

A young girl with dark skin and braided hair is smiling and washing her hands at a public water tap. Water is flowing from the tap into her hands, creating splashes. She is wearing a colorful, patterned garment. The background is a bright, outdoor setting with some greenery and a clear sky.

Covid-19 and Development Financing

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

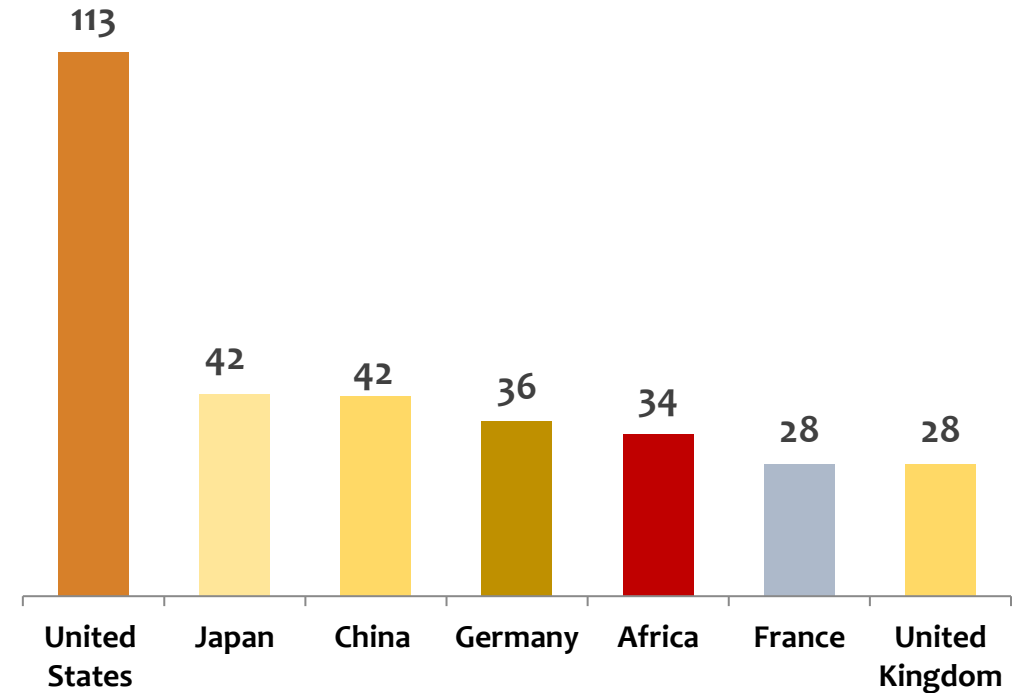
61% allocated to developed countries

G7 countries received about \$277 billion

39 Low-income African countries received 2.2%

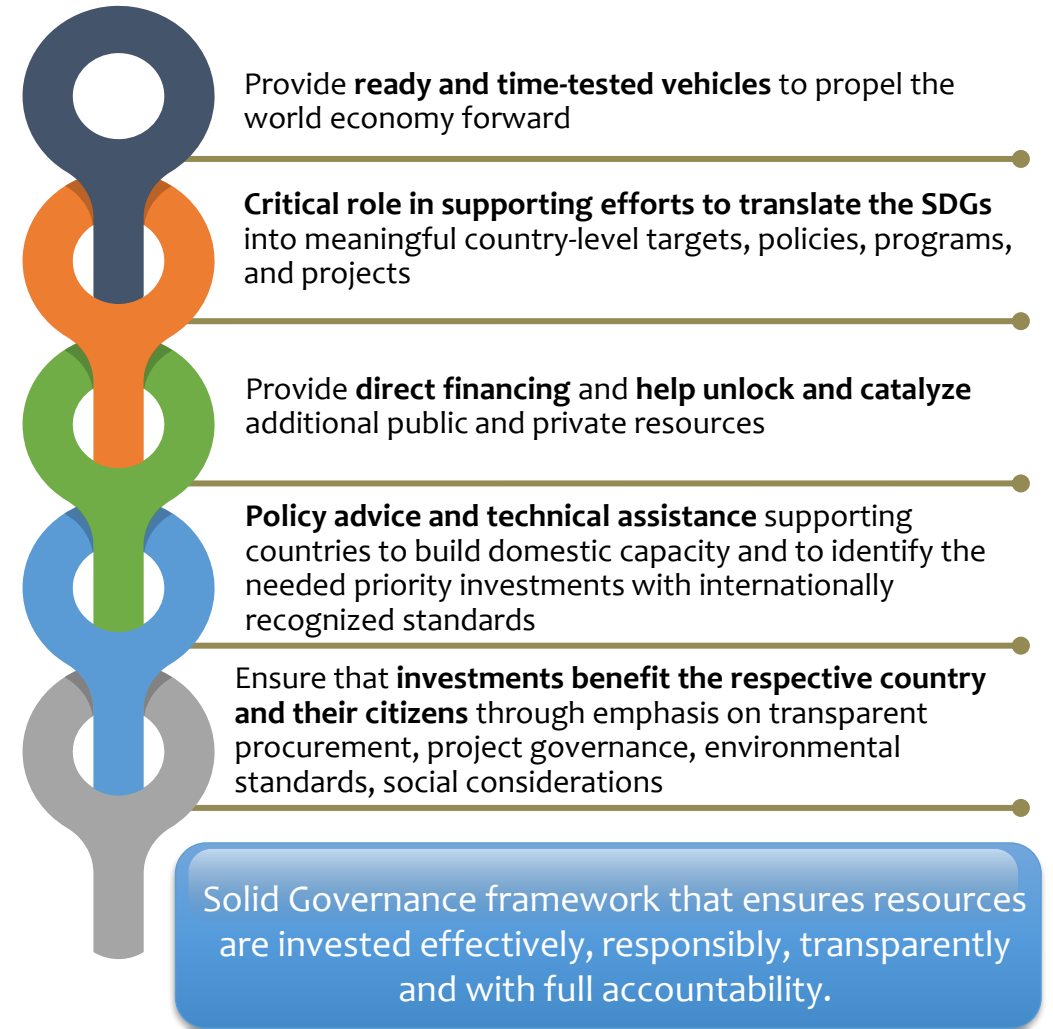
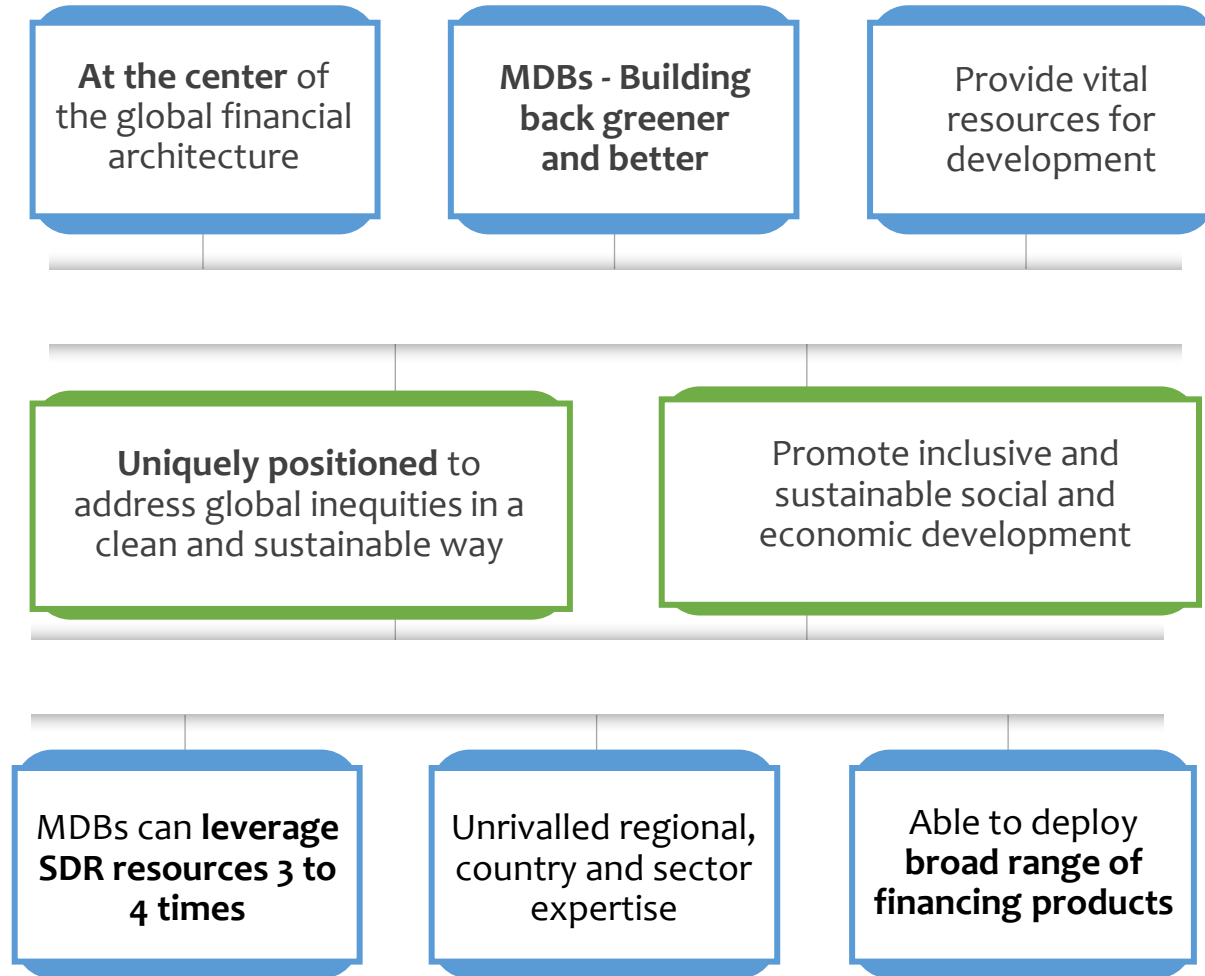
General SDR allocation breakdown

