potential investments in Africa.

Increased use of the Private Sector Window

The Africa region continues to benefit from a large proportion of the IDA Private Sector Window (PSW) commitments. Out of the US$2 billion allocated for the PSW, the pipeline in Africa reached

US$ 1.3 billion by the end of December 2023. The first half of the year saw IFC secure its first IDA-20 PSW Board approvals, which included investments in South Sudan. Six months into the start of the IDA 20 cycle, IFC has committed US$123 million. The Office will continue to monitor the conversion of the IDA-20 PSW pipeline to ensure that the Window is fully utilized between FY23-25 and Constituency member countries continue to benefit.

Implementation of the decentralization agenda

At the end of FY23 Q2, IFC's footprint comprised Staffing in the Headquarters plus 105 Country Offices in 100 countries. The IFC has successfully launched 25 offices in FCS locations. The OED continues to monitor the implementation of the decentralization agenda through quarterly updates to the Board and quarterly briefings with the IFC regional Vice President for Africa.

Monitor the use of Intermediate Jurisdictions in WBG Private Sector Operations

The World Bank Group approved the revised Intermediate Jurisdictions (IJ) policy in July 2022, incorporating due diligence on Taxation and Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT). The new WBG Tax// IJ Policy became effective on January 23, 2023, replacing the 2014 Offshore Financial Center Policy.

On Tax Due Diligence (TDD), the new policy extends the TDD process to all sectors and regions and has been rolled out on a regional basis during the pilot phase. In the first half of FY2023, the Board approved 106 investment projects, of which 28 were subjected to TDD based on the use of IJs in the structure or material cross-border related-party transactions. 13 other projects involved the use of IJs but were not subject to TDD as they were outside the scope of the then TDD pilot. Of the 106 investment projects approved by the Board, 38 projects utilized IJs comprising 36% of the approvals, and amounted to US$ 2 billion. None of the projects involved re-domiciliation, while two projects involved an IJ in a transition period (British Virgin Islands).

Table 4.3: IFY23 December-end Portfolio Exposure by Constituency Countries

No.	Country	Portfolio Exposure (LTF) US$ million	Portfolio Exposure (STF) US$ million
1	Botswana	25.4	-
2	Burundi	10.5	-
3	Ethiopia	55.4	1.8
4	Gambia	3.1	-
5	Kenya	1,070.2	55.2
6	Liberia	6.4	10.8
7	Malawi	3.8	13.7
8	Mozambique	284.6	1.9
9	Namibia	30.0	-
10	Rwanda	30.6	-
11	Seychelles	10.0	-
12	Sierra Leone	2.7	3.7
13	South Sudan	4.1	-
14	Tanzania	345.8	20.0
15	Uganda	144.0	-
16	Zambia	184.0	-
	Grand Total	**2,210.5**	**107.1**

Source: IFC

The AML/CFT due diligence is designed to manage and mitigate money laundering and terrorist financing risks in investments with financial intermediaries and funds. The Board approved revised policy is now effective for new investments committed after October 1, 2022. The revised procedure follows a risk-based approach to apply Simplified Due Diligence (SDD), Standard Due Diligence, or Enhanced Due Diligence. In the first half of FY23, the due diligence was triggered on approximately 61 investments undergoing appraisal.Out of the 61 investments, 28% required an AML/CFT action plan to remediate AML/CFT control deficiencies as provided in the new policy.

4.3 Enhancing Engagement with Constituency Countries

The Executive Director undertook official mission to seven Constituency countries between December 2022 – March 2023. Discussions with authorities focused on development priorities and challenges of Constituency countries, collaboration with the World Bank Group and performance of the WBG financed portfolio. In addition, the Executive Director briefed the authorities on the ongoing conversation around the Roadmap for World Bank Evolution and the status of the 2018 IBRD/IFC capital package subscription. As of end December 2022, only 9 out of the 22 Constituency countries have completed the subscription process for IBRD General Capital Increase (GCI) and Selective Capital Increase (SCI). Regarding IFC capital increase, only 6 Constituency countries completed the subscription for GCI and just 4 countries for SCI.

The GCl is undertaken to raise the capital stock of IBRD and IFC to enhance their financial capacity. Both institutions' GCIs allocate shares pro-rata to all members of the institution. On the other hand, SCl is implemented with the purpose of rebalancing shareholding and voting power of members.

ED's visit to the Republic of Uganda

The Executive Director, Dr. Floribert Ngaruko, and his Senior Advisor, Mr. Fisseha Kidane, visited the Republic of Uganda from December 20-22, 2022. The mission's objective was to consult with the Government of Uganda and other entities to advance the effectiveness of the cooperation between the Republic of Uganda and the World Bank Group.

The ED met with Hon. Minister Matia Kasaija, Minister of Finance, Planning and Economic Development. During the meeting, he briefed the Governor on the 'Evolution of the WBG,' the need to absorb IDA20 allocation, ongoing CPF discussions, portfolio issues, capital subscriptions, and the Voice Secondment Program. The Governor briefed the ED about Uganda's priority areas for WB engagements, including agriculture and value additions. The Governor emphasized the Ministry's commitment to addressing the implementation problems and delays in the approval of projects. The Governor requested the Executive Director to continue its support in resolving some of the portfolio issues, in particular safeguards related challenges.

The ED also met with the Honorable Minister of Health, Ms. Ruth Aceng, Hon. Attorney General Mr. Kiryowa Kiwanuka and representatives of the private sector and the WBG Uganda country office staff. In his meeting with the IMF Representative, the two discussed how the Ugandan government had established a fiscal rule for oil revenues and effectively controlled public expenditure such that the debt-to-GDP ratio was projected to decline in the coming two to three years. The IMF indicated that Uganda's prudent fiscal management during the COVID crisis played a crucial role in avoiding severe economic damage.

The Executive Director concluded his visit by touring one World Bank-financed project - Kampala Institutional and Investment Project, which demonstrated some positive achievements, despite experiencing delays arising from the Inspection Panel investigation.

Executive Director Dr. Floribert Ngaruko with the CEO and staff of Private Sector Foundation Uganda, a private sector reprentative organization in the Republic of Uganda

ED's visit to the Republic of Liberia

On February 13-14, 2023, the Executive Director, Dr. Floribert Ngaruko, accompanied by his Advisor, Mr. Emmanuel Munyeneh embarked on a mission to the Republic of Liberia. During the one-day compacted mission, the ED met with Officials from the Ministries of Finance and Development Planning, Education, Gender, Children and Social Protection, Agriculture, and the Country Team of the World Bank. The ED also participated in an hour-long field trip to one of the sub-stations of the Liberia Electricity Corporation.

The ED used the opportunity provided by the visit to brief the Minister of Finance on the ongoing conversation around the Evolution of the WBG. Minister Samuel Tweah called on the ED to advocate for more resources to help resolve some of the challenging issues in Constituency countries. The Minister identified human capital and access to electricity as major constraints to economic growth and private sector led investment. During the discussion the ED brought to the Minister's attention about the importance of subscribing to the IBRD/IFC 2018 Capital Increase package. For his part, Education Minister, Prof. Ansu Sonii noted that his Ministry would needs US$1 billion in the next five years to transform the sector for which the Ministry would seek some of this financing to come from the WBG.

The ED also had the opportunity to meet with the President of Liberia. H.E. President George Weah informed the ED about the country's investment needs in energy to help ease the limited access to electricity. The President pointed out that the WBG support to the expansion of the country's infrastructure would help facilitate trade, boost agriculture production, enhanced tourism and reduce poverty and boost shared prosperity for all citizens.

