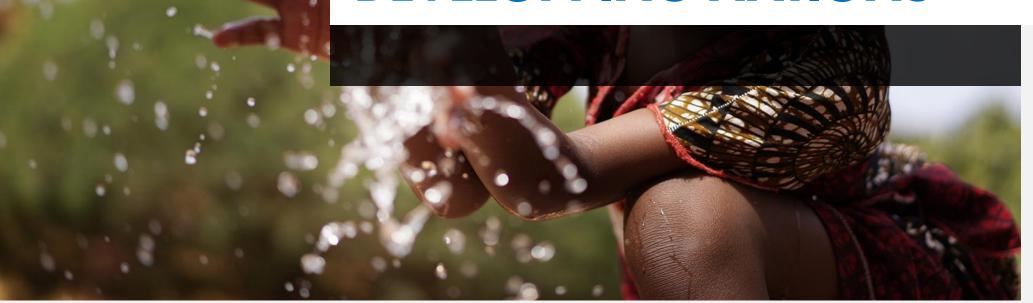




# MAKING SDRs WORK FOR DEVELOPPING NATIONS



AFRICAN
DEVELOPMENT
BANK
GROUP

# THE LARGEST SDR ALLOCATION IN HISTORY

"The allocation is a **significant shot in the arm for the world** and, if used wisely, **a unique opportunity to combat this unprecedented crisis**"

Ms. Kristalina Georgieva, Managing Director of the International Monetary Fund

- ■Boost global liquidity
- ☐ Build confidence
- ☐ Foster the resilience and stability of the global economy
- ☐ Fund critical needs

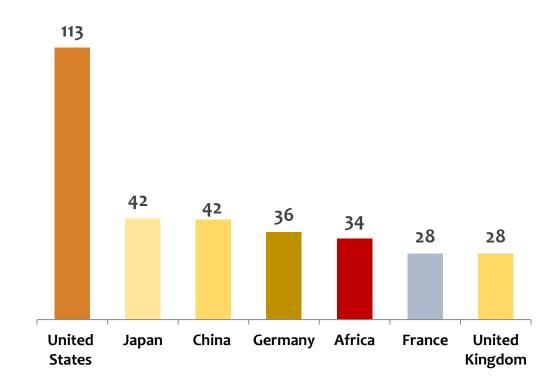
Uneven SDR distribution across continents, countries and income groupings

61% allocated to developed countries G7 countries received about \$277 billion

39 Low-income African countries received 2.2%

#### General SDR allocation breakdown

SDR allocation (in USD billion)



SDR resources allocated inversely to needs

# A UNIQUE OPPORTUNITY TO PUT THE CONTINENT ON TRACK TO MEET THE SDGS

Africa's challenges are a matter of global concern



Over 640 million Africans have no access to energy



Most food-insecure region in the world with more than 232 million under-nourished people



At the bottom of the global value chain with its share of global manufacturing at around only 1.9%



Africa's total infrastructure financing needs are estimated at **USD130-170 billion per year** 



Population growth and demographic changes will **drive up Africa's overall disease burden by 28**% by 2030



Most **Women-Led SMEs at risk** of permanent business shutdown because of the pandemic



Nearly 38.7 million Africans pushed into extreme poverty in 2021

#### Climate change has increased the continent's funding needs



of the world's
most
vulnerable
countries to
climate change
are African

4 %

Africa's

contribution to

global GHG

emissions

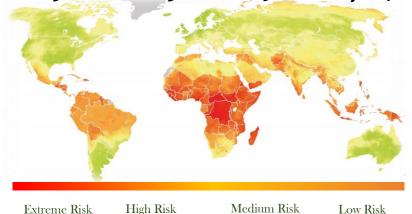
African GDP reduction by 2050 caused by climate change

-3%

3%

or less: global climate finance flows to Africa

# Annual costs of climate change expected to reach USD 30 billion in 2030 and USD 50 billion by 2040



# CHANNELLING SDRS THROUGH MULTILATERAL DEVELOPMENT BANKS

At the center of the global financial architecture MDBs - Building back greener and better

