MEMORANDUM OF THE AFRICAN GOVERNORS

TO

Ms. CHRISTINE LAGARDE

MANAGING DIRECTOR OF THE INTERNATIONAL MONETARY FUND

AND

Dr. JIM YONG KIM

PRESIDENT OF THE WORLD BANK GROUP

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INTRODUCTION

1. We, African Governors, are grateful to the Bretton Woods Institutions (BWIs) for their support to eradicate extreme poverty, promote strong and inclusive growth, and create employment in our countries. In this vein, we commend the World Bank Group (WBG) for the development and implementation of transformative regional infrastructure projects, particularly in agriculture and energy. Similarly, we look forward to the completion of on-going review of the Debt Limits Policy (DLP) at the International Monetary Fund (IMF) which, we hope, will streamline policy based lending on Debt Sustainability Analysis (DSA) and avoid unnecessary constraints. We also thank the IMF for co-hosting with our Mozambican colleagues the Africa Rising Conference held in May, 2014 in Maputo, Mozambique.

2. We also acknowledge the support of the two institutions towards the Millennium Development Goals (MDGs) globally, including in Africa. However, most of our countries still lag behind in meeting some of the targets. We therefore urge the BWIs to intensify their support and enable these countries to accelerate implementation of ongoing programs to attain the remaining goals. In this context, we welcome the Sustainable Development Framework, as a successor program to the MDGs. It underscores the world’s commitment to eliminate extreme poverty and uplift the living standards of all people in a sustainable manner. We are also encouraged by, and support, the preparation of the United Nations’ Post-2015 Development Framework, and we look forward to a framework which includes ambitious and achievable goals taking into account the realities of countries that are struggling to meet the MDGs.

3. We stress the need for closer collaboration between the IMF and the WBG for effective and efficient delivery of services to our countries. We urge the IMF and the WBG to reassess and clarify their roles in our countries with respect to their financing activities, policy advice and technical assistance.
4. While North Africa and Sub-Saharan Africa (SSA) are separated in the structures of the IMF and WBG, their programs and projects in these sub-regions should have the African continent perspective. We therefore call on the two institutions to ensure that North Africa is included in all major African regional programs and projects. This will require better coordination between the respective departments/regions at the IMF and WBG that cover North Africa - as part of the Middle East and North Africa (MENA) - and the SSA.

5. Our Memorandum for 2014 is articulated around four main issues:

   i.) Ebola Crisis
   ii.) The Role of the Bretton Woods Institutions’ Lending Policies in Financing Africa’s Development and Inclusive Growth, especially:
       a. IMF’s Debt Limits Policy (DLP); and
       b. World Bank’s Non-Concessional Borrowing Policy (NCBP) for IDA Countries;
   iii.) Financing Regional Transformative Infrastructure Projects in Africa; and
   iv.) Diversity, Quota and Voice;

**Ebola Crisis**

6. We recognize the efforts Guinea, Liberia, and Sierra Leone are making under difficult circumstances in the fight against the Ebola epidemic. We thank the WBG, IMF and the international community for the emergency financial and other essential support to address the outbreak of the Ebola virus. The criticality of urgently containing the epidemic in the face of the increasing loss of lives and livelihoods can hardly be over emphasized. The epidemic has already generated devastating and far-reaching social and economic consequences not only for the economies of these countries and their peoples, but the region as a whole. We therefore urge the WBG and the IMF to take the necessary
steps to scale up the emergency financial support, and technical and policy advice, and to help build more resilient health systems to cope with such outbreaks, and assist in providing the needed fiscal space to absorb the social and economic shocks associated with the epidemic. We welcome the attention drawn to the Ebola epidemic during these Annual Meetings which is the kind of global coordination needed to tackle this urgent and destructive global externality. We also welcome the leadership of the Bretton Woods Institutions in promoting such global coordination and urge that such efforts be sustained until the scourge is eradicated.

The Role of the Bretton Woods Institutions’ Lending Policies in Financing Africa’s Development and Inclusive Growth:

7. We reiterate our call for closer collaboration between the IMF and the WBG, particularly on debt sustainability and development finance for our countries. The resumption of strong economic growth in our countries has created a huge demand for public investment to diversify and transform our economies. Inadequate domestic resource mobilization and insufficient aid flows have left us to look for other ways to mobilize resources. To this end, we welcome the two institutions’ continued efforts to provide advice on debt management, financial market development, and on strengthening our capacity to bolster domestic revenue mobilization.

