

A young girl with her hair in braids is smiling and washing her hands under a public water tap. Water is splashing around her hands. She is wearing a colorful, patterned garment. The background is a bright, outdoor setting with some greenery and a blue sky.

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

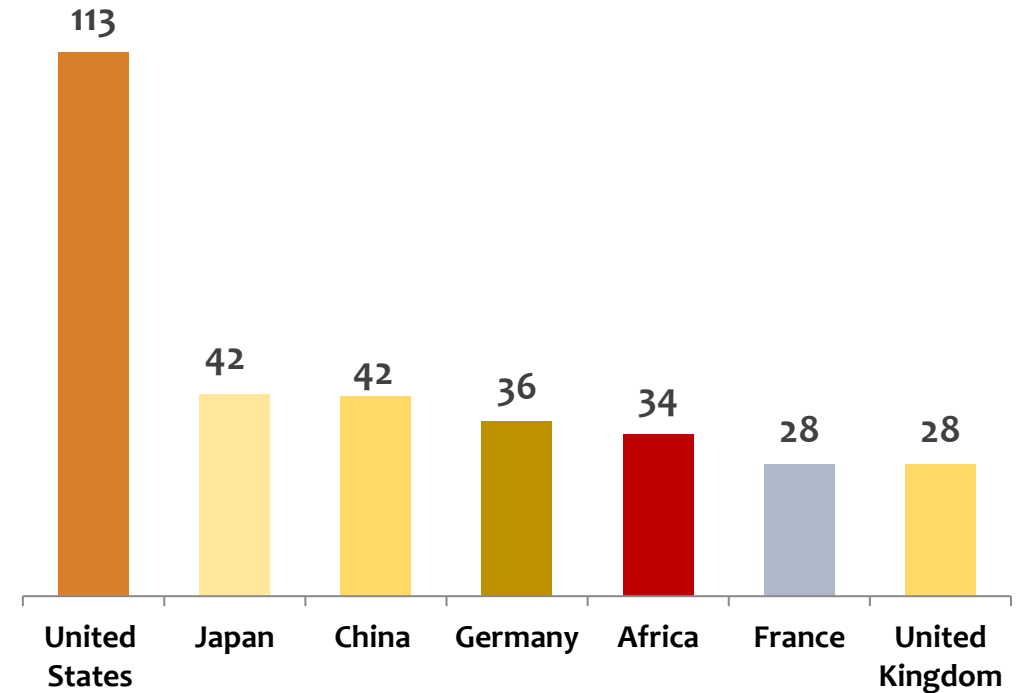
G7 countries received about \$277 billion

39 Low-income African countries received 2.2%

SDR resources allocated inversely to needs








General SDR allocation breakdown

SDR allocation (in USD billion)