Executive Director Dr. Floribert Ngaruko with H.E. President George Weah, President of the Republic of Liberia

ED's Mission to the Republic of The Gambia

On February 16-17, 2023, the Executive Director accompanied by his Advisor, Mr. Emmanuel Munyeneh embarked on a two-day mission to the Republic of The Gambia. During the mission, the ED provided briefing to the Minister of Finance and Economic Affairs on the World Bank Evolution. The ED also met Officials from the Ministries of Tourism, Health, Agriculture, and the Country Team of the World Bank. The ED also made a courtesy call to the President of the Republic of The Gambia, H.E. Adama Barrow.

The two-day interactive meeting provided an opportunity for the ED to gather firsthand understanding of The Gambia's development challenges, including rising prices and inflation. The visit also enabled the ED to interact with the World Bank Country Office team and discuss about the implementation of World Bank financed projects in the country.

During his meeting, Finance and Economic Affairs Minister, Hon. Seedy Keita noted that there were disbursement challenges with the WB, especially with performance-based allocation (PBA). The ED also informed the Minister on the need for his government to settle its Capital Subscriptions to the IBRD, and IFC. Tourism Minister, Amat Bah pointed out that COVID-19 and the war in Ukraine was undermining growth hence the urgent need for improvement in the quality of tourism infrastructure to attract more tourists.

The ED also had the opportunity to meet with H.E. Adama Barrow, President of The Gambia. President Barrow commended the WBG for the financial support in grants and loans. He pointed out that the Country's National Development Plan was ambitious hence the need for continuous engagement with the WB. He named universal access to electricity and roads as key priorities for his government.

Executive Director Dr. Floribert Ngaruko with H.E. Adama Barrow (fourth from left), President of the Republic of The Gambia. Also in the picture is Hon Seedy Keita (third from right), Minister of Finance and Economic Affairs, Republic of The Gambia.

ED's Mission to the Republic of Sierra Leone

The Executive Director, accompanied by his Senior Advisor, Ms. Naomi Rono, undertook a mission to the Republic of Sierra Leone from February 20-22, 2023, to consult the Government on Sierra Leone's development agenda, including key priorities and challenges. The Executive Director met H.E Rtd. Brigadier Dr. Julius Maada Bio, President of the Republic of Sierra Leone; the Governor for the WBG and Minister of Finance, Honorable Sheku Ahmed Fantamadi Bangura; and the Governor of the Bank of Sierra Leone, Prof. Kelfala M. Kallon. The ED also held a roundtable with several Ministries managing World Bank-funded projects, including: the Ministry of Agriculture, Ministry of Education, Ministry of Energy, Ministry of Health and Sanitation, Ministry of Information and Communication, Ministry of Mines and Mineral Resources, Ministry of Technical and Higher Education, Ministry of Trade and Industry, Ministry of Tourism and Culture and Ministry of Youth Affairs.

The ED's discussions with President Bio focused on the President's vision to anchor Sierra Leone's development agenda around agriculture. The ED assured the President of his Office's commitment to assist with World Bank Group's engagement reflecting the Government's priorities. The ED also commended the President for consolidating peace and championing a progressive reform agenda in multiple sectors, including mining, gender equality, land, and financial inclusion in Sierra Leone. The President expressed his deep appreciation for the strong engagement between Sierra Leone and the World Bank and called for more robust engagement between Sierra Leone's private sector and the WBG.

During his meeting with the Minister of Finance, the ED noted the significant macroeconomic pressures facing the Government of Sierra Leone and recognized their impact on the GDP outlook. He welcomed the Government's strategy to stabilize the economy and stimulate growth in FY23 and was encouraged by the Government's commitment to remain steadfast on the structural reform agenda and welcomed the ongoing engagement with the IMF.

Dr. Ngaruko's meeting with the Bank of Sierra Leone Management team focused on the macroeconomic developments evolving against the challenging global context. The Governor of the Bank of Sierra Leone appreciated the foreign exchange support the World Bank program provided for Sierra Leone. He updated the ED on the impact of the currency depreciation and high inflationary pressure that had resulted mainly from exogenous shocks to the economy. The Executive Director welcomed the Governor's assurance of the country's commitment to focusing on the structural reform agenda while addressing the urgent cyclical spending needs.

Executive Director Dr. Floribert Ngaruko with H.E. President Julius Maada Bio, President of the Republic of Sierra Leone

ED's Visit to Zambia

The Executive Director Dr. Floribert Ngaruko, accompanied by his Advisor Ms. Ndapiwa Segole, visited the Republic of Zambia, from March 14th to 15th, 2023. The Executive Director met the Governor of the World Bank Group and the Minister of Finance, Honorable Dr. Situmbeko Musokotwane, the Governor of Reserve Bank of Zambia, Dr. Denny Kalyalya, Honorable Minister of Agriculture, Mr. Reuben Mtolo Phiri, Honorable Minister of Transport and Logistics, Mr. Frank Tayali, Honourable Minister of Energy, Mr. Peter Chibwe Kapala, the President of the Zambia Chamber of Commerce and Industry, Dr. Chabuka Kawesha, and the World Bank Country Office Staff.

The main purpose of the mission to discuss Zambian authorities about the country's development challenges and opportunities, as well as the status of the debt situation. The mission provided a platform to discuss ways in which the relationship between the Government of Zambia and the World Bank Group (WBG) could be strengthened and projects better implemented to enable the country access more resources. The ED briefed the authorities about the ongoing discussion on the Roadmap for WBG Evolution and thanked the Government for making the payments towards the 2018 Capital Increase resolution. The Minister and the Governor of the Central Bank thanked ED for his briefing and encouraged him to continue supporting the country to conclude the debt restructuring process. On the WBG Evolution, the Minister was of the view that the WBG should do more on private sector development to help countries grow their economies.

In his meetings with the ministries of Agriculture, Transport & Logistics and Energy, the ED discussed the ministries' priorities, project implementation challenges and ways in which the Bank could increase their support for the Ministries. The meeting between the ED and the President of the Zambia Chamber of Commerce and Industry focused on the importance of sustainable private sector development and strengthening SMEs to promote economic growth. The ED also interacted with the WBG Country office staff to understand challenges that affect their conditions of service. The staff members cited issues covering career progression, effects of inflation on their salaries, and health insurance benefits. The mission ended with site visit to the Zambia Agribusiness and Trade project to appreciate some of the implementation challenges of the WBG Projects.

Executive Director Dr. Floribert Ngaruko with Hon. Dr Situmbeko Musokotwane, Minister of Finance and Economic Planning, Republic of Zambia

ED's Visit to Burundi

The Executive Director (ED), Dr. Floribert Ngaruko, accompanied by his Advisor, Mr. Venuste Ndikumwenayo, visited the Republic of Burundi during March 17-21, 2023, and held meetings with the representatives of the Government, the representatives of the private sector and the World Bank Group (WBG) Staff. The ED met H.E. Gervais Ndirakobuca, the Prime Minister of Burundi. He also met the Governor of the World Bank Group and Minister of Finance, Budget, and Economic Planning, Honorable Audace Niyonzima. The ED also held a dedicated session with government officials on the implementation of the WBG portfolio. This meeting was chaired by the Minister of Finance, Budget and Economic Planning, and was also attended by two other Ministers, namely Prof. François Havyarimana, Minister of Education (Alternate Governor), and Mr. Dieudonné Dukundane, Minister of Infrastructure. The meeting was attended by government officials representing the Ministers responsible for Industry and Trade, Energy, Health, Youth, Communication, and Security and Local Administration. The ED also met with private sector representatives as well as the staff of WB Bujumbura Country Office.