8. The Fund’s Debt Limits Policy (DLP) and the Bank’s Non-Concessional Debt Accumulation Policy (NCBP) should reflect the current reality and be made flexible enough to allow countries to tap into a wider range of financing options. This would enable developing countries to invest in meaningful transformative infrastructure projects and generate employment-creating growth while preserving debt sustainability.
(a) IMF’s Debt Limits Policy

9. Regarding the Fund’s Debt Limits Policy (DLP), currently under review, we call on the Fund Management to follow up on the principles we agreed on in the Maputo Joint Declaration of May 2014. In particular, we look forward to a policy framework that is used only when it is relevant and justified based on the DSA and macroeconomic conditions of the country. We also call on Management to ensure that the framework does not stigmatize Low Income Countries (LICs) or goes against the avowed principle of increased flexibility.

10. While we consider a unified debt limits framework (encompassing all borrowing regardless of terms) as a safeguard for debt sustainability, we urge that the framework provides individual countries the necessary leeway to blend concessional with non-concessional financing as needed. Operationally, we find these two types of financing as imperfect substitutes (concessional resources are often mobilized for social sectors while non-concessional resources are mostly available for infrastructure and production). In addition, we urge that the formulation of debt conditionality, when justified, adheres to the principle that conditionality must be monitorable, and is reasonably within the direct control or influence of the authorities. In particular, it is important to take into account the uncertainties related to debt negotiation outcomes and the timing of disbursements in determining the form of debt conditionality.

(b) World Bank’s Non-Concessional Borrowing Policy for IDA Countries

11. Consistent with the above request on the IMF debt limit policy, we call for an urgent review of the IDA non-concessional borrowing policy that would not undermine the full exploitation or promotion of the one World Bank Group synergy in resource mobilization to support transformative infrastructure projects in IDA countries. Specifically, we urge the World Bank to extend and expand accessibility to IBRD resources by IDA creditworthy countries as soon as practicable. In the same vein, the revised policy should not only strengthen IFC’s efforts to mobilize capital from third
parties and/or foster stronger participation and collaboration from IBRD, IDA and MIGA in attracting private sector investments needed to deliver transformative infrastructure projects in IDA countries, but should not undermine countries efforts at clawing in capital for viable infrastructure investment with positive returns and impact on their economies.

**Financing Regional Transformative Infrastructure Projects in Africa**

12. Preparing and financing bankable regional transformative infrastructure projects remain a challenge for African countries. The limited IDA country and regional allocations can hardly address this challenge. Therefore, we reiterate our support to the World Bank Group’s efforts at establishing a Global Infrastructure Facility (GIF). We count on the institution’s strong convening power, its global reach and knowledge to forge required partnerships in mobilizing the financial resources and technical support needed for this Facility. We look forward to accelerated progress on this initiative.

13. In the same spirit of the Single Project Preparation Facility (SPPF) that we have been requesting, we expect the GIF to provide that additional and sufficient financing needed to effectively and efficiently prepare and advance the realization of regional transformative infrastructure projects in Africa. We urge IFC to increase its resources under its Special Initiative for Infrastructure and its ”Infra Venture” program in Africa, MIGA to offer more guarantees, and the Bank to leverage IDA resources that attract private sector investments and foster viable Public-Private Partnerships (PPPs).

14. We continue to call for enclave financing for our Low Income Countries (LICs) through access to IBRD financing window, to enable them develop and implement integrated transformative infrastructure projects. In this regard, we reiterate our request to the Bank to use a portion from the IBRD contribution under IDA-17, while increasing its enclave lending to IDA countries, for the purpose of structuring large-scale transformational projects. We also encourage the Bank to ease the conditionalities associated with this enclave financing in order to make this facility more attractive and suitable to the needs of our countries.
15. Equally, we call for innovative financial solutions for our Middle-Income Countries (MICs) - including partial credit guarantees, deferred drawdown options, and local currency lending (where possible) - to enable these countries finance their infrastructure projects. We encourage the WBG to strengthen and expand its collaboration with partners active in Africa’s infrastructure development, such as, the African Development Bank (AfDB), which hosts the Infrastructure Consortium for Africa (ICA).