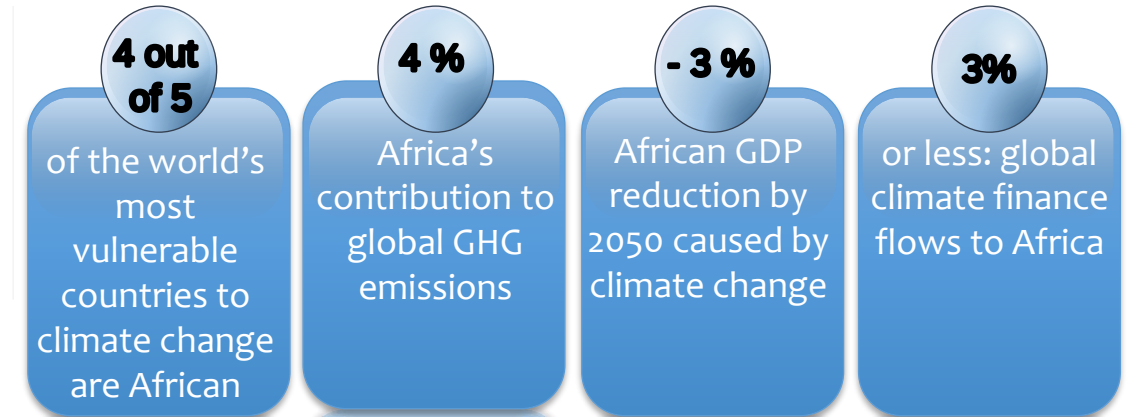


A UNIQUE OPPORTUNITY TO PUT THE CONTINENT ON TRACK TO MEET THE SDGS

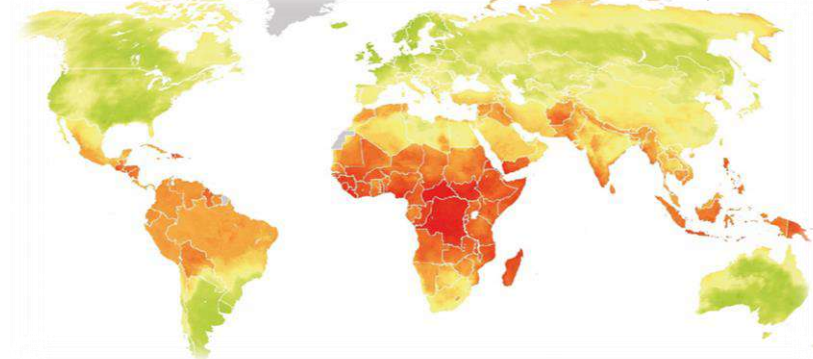
Africa's challenges are a matter of global concern