The ED's discussion with the Prime Minister H.E. Gervais Ndirakobuca focused on development progress in Burundi and recent steps taken by the government to promote good governance and fight corruption. The discussion also covered the cooperation with the WBG, the cooperation with the IMF with a focus on the exchange rate policy reform, the reforms in the energy and mining sectors. The ED briefed the Prime Minister on the WBG Evolution process, the selection process of the next World Bank President, and the update on the implementation of the 2018 IBRD/IDA capital increase.

During the ED's meeting with the Minister of Finance, Budget, and Economic Planning, the conversation on enhancing WBG support to the country and progress on ongoing economic reform measures in the country. The Minister also informed the ED that the Cabinet approved the recommendation to subscribe to the 2018 capital package. The subscription process will be completed by a promulgation act, after the National Assembly approves the proposal and the Prime Minister expressed his commitment to follow up the process.

When the ED meet sectoral ministries to discuss the implementation of WBG-financed portfolio, the Ministers and government officials present during the meeting characterized the current partnership between Burundi and the WBG as very strong. The discussion identified the need to accelerate efforts to improve disbursements, which is relatively low, compared to other countries.

Executive Director Dr. Floribert Ngaruko with H.E. Audace Niyonzima, Minister of Finance, Budget and Economic Planning, Republic of Burundi, visiting a WB financed project site

ED's Visit to Rwanda

Executive Director Dr. Floribert Ngaruko, supported by his Senior Advisor, Mr. Fisseha Kidane, undertook a mission to the Republic of Rwanda from March 21-23, 2023, to consult the Government on Rwanda's development agenda, including the country's priorities and challenges. The ED met with Right Honorable Dr. Edouard Ngirente, Prime Minister of the Republic of Rwanda, Hon Dr. Uzziel Ndagijimana, the Governor for the WBG and Minister of Finance and Economic Planning; Dr. Erneste Nsabimana, the Minister for Infrastructure; Dr. Valentine Uwamariya, the Minister for Education, and Dr. Ildephonse Musafiri, the Minister for Agriculture and Animal Resources.

The discussion with Prime Minister Dr. Edouard Ngirente focused on Rwanda's development agenda and priorities, highlighting the progress made so far, emerging signs of strong economic recovery in 2023, and remaining development challenges, including deficit in access to water supply and sanitation services. The ED congratulated the Prime Minister on Rwanda's performance, including the quality of dialogue with the WBG, the use of innovative project designs and strong focus on climate change. The ED also briefed the Prime Minister on the Evolution of the WBG and used the opportunity to highlight the additional work required to improve WB-financed project implementation performance in the country. The Prime Minister thanked the ED for visiting Rwanda early in the ED's tenure. The Prime Minister also expressed the importance of the Constituency Meetings to raise and discuss common issues for the membership including collaboration on regional integration.

During the discussion with the Minister of Finance and Economic Planning, Dr. Ngaruko briefed the Governor on the current state of the discussion on the WBG Evolution Agenda. The ED also highlighted the challenges of project implementation in Rwanda since COVID, and on the need to improve disbursements. The Minister thanked the ED for the Office's proactive role and described the partnership between Rwanda and the WB as very strong, partly manifested by several partners showing their confidence in the Bank by agreeing to co-financing projects. The Minister highlighted there is a lot of room to strengthen regional cooperation among economies in Easter Africa including by leveraging IDA's regional window and using some of the Bank's guarantee instruments.

The ED also discussed sectoral contexts, priorities and challenges with the Minister of Infrastructure, the Minister of Education and the Minister of Agriculture and Animal Resources. The discussions provided opportunities to appraise the Bank's role in supporting priority interventions in the respective sectors. Dr. Ngaruko also met with the CEO of Rwanda's Private Sector Federation, the World Bank Country Manager for Uganda, and staff, and visited one WB-financed project site.

Executive Director Dr. Floribert Ngaruko during a site visit to a primary school in Kigali, Rwanda. In the picture are officials of Rwanda's Ministry of Education and sector specialists from the WB Rwanda Country Office

The Vice President for East and Southern Africa's Visit to Kenya and Somalia

The World Bank Vice President for Eastern and Southern Africa, Ms. Victoria Kwakwa, made her inaugural mission to the region by visiting the Republic of Kenya from Monday, February 6-7, 2023. The Office of the Executive Director accompanied Ms. Kwakwa on this mission, represented by the Alternate Executive Director (AED), Dr. Zarau Kibwe, and Ms. Naomi Rono, Senior Advisor to the Executive Director. The VP met with the President of the Republic of Kenya, H.E. President William Ruto, the Cabinet Secretary of the National Treasury and Economic Planning, Prof Njuguna Ndung'u, and the Governor of the Central Bank of Kenya, Dr. Patrick Njoroge. The WB Vice President discussed the macroeconomic situation of Kenya in addition to the immediate, medium-term, and long-term needs of the country, resulting in an agreement on follow-up actions.

World Bank Vice President for Eastern and Southern Africa Victoria Kwakwa and Alternate Executive Director Dr. Zarau Kibwe with H.E. President William Ruto, Republic of Kenya

On February 5, 2023, Ms. Victoria Kwakwa visited the Republic of Somalia where she met with the President of the Federal Government of Somalia, Hassan Sheikh Mohamud, Somalia's Prime Minister H.E Hamza Barre, Finance Minister, key Cabinet Ministers and some of the development partners based in Somalia. The Alternate Executive Director, Dr. Zarau Kibwe, and the Advisor to Executive Director, Abdirahman Bashir Shariff, were also part of the mission.

The Vice President acknowledged that Somalia was expected to reach the Highly Indebted Poor Countries (HIPC) completion point by the end of 2023. She noted that this resulted from the aggressive economic reforms undertaken by Somalia's leadership and their strong commitment to work with the IMF, WBG, and other partners to reach the Completion Point and beyond. The Federal Government of Somalia authorities appreciated the Vice President's visit to Somalia and the substantial increase of the Bank's investment in Somalia's key priority areas which include emergency response and social protection, improving the business environment, capacity building, governance, and social sector recovery.

4.4 Advocating Diversity and Inclusion

The OED continued to give specific attention to the broader representation of staff of African origin in various levels of staffing – entry, middle-career, and senior management levels – in all units of the WBG. The objective is to ensure that Constituency countries get equal employment opportunities whenever vacancies arise, particularly at the senior management level. The Office has endeavored to effectively represent the interests of the Constituency countries on the Boards and standing committees of Executive Directors within the WBG.

To enhance staff retention in the WBG's regional offices and respond to the feedback and comments regularly received from WB staff based in the region, the Office has continued to advocate for the WBG to address the significant losses experienced in the actual value of the compensation package due to last year's high inflation rate. Moreover, the Office maintains a cordial relationship with other Executive Directors, Bank management, and staff as we implement the Constituency Office's strategy and activities.