SDR allocation (in USD billion)



SDR resources allocated inversely to development needs

CHANNELLING SDRS THROUGH MULTILATERAL DEVELOPMENT BANKS



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

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

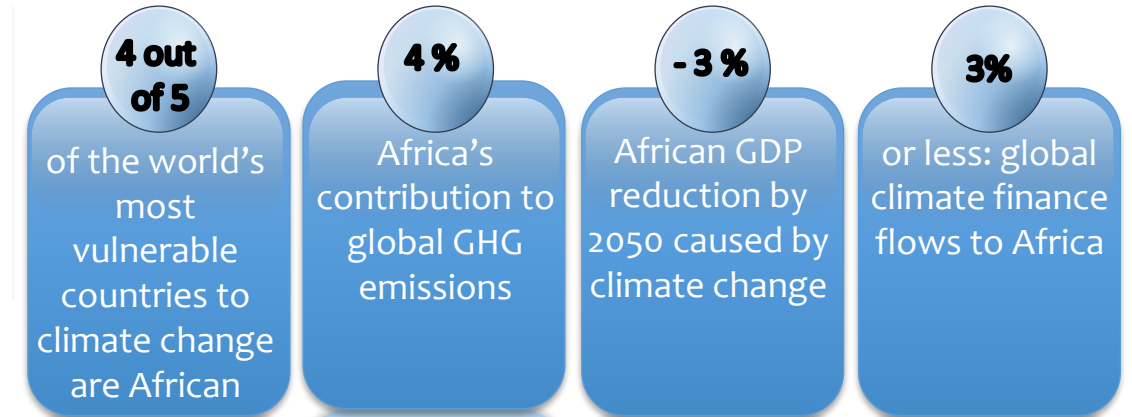
- ❑ Building on the Bank's **AAA credit rating**, Preferred Creditor Status, and an excellent multilayered risk management framework to mitigate and manage financial risks
- ❑ **Liquidity**, modelled on the IMF's PRGT
 - ✓ Ability to exchange hybrid capital against cash in case of balance of payment 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

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

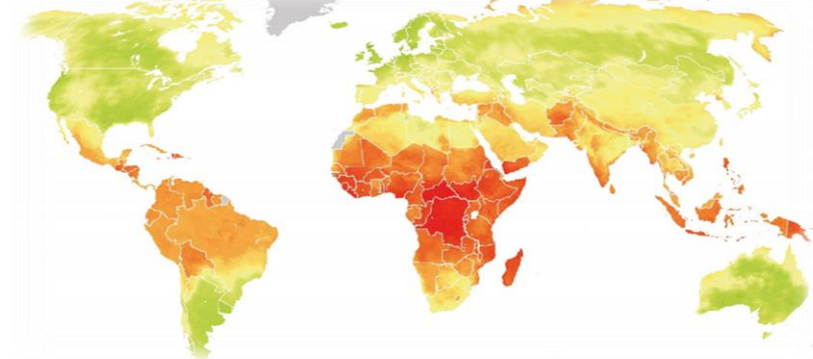
Africa's challenges are a matter of global concern