16. We appeal to both the WBG and the IMF to reassess the concessionality-thresholds-setting mechanism to better respond to regional infrastructure financing needs of African countries.

**Diversity, Quota and Voice**

17. We welcome efforts being made by the BWIs to address diversity. However, we wish to stress that further progress is needed and in a sustainable manner. As of this moment, from a diversity perspective, representation of Africa in senior management positions of the IMF and WBG continues to be very low.

18. Our repeated calls for equitable review of Quota formula and Voice also remain unresolved at the BWIs. While we welcome the continued commitment of Fund members to resume the discussions on the Quota formula jointly with the 15th General Review of Quotas, we are disappointed by lack of progress on call for enhanced quota share, in particular, through a revised quota formula that reflects a fair and better shares of African economies in line with their new dynamism. We hope that the persistent erosion of Africa’s quota shares at the IMF would be reversed, given the profound negative impact any action to the contrary would have on the Fund’s credibility, legitimacy and effectiveness. In addition, we call for further enhancement of the voting shares of African countries through an upward revision of basic votes.
19. We reiterate our long-standing call for the IMF Executive Board to be aligned with the growing mandate of the Fund and effective representation. To this end, the Board Reform has not addressed the Representation issue through the establishment of a Third Chair for Sub-Saharan Africa (SSA), which we have consistently requested. Having 45 Sub-Saharan African countries represented by only two Chairs at the IMF Board weakens the Fund’s legitimacy and effectiveness.

20. The recruitment and promotion of African staff at the BWIs continue to fall short of the set targets. We caution against a downward revision of the targets and reaffirm our call to the two institutions to strengthen the accountability frameworks for meeting the targets and to make every effort to expand the pool of institutions from which staff is recruited, including reputable Universities in Africa. Regarding the World Bank, we are very concerned with the potential adverse consequences of the ongoing internal restructuring for the representation and promotion of African nationals, and urge the Bank Management to pay close attention to this matter. As promised by the President of the World Bank during the 2014 Spring Meetings in Washington DC, we look forward to a comprehensive update on this issue during the 2014 Annual Meetings.

CONCLUSION

21. In our 2013 Memorandum, we urged the BWIs to place special focus on the poor in IDA countries, particularly those in Africa, and in Fragile and Conflict Affected States (FCSs). We are concerned that there has been slow progress in addressing fragility on our continent. For some of our countries, fragility has been exacerbated by unsustainable debts and other shocks, hence our call for urgent debt relief. We ask the IMF and WBG to take necessary steps and provide leadership in assisting the remaining heavily indebted poor countries - Somalia, Sudan and Zimbabwe - to address their debt arrears and gain full access to debt relief by accelerating the process for reaching the decision and
completion points. The debt distress in these countries is an impediment to economic growth, and in some cases, prevents the provision of basic needs to the most vulnerable groups.

22. We are encouraged that in recent years the IMF and the WBG have increased focus on low-income countries, small states and Arab countries in transition (ACTs), and put more emphasis on development-related issues that are macro-critical and relevant to their mandates. These countries need assistance in strengthening and developing coping strategies to overcome and transform their vulnerabilities into opportunities for growth and prosperity. The WBG knowledge, resources and convening power could be very crucial in supporting these countries to achieve inclusive and sustainable growth.

23. We are mindful of Africa’s slow growth in trade and low levels of industrialization, increasing level of urbanization and inadequate job creation. Therefore, we urge the WBG to support Africa’s transformation agenda by promoting optimal use of the continent’s abundant resources through investments in manufacturing and value addition to raw materials. We also call on the World Bank Group to scale up support to Small and Medium Enterprises (SMEs) in our countries in view of their critical role in job creation and poverty reduction.

24. Finally, we welcome the ongoing review of the WBG’s Procurement, and Environmental Social Safeguards (ESS) Policies. We are encouraged that the review will take into account lessons from the WBG’s engagement with countries in the past decades. We would like to underscore the importance of mainstreaming the values and cultures of the beneficiaries, and respect for national Constitutions, in these instruments. We therefore urge the World Bank to engage a broad spectrum of stakeholders from diverse locations. This would help the Bank to take into account unique country circumstances and address concerns around controversial issues, such as, the treatment of Indigenous Peoples, which as stated in the current and proposed policy is inadequate and divisive. This would also help both the governments and the World Bank to identify and design
critical and sustainable programs to eradicate extreme poverty and boost shared prosperity.