The ED used the opportunity provided by the observation of Black History Month at the World Bank on February 27, 2023, to deliver a speech that welcomed the commitment of the World Bank Group to end racism in the workplace supported by actionable 'reforms' that are monitored at the highest level of leadership in the Institution. In his speech, the ED also highlighted that there is still more that needs to be done to improve the inclusivity of the WBG for staff of African Descent:

4.5 Capacity Development

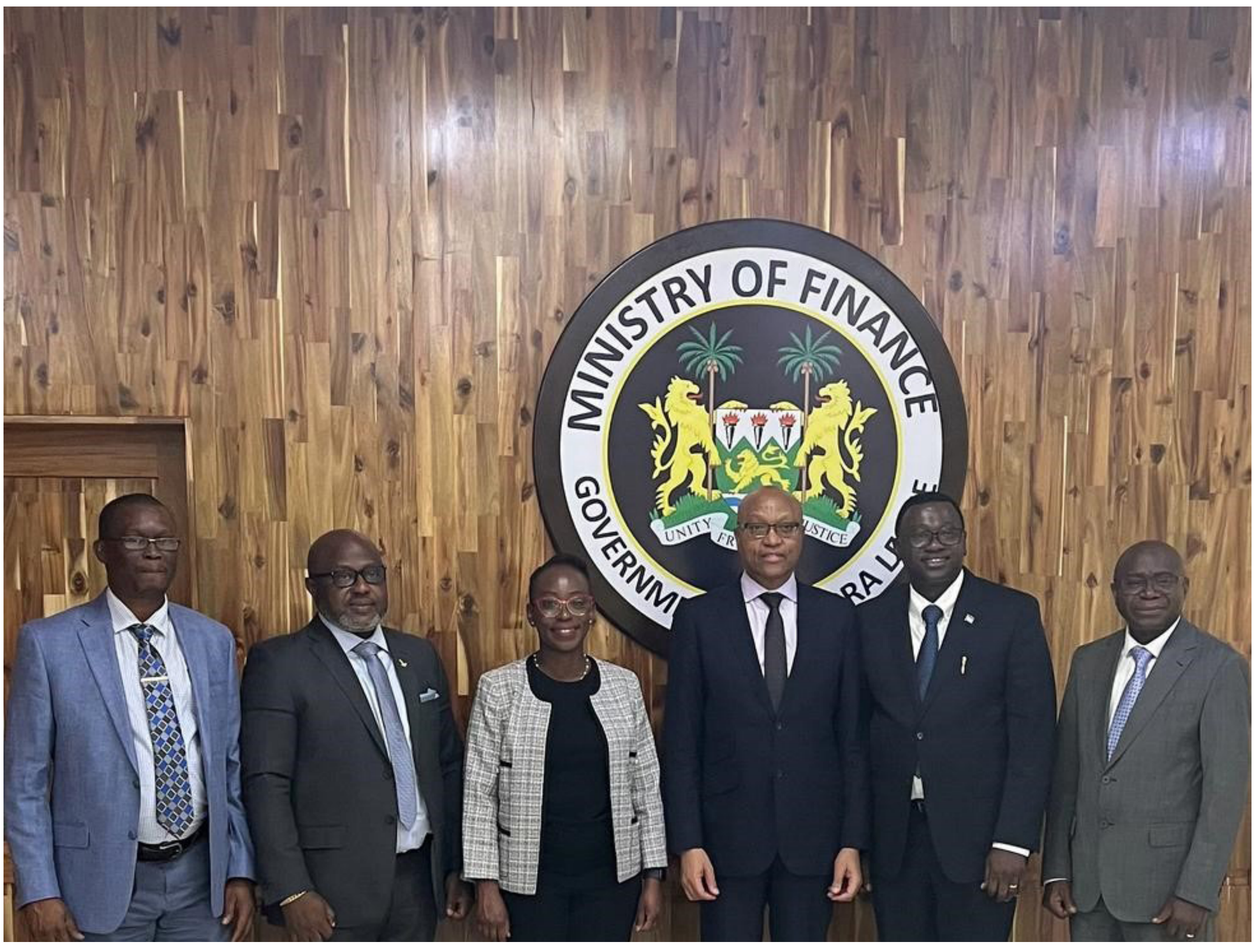
In the past few decades, the World Bank has remained at the center of the discourse around the role of capacity building in development. On the other hand, Sub-Saharan Africa (SSA) continues to face significant capacity challenges in implementing policy priorities. In support of the economic transformation ambition of constituency countries and as part of the Office's medium-term strategy, the OED has prioritized advocacy for increased WBG support to capacity building in SSA. To advance this agenda three key tasks are identified by the Office. First, the OED has approached the Committee for Development Effectiveness (CODE) to facilitate a systematic review of the Bank's efforts to support capacity building in SSA.

Second, the Office proposes that such a review be accompanied by a parallel needs assessment. The assessment of SSA's capacity building needs will include input from specialist in the area of capacity building – focusing on the SSA context. The process will also include reaching out to Constituency countries, relevant African institutions with focus on the subject, and other relevant institutions outside the WBG.

Third, the OED will spearhead an engagement with the WB Management to crystalize options for capacity building support to SSA. The OED identified the World Bank's Jobs and Economic Transformation (JET) agenda as one framework to scope SSA's capacity-building needs. At the center of the JET framework are policies that promote longer-term job creation opportunities as drivers of economic transformation. In addition, IDA20 JET framework provides some concrete themes which can serve to explore selected areas for capacity-building support, including (i) Sector diversification and competitiveness, (ii) Connectivity and integration, (iii) Skills and Technology, and (iv) Enabling foundations to expand the private sector.

The work around the Roadmap for WBG Evolution could also inform the identification of additional priority areas for capacity building. Capacity-building initiatives that aim at enhancing Domestic Resource Mobilization and Private Capital Mobilization have big potential for Africa. The OED will pursue consultations with Committee for Development Effectiveness and WB Management on this proposed approach.

CHAPTER 5: CONSTITUENCY ENGAGEMENTS



Bilateral meeting between the Executive Director with H.E. Sheku Ahmed Fantamadi Bangura (second from right) Minister of Finance, Republic of Sierra Leone.

CHAPTER 5: CONSTITUENCY ENGAGEMENTS

Chapter 5 presents highlights of the 24th Statutory Meeting of the Africa Group 1 Constituency. It also covers engagements of the Office of the Executive Director in the Board Standing Committees.

5.1 Highlights of the 24th Statutory Meeting of the African Group 1 Constituency

The Vice-Chairperson of the Constituency, the Minister of Finance for the Republic of Liberia, Hon. Samuel Tweah, chaired the Meeting on behalf of the Chairperson of the Constituency, the Minister of Development Planning for the Kingdom of Lesotho, Honorable Selibe Mochoboroane, who could not attend the Annual Meetings due to unavoidable national obligations in his country. The 2022 Annual Meeting was the last Constituency meeting for the outgoing Executive Director, Dr. Taufila Nyamadzabo.

Matters Arising from the 23rd Constituency Meeting

The Executive Director responded to three matters arising from the Constituency Meeting held during the 2022 IMF/WBG Spring Meetings, as follows.

Business Enabling Environment (BEE) Report

Dr. Nyamadzabo updated Governors on the progress made in launching the Business Enabling Environment (BEE) Report following the discontinuation of the Doing Business Report. He informed Governors that a series of technical working sessions with the Board had facilitated dialogue that enabled the concept note's finalization in July 2022. However, he highlighted some areas where the Board had not reached consensus, including the approach to scoring. He also informed governors of Bank's the intention to launch the pilot during the 2023 Spring Meetings.

Environmental and Social Framework (ESF)

On the Bank's safeguard policy, the Executive Director informed the Governors that the Board approved the Environmental and Social Framework (ESF) policy in 2016 which became effective on August 21, 2018. A five-year review of the ESF Policy is expected to take place in 2024. The Executive Director alerted Governors that the Office of the Executive Director would constitute an ESF committee in October 2023 to facilitate adequate consultations with Governors to inform the ESF Review.