-  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

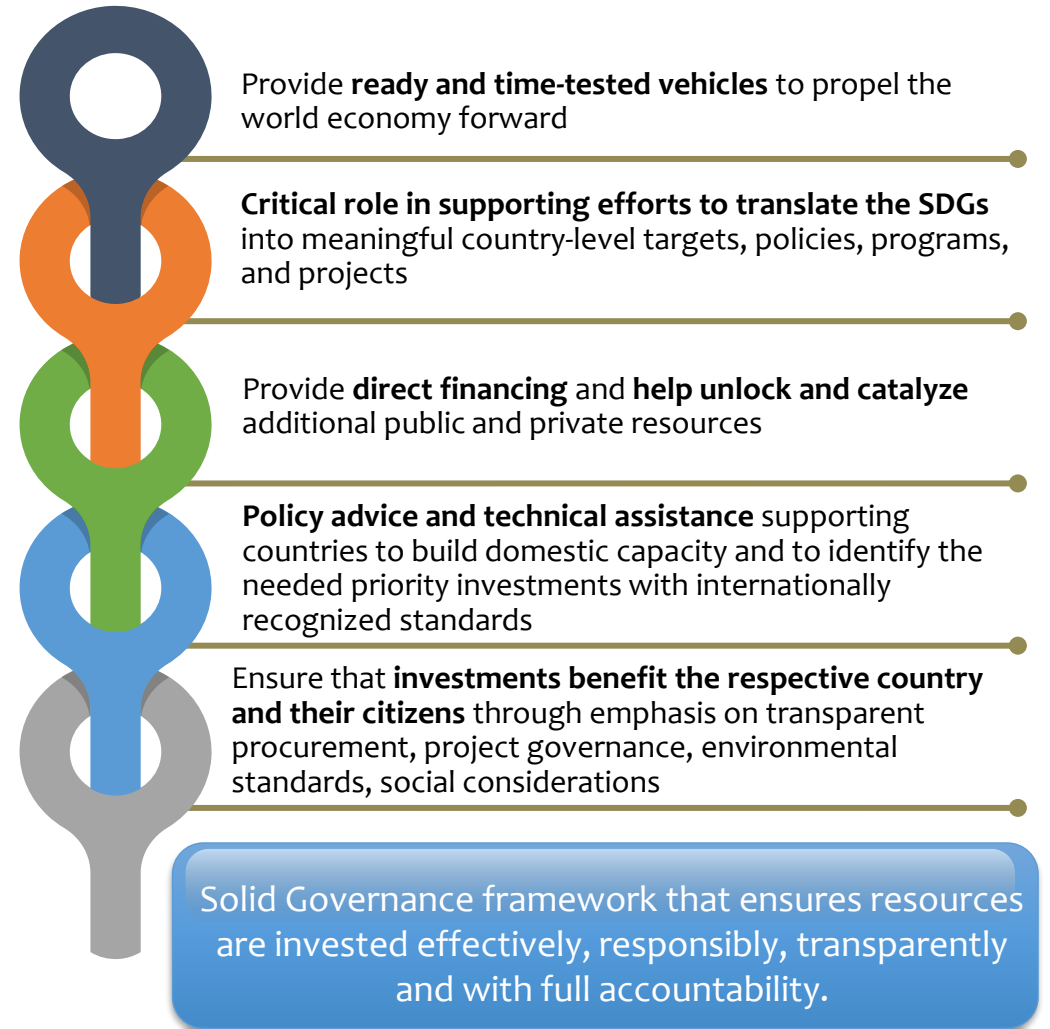
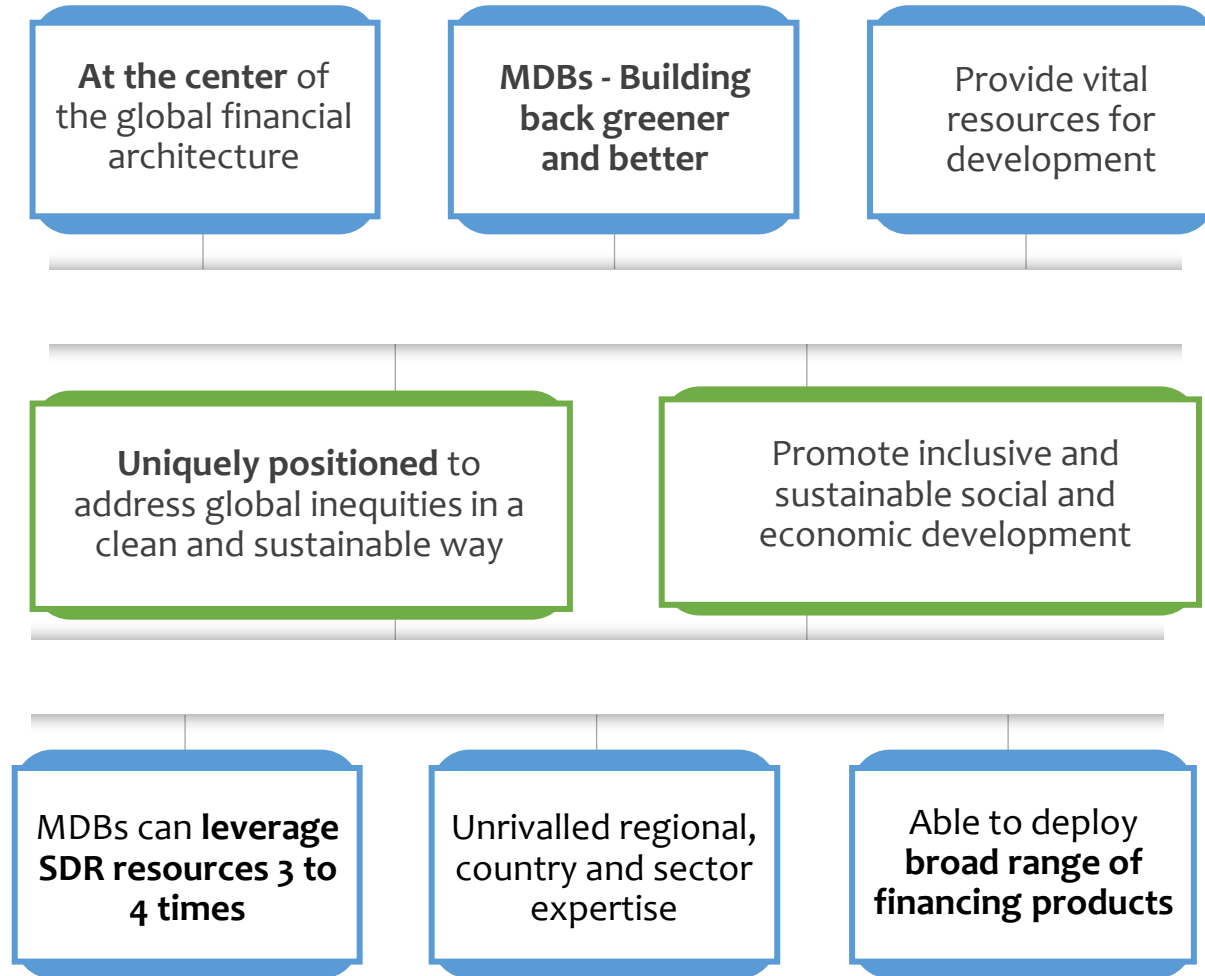


Annual costs of climate change expected to reach **USD 30 billion in 2030 and USD 50 billion by 2040**