-  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



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



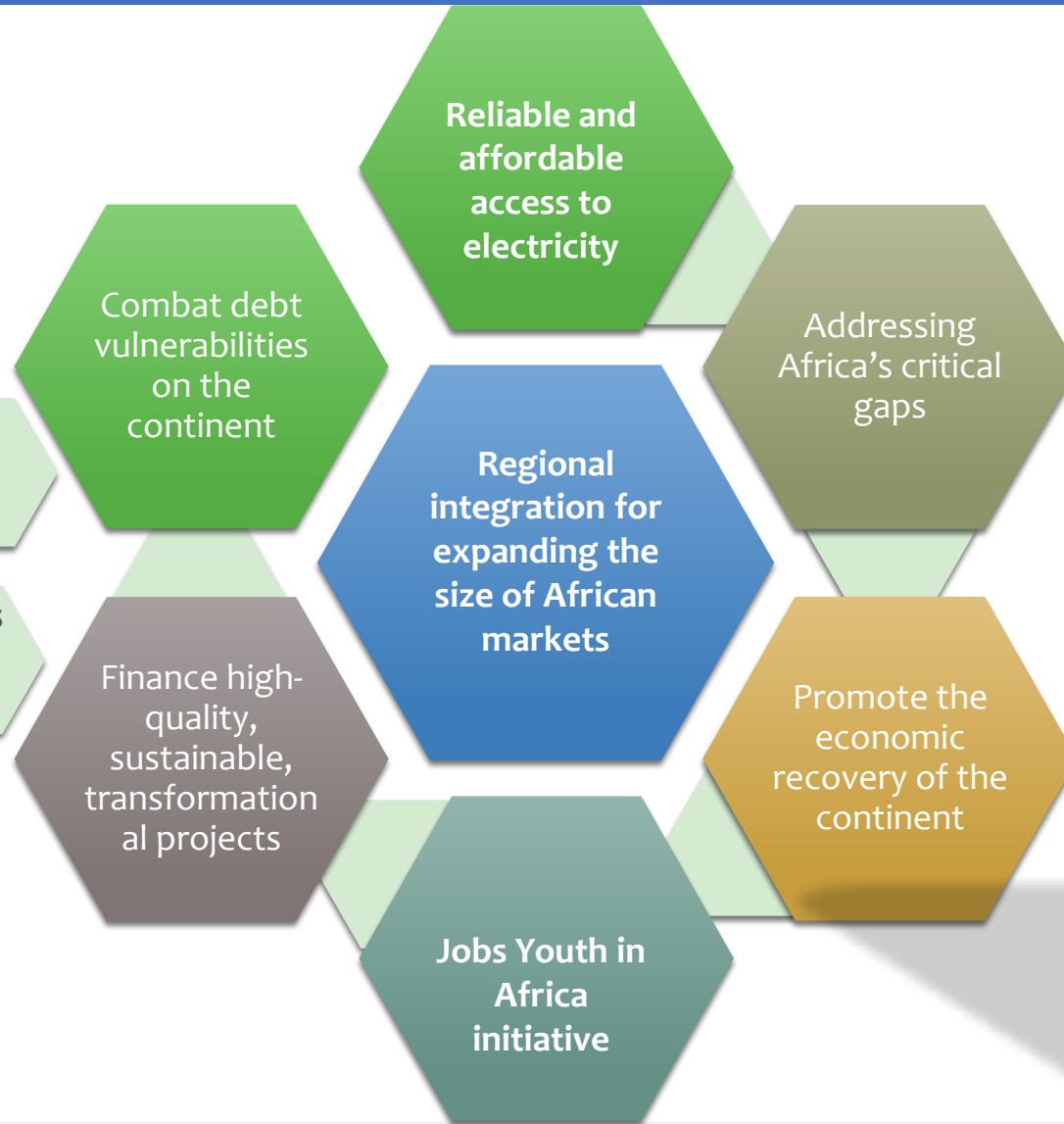
Extreme Risk High Risk Medium Risk Low Risk

SDRS TO COMBAT POVERTY AND IMPROVE LIVES ...



Agricultural Transformation Agenda to turn Africa into a net food exporter

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



African Public Development Banks

- ❑ The African Development Bank can play a leading and catalytic role in empowering PDBs :
- ❑ 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

LOOKING FORWARD...

- Additional capital resources to enhance financial capacity
- More concessional resources to address vulnerabilities
- Alignment of the definition of concessionality with the OECD
- Development of local currency capital markets