World Bank's support for Zambia's Debt Situation

Dr. Nyamadzabo updated the Meeting on the debt situation in Zambia. He highlighted that Zambia had requested debt treatment under the G20 Common Framework, supported by an IMF program. He informed Governors that the IMF Board had approved a 38-month Extended Credit Facility arrangement for Zambia on August 31, 2022, to help restore macroeconomic stability and foster resilient, more inclusive growth. He also noted that the World Bank Group President had engaged the President of the Republic of Zambia, His Excellency Hakainde Hichilema, following the IMF Board's approval to discuss Zambia's progress in implementing the structural reforms

The Constituency also received a presentation on the World Bank Treasury Products. The Treasury Team was represented by its Vice President, Mr. Jorge Familia, Ms. Daniela Klingebiel, and Mr. Miguel Navarro. They presented the World Bank Treasury Products with a focus on the specific products that would serve countries in the Constituency. The presentation highlighted several exogenous shocks, including rising inflation, interest rate increases, currency depreciation, and economic slippages, which require unique and, in some cases, integrated policy responses to counter the challenges. The presentation informed Governors of the various World Bank Treasury products that support financial and risk management capabilities, targeting country-specific contexts in managing interest rate risks through different lending products. It also defined the role of the World Bank Treasury as supporting the design and implementation of financial solutions to help clients maximize development financing and risk mitigation.

The Treasury presentation was followed by a presentation from Dr. Patrick Njoroge, who provided his reflections on the World Bank Treasury products and their relevance for Sub-Saharan African client countries. Dr. Njoroge welcomed the various innovative products developed by the World Bank Treasury, highlighting that the WBG Treasury was a critical partner to leverage, given that most African countries did not have representatives in creditor countries, limiting their ability to engage in the money markets. He highlighted the role of the World Bank and the IMF in providing safety nets for emerging and less developed countries.

Constituency Representation on the Boards of Executive Directors WBG

The Constituency was informed that the Constituency Rules, Guidelines, and Procedures had scheduled the Republic of Burundi as the incoming Executive Director and the Republic of Tanzania as the incoming Alternate Executive Director, respectively, for 2022-2024. The meeting was informed that all the constituency countries except for the State of Eritrea had cast their votes in selecting the Executive Director to represent them on the Boards of the WBG. Dr. Floribert Ngaruko and Dr. Zarau Kibwe were formally confirmed as the new Executive Director and Alternate Executive Director for the AfG1 Constituency.

The Constituency was also advised that Schedules 1, 2, and 3 of the Rules, Guidelines, and Procedures outlined the governance and representation arrangements for 2022 to 2204. The Meeting was informed of the following changes in the Governance of the Constituency:

- Constituency Chairmanship: Liberia, Chairperson; Malawi, Vice Chairperson
- Constituency Panel: Liberia, Chairperson; Malawi, Vice Chairperson; Mozambique, member; Ethiopia, member; Zambia, member.
- Development Committee Representation: Sudan, DC member; Somalia, Alternate D.C. member; Associate Members: Kenya, associate member; Zambia, associate member; Eswatini, associate member; Sierra Leone, associate member.

5.2 The Office of the Executive Director's Membership in Standing Committees:

The OED is a member of the Human Resources and Budget Committees. The Human resource Committee has been focused on analyzing the WBG's Compensation methodology and Competitiveness which will inform the Board's decision on whether the Compensation Methodology would be reviewed. Proposals on this are yet to be presented to the committee.

The Budget Committee held two main engagements since October 2022. In January 2023, Executive Directors held a retreat with WB Bank Management during which discussions were held on the assumptions underlying the estimation of budget request for FY24 by WBG entities. This early and exploratory discussion was followed up by a Board seminar in mid-March on the WBG's FY24-FY23 budget process. While the 'Roadmap for World Bank Evolution' agenda is expected to affect the budget for FY24 and beyond, Executive Directors noted that concrete provisions could only be factored in after decisions by Governors on the roadmap.

ANNEXES

SCHEDULE I
ROTATION SCHEDULE FOR CONSTITUENCY CHAIRMANSHIP
FIRST ROUND 2010 - 2052

YEAR	CHAIRPERSON	VICE CHAIRPERSON
2010	BOTSWANA	BURUNDI
2012	BURUNDI	ERITREA
2014*	ERITREA	ETHIOPIA
2016	ETHIOPIA	GAMBIA, THE
2018	GAMBIA, THE	KENYA
2020	KENYA	LESOTHO
2022	LESOTHO	LIBERIA
2024	LIBERIA	MALAWI
2026	MALAWI	MOZAMBIQUE
2028	MOZAMBIQUE	NAMIBIA
2030	NAMIBIA	RWANDA
2032	RWANDA	SEYCHELLES
2034	SEYCHELLES	SIERRA LEONE
2036	SIERRA LEONE	SOMALIA
2038	SOMALIA	SOUTH SUDAN
2040	SOUTH SUDAN	SUDAN
2042	SUDAN	ESWATINI
2044	ESWATINI	TANZANIA
2046	TANZANIA	UGANDA
2048	UGANDA	ZAMBIA
2050	ZAMBIA	ZIMBABWE
2052	ZIMBABWE	BOTSWANA

* Eritrea declined to serve as Chair in 2014

NOTES/ IMPLEMENTATION GUIDE/POLICY FOR ROTATION SCHEDULE I:

1. Every country is given turn for Chairmanship in alphabetical order from A to Z
2. Avoids duplication with IMF Rotation - Governors not serving on the IMF Constituency Panel are given preference
3. A country could decide to pass its turn, for any reason
4. A country could decide to switch turn with another country closely in line on the Rotation Schedule I
5. Except where a country agrees to switch its turn with another country next in line on the rotation table, any country that declines to serve in the allotted year shall be deemed to forego its turn in the first round of implementation of Rotation Schedule I

SCHEDULE II
ROTATION SCHEDULE FOR CONSTITUENCY PANEL MEMBERSHIP
FIRST ROUND 2010 – 2052

YEAR	CHAIRPERSON	VICE CHAIRPERSON	OTHER PANEL MEM-		
2010	BOTSWANA	BURUNDI	SEYCHELLES	KENYA	SIERRA LEONE
2012	BURUNDI	ERITREA	RWANDA	ESWATINI	LIBERIA
2014*	ERITREA	ETHIOPIA	LESOTHO	ZAMBIA	SOUTH SUDAN
2016	ETHIOPIA	GAMBIA, THE	NAMIBIA	ZIMBABWE	SUDAN
2018	GAMBIA, THE	KENYA	MOZAMBIQUE	MALAWI	TANZANIA
2020	KENYA	LESOTHO	ESWATINI	BOTSWANA	ETHIOPIA
2022	LESOTHO	LIBERIA	RWANDA	BURUNDI	SOUTH SUDAN
2024	LIBERIA	MALAWI	MOZAMBIQUE	ETHIOPIA	ZAMBIA
2026	MALAWI	MOZAMBIQUE	GAMBIA, THE	UGANDA	KENYA
2028	MOZAMBIQUE	NAMIBIA	ETHIOPIA	SOMALIA	ERITREA
2030	NAMIBIA	RWANDA	BOTSWANA	SOUTH SUDAN	LIBERIA
2032	RWANDA	SEYCHELLES	LESOTHO	UGANDA	TANZANIA
2034	SEYCHELLES	SIERRA LEONE	SUDAN	ZIMBABWE	LIBERIA
2036	SIERRA LEONE	SOMALIA	KENYA	BOTSWANA	MALAWI
2038	SOMALIA	SOUTH SUDAN	ESWATINI	ZAMBIA	BOTSWANA
2040	SOUTH SUDAN	SUDAN	LIBERIA	MALAWI	BURUNDI
2042	SUDAN	ESWATINI	SOMALIA	SIERRA LEONE	LESOTHO
2044	ESWATINI	TANZANIA	UGANDA	ERITREA	NAMIBIA
2046	TANZANIA	UGANDA	ZAMBIA	SEYCHELLES	BOTSWANA
2048	UGANDA	ZAMBIA	ZIMBABWE	KENYA	GAMBIA, THE
2050	ZAMBIA	ZIMBABWE	UGANDA	BURUNDI	LIBERIA
2052	ZIMBABWE	BOTSWANA	LIBERIA	SUDAN	RWANDA