Extreme Risk High Risk Medium Risk Low Risk

CHANNELLING SDRS THROUGH MULTILATERAL DEVELOPMENT BANKS



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)

Concessional donor loans

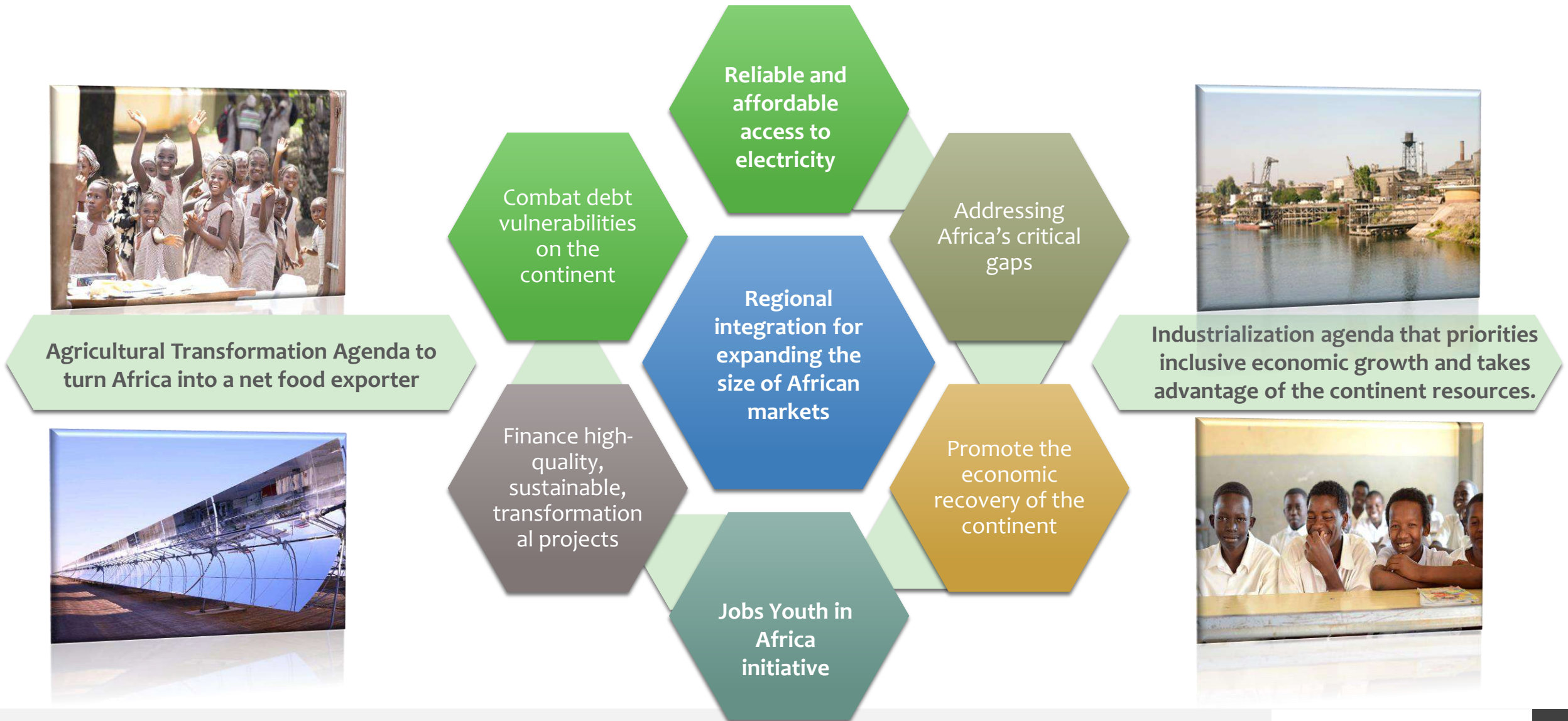
- Long dated shareholder loan
 - Currency: SDR or one of the currencies of the SDR basket
 - Interest rate: Fixed rate, Concessional rate,
- ▼
- SDR resources **would allow the Fund to allocate more grants** to the fragile and most vulnerable countries.

Preserving the reserve asset status

- Liquidity risk addressed through a **liquidity buffer** or **encashment system** alike that of the IMF's PRGT
- Credit risk addressed through a credit risk management approach similar to PRGT



SDRS TO COMBAT POVERTY AND IMPROVE LIVES ...



...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