Provide vital resources for development

**Uniquely positioned** to address global inequities in a clean and sustainable way

Promote inclusive and sustainable social and economic development

MDBs can leverage SDR resources 3 to 4 times Unrivalled regional, country and sector expertise

Able to deploy broad range of financing products



Provide **ready and time-tested vehicles** to propel the world economy forward



**Critical role in supporting efforts to translate the SDGs** into meaningful country-level targets, policies, programs, and projects



Provide direct financing and help unlock and catalyze additional public and private resources



**Policy advice and technical assistance** supporting countries to build domestic capacity and to identify the needed priority investments with internationally recognized standards



Ensure that **investments benefit the respective country and their citizens** through emphasis on transparent procurement, project governance, environmental standards, social considerations

Solid Governance framework that ensures resources are invested effectively, responsibly, transparently and with full accountability.

A perfect conduit for efficiently channeling resources to developing countries and vulnerable economies

The IFIs are multipliers of development – by supporting good policies, strengthening institutions, promoting innovation, taking programs to scale and mobilizing private sector investment. There is much further potential to be unlocked by governing the system as a system rather than as individual institutions

2018 Report of the G20 Eminent Persons Group on Global Financial Governance

#### **AFRICAN DEVELOPMENT BANK**



#### AFRICAN DEVELOPMENT FUND



# PRESCRIBED HOLDERS OF SDRS

# **AMPLIFYING THE IMPACT OF THE SDR ALLOCATION**

Long-term SDR loans to the African Development Bank structured to be accounted for as equity, will bring the continent closer to its aspirations.

# Proposed terms and options

- ☐ **Type:** Shareholder loan that can be accounted for as equity both from an accounting and rating agencies perspective -- **Hybrid capital instrument**
- ☐ Currency: SDR No need to be converted into free useable currency
- ☐ Maturity: Very long term, Perpetual with an optional redemption
- ☐ Interest rate: SDR interest rate
- ☐ Loss absorption features such as deferral of interest payment, triggered upon specific events

# Reserve asset status

- Building on the Bank's **AAA credit rating**, Preferred Creditor Status, and an excellent multilayered risk management framework to mitigate and manage financial risks
- ☐ **Liquidity**, modelled on the IMF's PRGT
  - ✓ Ability to exchange hybrid capital against cash in case of balance of payment needs
  - ✓ Unfunded contribution to support the encashment regime
- ☐ Additional mechanisms through an SPV / Trust being evaluated to accommodate potential hurdles faced by potential SDR lenders

# CONCESSIONAL SDR LOANS TO THE AFRICAN DEVELOPMENT FUND (ADF)

### Preserving the reserve asset status

#### **Concessional donor loans**

- Long dated shareholder loan
- Currency: SDR or one of the currencies of the SDR basket
- Interest rate: Fixed rate, Concessional rate,

 SDR resources would allow the Fund to allocate more grants to the fragile and most vulnerable countries.



### SDRS TO COMBAT POVERTY AND IMPROVE LIVES ...



Agricultural Transformation Agenda to turn Africa into a net food exporter



Combat debt vulnerabilities on the continent

Finance highquality, sustainable, transformation al projects Reliable and affordable access to electricity

Regional integration for expanding the size of African markets

Jobs Youth in Africa initiative

Addressing Africa's critical gaps

Promote the economic recovery of the continent



Industrialization agenda that priorities inclusive economic growth and takes advantage of the continent resources.



#### ...AND PUT THE CONTINENT ON THE PATH TO MEETING THE SDGS AND THE AFRICA WE WANT

#### Climate change and green growth

- ☐ Supporting climate adaptation and mitigation initiatives in Africa
- Mobilizing USD 25 Billion in climate finance between 2020-2025
- ☐ Committed to ensure that at least 40% of annual Bank financing (incl. SDRs) is climate finance

#### **African Public Development Banks**

The African Development Bank can play a leading and catalytic role in the Finance in Common agenda by empowering African Public Development Banks:

- Equity investments to strengthen their balance sheet
- ☐ Strengthening their corporate governance
- ☐ Grant funding for capacity building
- ☐ Risk mitigation and Credit enhancement
- ☐ Debt and Co-financing