- Eritrea declined to serve as Chair in 2014

NOTES/ IMPLEMENTATION GUIDE/POLICY FOR ROTATION SCHEDULE II:

1. Every country is given a turn for chairmanship in alphabetical order from A to Z
2. Avoids duplication with IMF Rotation - Governors not serving on the IMF constituency Panel are given preference
3. Generally, panel members reflect regional balance (East, South and West)

SCHEDULE III

ROTATION SCHEDULE FOR CONSTITUENCY REPRESENTATION ON THE DEVELOPMENT COMMITTEE
FIRST ROUND 2010 -2052

YEAR	DC MEMBER	ALTERNATE	ASSOCIATES			
2010	ZIMBABWE	ZAMBIA	TANZANIA	ERITREA	RWANDA	GAMBIA, THE
2012	ZAMBIA	UGANDA	GAMBIA, THE	MALAWI	LESOTHO	KENYA
2014	UGANDA	TANZANIA	NAMIBIA	MOZAMBIQUE	ZIMBABWE	SIERRA LEONE
2016	TANZANIA	ESWATINI	LESOTHO	RWANDA	BURUNDI	LIBERIA
2018	ESWATINI	SOUTH SUDAN	SIERRA LEONE	SOMALIA	LESOTHO	UGANDA
2020	SOUTH SUDAN	SUDAN	NAMIBIA	ZIMBABWE	GAMBIA, THE	BURUNDI
2022	SUDAN	SOMALIA	KENYA	ZAMBIA	ESWATINI	SIERRA LEONE
2024	SOMALIA	SIERRA LEONE	ZIMBABWE	LESOTHO	NAMIBIA	GAMBIA, THE
2026	SIERRA LEONE	SEYCHELLES	ESWATINI	ETHIOPIA	BOTSWANA	TANZANIA
2028	SEYCHELLES	RWANDA	SUDAN	TANZANIA	ZIMBABWE	ESWATINI
2030	RWANDA	NAMIBIA	KENYA	SUDAN	ZAMBIA	SIERRA LEONE
2032	NAMIBIA	MALAWI	BURUNDI	KENYA	SIERRA LEONE	SOUTH SUDAN
2034	MALAWI	MOZAMBIQUE	TANZANIA	GAMBIA, THE	ETHIOPIA	BURUNDI
2036	MOZAMBIQUE	LIBERIA	LESOTHO	ZAMBIA	ERITREA	SEYCHELLES
2038	LIBERIA	LESOTHO	GAMBIA, THE	MALAWI	NAMIBIA	RWANDA
2040	LESOTHO	KENYA	MOZAMBIQUE	ZAMBIA	ZIMBABWE	UGANDA
2042	KENYA	GAMBIA, THE	BOTSWANA	NAMIBIA	ETHIOPIA	RWANDA
2044	GAMBIA, THE	ETHIOPIA	ZAMBIA	ZIMBABWE	LIBERIA	MALAWI
2046	ETHIOPIA	BURUNDI	SIERRA LEONE	LIBERIA	LESOTHO	SOUTH SUDAN
2048	BURUNDI	ERITREA	LIBERIA	SOMALIA	ESWATINI	NAMIBIA
2050	ERITREA	BOTSWANA	KENYA	SIERRA LEONE	SEYCHELLES	RWANDA
2052	BOTSWANA	GAMBIA, THE	SIERRA LEONE	KENYA	ETHIOPIA	MOZAMBIQUE

NOTES:

1. Avoids duplication with the other Panel membership

2. DC Member and Alternate Member accord opportunity in descending alphabetical order (Z to A)

3. Associate members are elected to provide regional balance

4. Schedule revised/updated in October 2012 to include South Sudan

5. Size of DC representation reduced from 8 to 6, dropping the Chair and Vice-Chair to avoid duplication with the Panel

SCHEDULE IV
ROTATION SCHEDULE FOR EXECUTIVE DIRECTOR AND ALTERNATE EXECUTIVE DIRECTOR
FIRST ROUND 2010 - 2052

YEAR	EXECUTIVE DIRECTOR	ALTERNATE ED
2010	SUDAN	ZAMBIA
2012	ZAMBIA	SEYCHELLES
2014	SEYCHELLES	ZIMBABWE
2016	ZIMBABWE	BOTSWANA*
2018	BOTSWANA	UGANDA*
2020	UGANDA	BURUNDI
2022	BURUNDI	TANZANIA
2024	TANZANIA	ERITREA
2026	ERITREA	ESWATINI
2028	ESWATINI	ETHIOPIA
2030	ETHIOPIA	SOUTH SUDAN
2032	SOUTH SUDAN	SOMALIA
2034	SOMALIA	GAMBIA, THE
2036	GAMBIA, THE	SIERRA LEONE
2038	SIERRA LEONE	KENYA
2040	KENYA	RWANDA
2042	RWANDA	NAMIBIA
2044	NAMIBIA	LESOTHO
2046	LESOTHO	MOZAMBIQUE
2048	MOZAMBIQUE	LIBERIA
2050	LIBERIA	MALAWI
2052	MALAWI	

*Botswana and Uganda switched turns in 2016-2018

NOTES/IMPLEMENTATION GUIDE/POLICY:

1. Sudan and Zambia given special dispensation to serve their turn under rotation system of the erstwhile Africa GroupI consistency
2. Seychelles which had never served the Constituency as Executive Director was accorded special dispensation on the rotation system
3. The rest of the countries follow an Alphabetical rotation alternating between Z and A until the first round is completed
4. This schedule avoids duplication with IMF Rotation for EDs and AEDs
5. A country could decide to pass its turn, for any reason
6. A country could decide to switch turn with another country closely in line on the rotation table
7. Except where a country agrees to switch its turn with another country next in line on the rotation table, any country that declines to serve in the allotted year shall be deemed to forego its turn in the first round of implementation of Rotation Schedule IV

SCHEDULE V
ROTATION SCHEDULE FOR IDA BORROWERS' REPRESENTATIVES
FIRST ROUND 2015-2019 TO 2037-2039

REPRESENTATIVE COUNTRY	IDA CYCLE	SERVICE YEARS (3 YEAR TERMS)
ZAMBIA	IDA 17,18	2015-2019
TANZANIA	IDA 18, 19	2018-2020
SIERRA LEONE	IDA 19	2019-2021
BURUNDI	IDA 20	2022-2024
ERITREA	IDA 20	2022-2024
ETHIOPIA	IDA 20	2022-2024
GAMBIA, THE	IDA 21	2025-2027
LESOTHO	IDA 21	2025-2027
LIBERIA	IDA 22	2028-2030
MOZAMBIQUE	IDA 22	2028-2030
RWANDA	IDA 22	2028-2030
SOMALIA	IDA 23	2031-2033
SOUTH SUDAN	IDA 23	2031-2033
SUDAN	IDA 24	2034-2036
ZIMBABWE	IDA 24	2034-2036
UGANDA	IDA 24	2034-2036
KENYA	IDA 25	2037-2039
MALAWI	IDA 25	2037-2039
ZAMBIA	IDA 26	2040-2042

