

Sharm El Sheikh Declaration of the African Caucus, Meeting August 4-6, 2018

Having met in Sharm El Sheikh, the Arab Republic of Egypt, for our 2018 African Caucus Meeting on August 4-6, 2018, hosted by H.E. Sahar Nasr, Minister of Investment and International Cooperation and H.E. Minister Mohamed Maait, Minister of Finance, Governor and Alternate Governor to the World Bank Group (WBG) and the International Monetary Fund (IMF), respectively, the African Governors of the IMF and WBG, discussed Promoting Inclusive Growth through Private Investment and Access to Finance. We hereby declare:

Creating an Enabling Regulatory Environment for Private Investment

- Recognizing that private investment remains low and there is limited export integration in global value chains, and uneven access to finance, we commit to continue pursuing appropriate macroeconomic frameworks and policies that support an environment conducive for private investment and inclusive sustainable growth.
- Considering that the private sector has an instrumental role to play as the engine of economic growth and poverty reduction, and recognizing that private investment is constrained by the difficult regulatory environment.
- We commit to choosing the most judicious and promising policies to attract investment and to adjust legal frameworks and streamline procedures.
- We seize the opportunity to renew our appreciation for the supportive work of the IMF and WBG far, and look forward to exploring appropriate additional support.
- We welcome the objectives of the G20 Compact with Africa initiative to increase private sector investment in our countries.

Export Promotion and Diversification

- Noting that most African countries continue to implement reforms to ease bottlenecks, promote competitiveness, diversify and expand the export base, and increase domestic value added, we discussed experience with the overhaul of trade agencies, the creation of Special Economic Zones (SEZs), enhancing logistical support and export credit, and encouraging domestic and foreign direct investment (FDI), and the provision of well-targeted fiscal incentives.
- Recognizing that while some countries have made notable progress towards integrating in global value chains, we believe the potential could be better exploited by all.
- We emphasize the importance of sharing cross-country analysis and lessons from experience, tailored policy advice and technical assistance to support members in creating an appropriate set of fiscal incentives for export promotion, while preserving fiscal sustainability.
- We welcome the WBG's new regional integration strategy for Sub-Saharan Africa and look forward to accelerating and scaling up transformational projects in the energy and agriculture sectors, which would enable industrialization, diversification, and competitive exports.

Ensuring More Successful PPPs

- Recognizing that the African continent has one of the highest ratio of PPP projects to GDP, consistent with the desire to diversify sources of infrastructure financing, while ensuring efficient service delivery—we recognize that some projects are more successful than others.
- Considering that PPPs without an appropriate institutional framework can carry substantial fiscal risks, which could imply contingent liabilities;

- Recognizing that PPP projects involving long-term contracts may also introduce budgetary rigidities by through multi-year payment commitments;
- Exploring the possibility of having a PPP hub in Africa with the objective of sharing lessons learned;
- Reaffirming that in addition to evaluating fiscal risks and putting in place strong legal and institutional frameworks, projects should be selected based on financial viability, competitive bidding, and transparency and accountability benchmarks,
- We appreciate the tools available to evaluate the fiscal risks of PPP projects, including the PPP Fiscal Risk Assessment Model (P-FRAM) and the Public Investment Management Assessments (PIMA) and encourage enhanced cooperation in utilizing these tools.
- We seek enhanced coordination between the WBG and country authorities to Maximize the use of Financing for Development, including through the Cascade approach in order to prioritize the financing of projects with high developmental and social impact that contribute to meeting the SDGs.

Promoting Access to Finance - Leveraging Digitalization

- We agree that digitalization has emerged recently as an effective tool to promote access to finance, including for women and medium and small- and medium-sized enterprises.
- We recognize that a few African countries have been leaders with success stories in mobile banking, resulting in massive impact on reducing poverty and meeting development goals.
- We recognize the importance of setting up the right legal/regulatory framework and institutional architecture that supports the development of technology solutions to increase access to finance, expand digital financial services, and up-grade the payment system.
- We therefore call on the IMF and WBG to further support country efforts including through peer-to-peer experience sharing; identifying ways to fill gaps in local capacity to optimally leverage the benefits of digitalization while mitigating the associated risks.
- We welcome and encourage technical and financial support from the Bretton Woods Institutions towards deepening and broadening capital financial markets in the continent which will increase access to cost effective capital by small, medium, and large scale export oriented entities in the continent.
- We request from IMF and WB to engage FATF to recognize risk-based and proportionate application of the AML and CFT standards and principles.

Ongoing Review of IMF LIC Facilities

- We recognize that an increasing number of Poverty Reduction and Growth Trust (PRGT) borrowers face a greater risk of debt distress and need to pursue prudent borrowing and debt management policies.
- We observe rising global policy uncertainties, global financial markets volatility, and vulnerability of African economies to commodity price volatility, and non-economic shocks, such as natural disasters, climate change, and waves of migration and refugees with significant macroeconomic ramifications.
- We call on the Fund to explore options to further raise its lending capacity to LICs. Adequate access under well-designed Fund programs can enhance the sustainability of reforms and lend credibility to the authorities' reforms, thereby catalyzing more concessional lending for needed development spending. For the same reasons,

- We request the Fund to explore ways to significantly raise access norms and limits under LIC facilities to incentivize strong policies in a meaningful way and to effectively catalyze other concessional funding.
- We welcome the recent IEO evaluation of the IMF's work on fragile and conflict-affected countries. While recognizing the contributions that the Fund has made, particularly as countries have emerged from conflict. In line with the IEO's recommendations, we call on the Fund to move away from the standard business models to recognize the specific challenges faced by these countries. Accordingly:
- We request that the Fund move ahead with steps proposed by the IEO to adapt the lending toolkit for countries in fragile situations, raise the impact of capacity development, and ensure that sufficient high-quality staff are assigned to those countries.

IBRD and IFC Capital Increase

- We welcome the successful completion of the 2010 IBRD capital increase with very strong participation of African countries and the successful conclusion in April 2018 of negotiations on the 2015 IBRD and IFC policy and capital package.
- We welcome IFC's commitment to increase its investment to 40 percent in LIC as part of the capital package and urge them to materialize this commitment in Africa especially SME financing.
- We are pleased to note that the policy package sets out an ambitious strategy to support achievement of the 2030 Sustainable Development Goals and lays the foundation for the implementation of the operational changes and effective reforms to successfully deliver on the Forward Look vision.
- We look forward to further technical and financial support to support countries mobilize resources domestically and internationally to support inclusive and sustainable development, with a focus on youth and women.
- We expect that the WBG will be able to leverage and make use of the additional capital for the national projects in African countries and projects that promote regional integration.

Representation, Voice and Diversity

- Notwithstanding the progress made thus far, representation of African nationals at the mid management level in the WBG and IMF remains low, notwithstanding the progress made. Therefore:
- We reiterate our call on the two institutions to take deliberate steps to increase external recruitment and build a pipeline of Africans at mid to senior management level to ensure that there is an adequate pool for promotion.
- We reiterate our call to establish a third Chair in the IMF Executive Board for Sub Saharan Africa.

Conclusion

We warmly thank the people of Egypt, its government and leadership for the legendary hospitality and the successful organization of the African Caucus Meeting in Sharm el Eheikh. We look forward to complete our work in the next African Caucus meeting in Ghana. We acknowledge with great expectation Egypt's upcoming chairmanship of the African Union in 2019.

We look forward to continuing discussion of these topics at the 2018 African Investment Forum that will take place in December 2018 in Egypt.