NOTES/IMPLEMENTATION GUIDE/POLICY:

1. Each country is given an opportunity to serve as Borrowers' Representative in alphabetical order, starting with the ones that have never served in this position as of 2019-2021
2. The Constituency shall have either 2 or 3 Borrowers' Representatives for each replenishment negotiation as per agreement with the Africa Group II Constituency on the World Bank Board
3. The countries that have provided Representatives until the IDA 18 cycle will come again starting with the one that served earliest, to complete the first round of implementing the Rotation Schedule
4. A country could decide to pass its turn for any reason
5. A country could switch turns with another country closely in line on the Rotation Schedule V
6. Except where a country agrees to switch turn with another country next in line on the Rotation Schedule V, any country that declines to serve in the allotted year shall be deemed to forego its turn in the first round of implementation of the Rotation Schedule V
7. A country that graduates out of IDA will not be eligible to represent the Constituency

SCHEDULE VI
ROTATION SCHEDULE FOR PROFESSIONAL STAFF IN THE OED

1.	ERITREA
2.	SEYCHELLES
3.	BURUNDI
4.	LIBERIA
5.	NAMIBIA
6.	SIERRA LEONE
7.	RWANDA
8.	MALAWI
9.	ZAMBIA
10.	UGANDA
11.	MOZAMBIQUE
12.	ZIMBABWE
13.	SOMALIA
14.	GAMBIA, THE
15.	LESOTHO
16.	TANZANIA
17.	KENYA
18.	ESWATINI
19.	SOUTH SUDAN
20.	ETHIOPIA
21.	SUDAN
22.	BOTSWANA

AFRICA GROUP 1 CONSTITUENCY TEAM

Dr. Floribert NGARUKO
Executive Director
Burundi

Dr. Zarau Wendeline Kibwe
Alternate Executive Director
Tanzania

SENIOR ADVISORS TO EXECUTIVE DIRECTOR

Fisseha Aberra Kidane
Ethiopia

Naomi Rono
Kenya

Lonkhululeko Magagula
Eswatini

ADVISORS TO EXECUTIVE DIRECTOR

Abraham Akoi
South Sudan

Azhari Elamin
Sudan

Ndapiwa Segole
Botswana

Abdirahman Bashir S.
Somalia

Venuste Ndikumwenayo
Burundi

Emmanuel P. Munyeneh
Liberia

Josef Halwoodi
Namibia

ADMINISTRATIVE STAFF

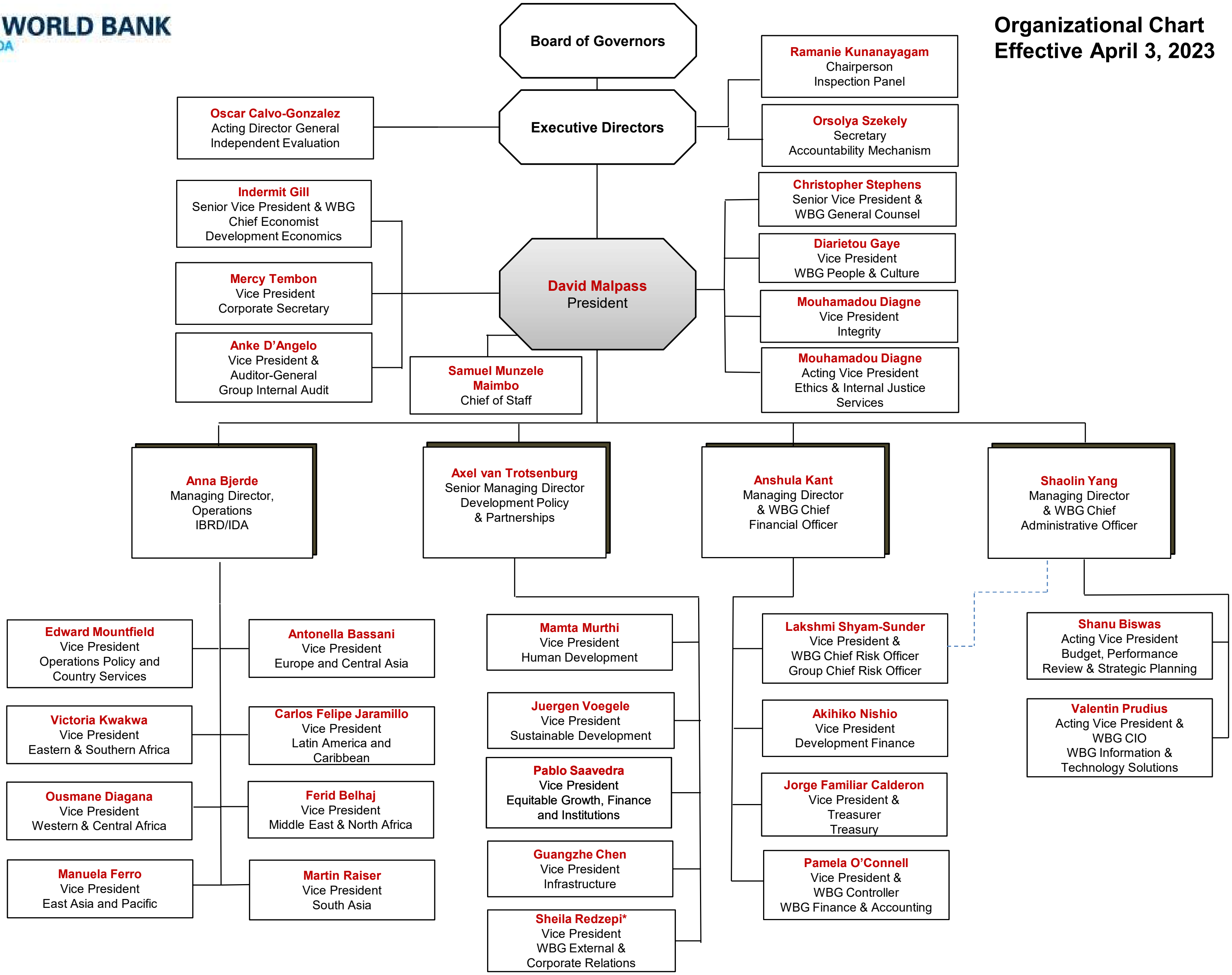
Mohammed Ahmed
Senior Executive Assistant
Sudan

Lozi Sapele
Program Assistant
Zambia

Petronella Makoni
Program Assistant
Zimbabwe

Erica Nikuze
Program Assistant
Burundi

Organizational Chart
Effective April 3, 2023



*Dotted line to the President

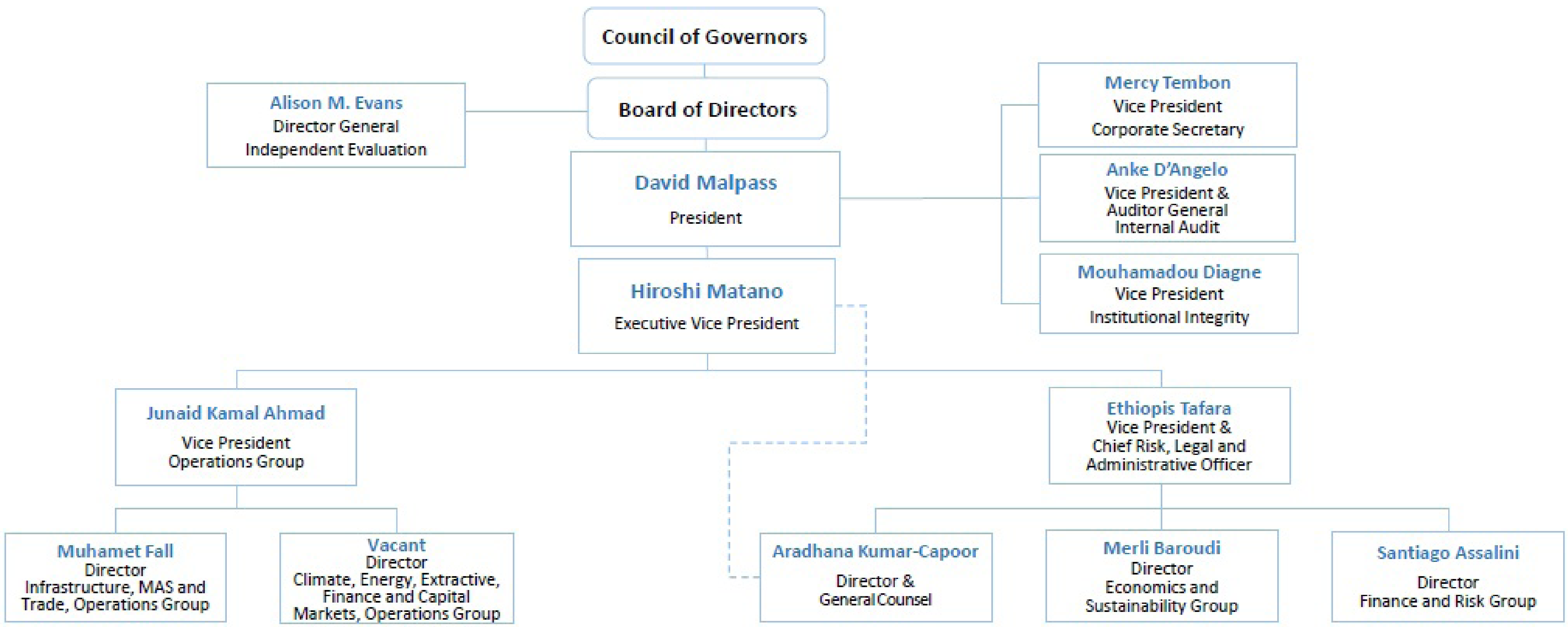
International Finance Corporation
Organizational Structure
March 31, 2023

IFC International Finance Corporatio
WORLD BANK GROUP
Creating Markets, Creating Opportunitie

- **Board of Governors**
  - **Board of Directors**
    - **David Malpass** — WBG President
      - **Makhtar Diop** — IFC Managing Director
        - **Naseem Ahmad** — E&S Policy & Risk
        - **Ramit Nagpal** — Vice President, Legal & Compliance Risk
          - **Ceri Lawley** — Compliance & Business Risk
          - **Leslie Sturtevant** — Legal
        - **Federico Galizia** — Vice President, Risk & Finance
          - **Paul Bravery** — Finance
          - **Paulo de Bolle** — Special Operations
          - **Tarek Himmo** — Corporate Risk Management
          - *Vacant* — Investment & Credit Risk
        - **Susan Lund** — Vice President, Economics & Private Sector Development
          - **Pablo Fajnzylber** — Development Impact Measurement
          - **Jean Pierre Lacombe** — Global Macro & Market Research
          - **Denis Medvedev** — Economic Policy Research
          - **Aisha Williams** — Corporate Strategy & Blended Finance
        - **Elena Bourganskaia** — Vice President, Corporate Support
          - *Vacant* — Partnerships
          - **Laura Mc Canlies** — Information & Technology
          - **Elizabeth Namugenyi** — Budget & Business Administration
          - **Steven Shalita** — Communications & Outreach
          - **Carolina Serra** — Human Resources
        - **John Gandolfo** — Vice President, Treasury & Mobilization
          - **Mengistu Alemayehu** — Asset Management
          - **Kevin Warui Njiraini** — Syndicated Loans & Mobilization
          - **Tom Ceusters** — Treasury Market Operations
          - **Takehisa Eguchi** — Treasury Quantitative Analysis
          - **Keshav Gaur** — Treasury Client Solutions
        - **Emmanuel Nyirinkindi** — Vice President, Cross-Cutting Solutions
          - **James Fergusson** — Global Upstream
          - **Rudo Linda Munyengeterwa** — PPP & Corporate Finance
          - **Mary Porter Peschka** — ES&G Sustainability Advice & Solutions
          - *Vacant* — Gender & Economic Inclusion
        - **Alfonso Garcia Mora** — Regional Vice President, Europe & Latin America
          - **Rana Karadsheh** — Europe
          - **Beatrice Maser** — Western Europe
          - *Vacant* — Latin America and Caribbean—Central America
          - **Manuel Reyes-Retana** — Latin America and Caribbean—South America
          - **Tania Kaddeche** — MAS LAC
          - **Tatiana Bogatyreva** — MAS EUR
          - **Vittorio Di Bello** — FIG LAC
          - **Marcelo Castellanos** — FIG EUR
          - **Adil Marghub** — INR LAC
          - **Cheryl Edleson Hanway** — INR EUR
        - **Sergio Pimenta** — Regional Vice President, Africa
          - **Jumoke Jagun-Dokunmu** — Eastern Africa
          - **Olivier Buyoya** — Western Africa
          - **Dahlia Khalifa** — Central Africa & Liberia, Nigeria, Sierra Leone
          - **Kevin Njiraini** — Southern Africa
          - **Cheik-Oumar Sylla** — North Africa
          - **Henrik Pedersen** — MAS Africa
          - **Aliou Maiga** — FIG Africa
          - **Sarvesh Suri** — INR Africa
        - **Hela Cheikh Rouhou** — Regional Vice President, Middle East, Central Asia, Turkey, Afghanistan & Pakistan
          - **Aftab Ahmed** — Middle East, Pakistan & Afghanistan
          - **Wiebke Schloemer** — Central Asia & Turkey
          - **Ashruf Megahed** — MAS MCT
          - **Momina Aijazuddin** — FIG MCT
          - *Vacant* — INR MCT
        - **Riccardo Puliti** — Regional Vice President, Asia & Pacific
          - **Hector Gomez Ang** — South Asia
          - **Toshitake Kurosawa** — Tokyo Office
          - **Kim-See Lim** — East Asia & Pacific
          - **Carsten Mueller** — MAS South Asia & EAP
          - **Allen Forlemu** — FIG South Asia & EAP
          - **Isabel Chatterton** — INR South Asia & EAP
        - **Mohamed Gouled** — Vice President, Industries
          - **Morgan Landy** — Infrastructure
          - **Bertrand Heysch De la Borde** — Energy & Mining
          - **Tomasz Telma** — Financial Institutions
          - **Nathalie Louat** — Trade & Supply Chain Finance
          - **Wagner Albuquerque de Almeida** — Manufacturing, Agribusiness, & Services
          - **Farid Fezoua** — Health & Education
          - **William Sonneborn** — Disruptive Technology & Funds
          - **Ousseynou Nakoulima** — Portfolio Management
          - **Anastasia Gekis** — Operations Management
          - **Vivek Pathak** — Climate Business
        - **Mary-Jean Moyo** — IFC MD Chief of Staff

MIGA Multilateral Investment Guarantee Agency
WORLD BANK GROUP

Organizational Chart
Effective Nov. 16, 2022



AFRICA GROUP 1 CONSTITUENCY

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

EXECUTIVE DIRECTOR'S OFFICE

Email: eds14@worldbank.org | Phone: +1 (202) 458 2105
Webpage: www.worldbank.org/eds14