



Summit on the Financing of **African Economies**

Paris — 18 May 2021

DECLARATION

MAY 18, 2021

The Covid-19 pandemic has led to an unprecedented economic crisis worldwide, with disastrous social consequences. After 25 years of continuous growth, Africa is severely hit and has suffered a recession in 2020. The International Monetary Fund (IMF) estimates that additional financing of up to \$285 billion would be needed during 2021-25 for African countries to step up the spending response to the pandemic, with about half of it for African low-income countries. The middle-income countries also require special attention. Absent a collective action, the financing and objectives of the 2030 Agenda for Sustainable Development and the African Union's 2063 Agenda will be compromised.

Most regions of the world are now launching massive post-pandemic recovery plans, using their huge monetary and fiscal instruments. But most African economies suffer the lack of adequate capacities and such instruments to do the same. We cannot afford leaving the African economies behind.

We, the Leaders participating to the Summit, in the presence of international organizations, share the responsibility to act together and fight the great divergence that is happening between countries and within countries.

This requires collective action to build a very substantial financial package, to provide a much-needed economic stimulus as well as the means to invest for a better future. Our ambition is to address immediate financing needs, to strengthen the capacity of African governments to support a strong and sustainable economic recovery and to reinforce the vibrant African private sector, as a long-term growth driver for Africa.

In the very short term, solving the pandemic remains the top priority. We recognize the role of extensive immunization against Covid-19 as a global public good, and stand united to ensure equitable access in Africa to safe and affordable vaccines, treatments and diagnostics through the ACT-Accelerator and its COVAX facility, as well as through the African Union's AVATT. We will strive to accelerate these efforts, to make sure more vaccines are allocated to Africa, including through dose sharing, supporting advance market commitments and facilitating trade along the entire value chain, as well as building the local capacities needed to distribute vaccines. We also need, in partnership with the private sector, to speed up vaccine production, by developing local manufacturing capacities in Africa. This can be facilitated by voluntarily sharing intellectual property and actively transferring technologies and know-how, consistent with international legal frameworks, such as through entering into license pooling and manufacturing agreements to enable local production.

We will leverage on the international financial system to create the much-needed fiscal space for African economies. We call for the swift decision on and implementation of an unprecedented general allocation of IMF's Special Drawing Rights (SDRs) that is expected to amount to \$650 billion, of which about \$33 billion to increase reserve assets of African countries, and urge countries to utilize these new resources transparently and effectively. We are determined to significantly magnify its impact for Africa, by exploring on-lending SDRs on a voluntary basis through the IMF's Poverty Reduction and Growth Trust (PRGT), and by exploring a range of additional options with the IMF, World Bank and other MDBs to enable possible on-lending of SDRs to support IMF members' green, resilient and inclusive recovery, as we emerge from the pandemic, in line with Sustainable Development Goals. This support will be complemented by official development assistance (ODA), an ambitious IDA-20 replenishment, the future ADF-16 replenishment in 2022 and the mobilization of scaled-up concessional financing from the IMF, MDBs and funds, as well as bilateral development agencies. We ask the MDBs to mobilize more private financing into Africa by developing and reinforcing the relevant risk sharing instruments.

This multilateral effort will be closely articulated with the network of African Public Development Banks (PDBs), mobilizing the African Development Bank (AfDB) as well as sub-regional and national public financial institutions. Deeply rooted in their respective constituencies, their ability to originate more quality projects notably for climate, health, education, infrastructure and the private sector is a prerequisite for the success of all international measures taken to effectively financing African economies.

To relieve African economies suffering from external public debt vulnerabilities, G20 and Paris Club creditors are acting upon the agreement as stated in the April G20 FMCBG communiqué, and in the Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative (DSSI) adopted in November 2020.

To boost growth and jobs, we support the African national strategies and we welcome the ambition to develop an Alliance for Entrepreneurship in Africa, with a broad pan African reach and a strong business focus. The Alliance will help mobilize all partners ready to support, through financial and technical resources, the development of the African private sector, micro, small & medium-sized enterprises (MSMEs), including women entrepreneurs promoted by the Affirmative Finance Action for Women in Africa (AFAWA). We look forward to the IFC, in coordination with the AfDB, the EBRD in its countries of operations, the EIB and other relevant MDBs and interested bilateral DFIs to advance efforts to launch this Alliance, in collaboration with the African Union Commission, in a progressive and targeted way. This builds on the efforts made under a Team Europe approach with the European DFIs in the context of contributing to the objectives of this Summit.

We reiterate our continued support for the G20 Initiative on Supporting the Industrialization in Africa and LDCs, G20 Africa Partnership and the Compact with Africa (CwA), and other relevant initiatives. Given the importance of private sector reform to recovery and long-term prosperity, we take note of the joint proposal of France and Germany for further strengthening the G20 initiative Compact with Africa.

We welcome the implementation of the African Continental Free Trade Agreement and the digital transformation of the continent to close the digital divide and accelerate adoption of open, fair and non-discriminatory digital ecosystems, which will lead to significant gains in terms of productivity, innovation and durable growth. In light of our joint belief in the developmental impact of trade, we will explore options that would enhance African value-added in global supply chains.

While international support is required to fuel recovery plans of the scale that is needed, it could be accompanied by more flexibility on debt and deficit ceilings where appropriate, alongside necessary reforms at the national level, with the assistance of the international community when needed. Financing key public policies for an inclusive and sustainable growth like education, health, social protection and infrastructure will require greater mobilization of domestic resources, increasing transparency and efficiency of public debt management and expenditure, improving governance and financial integrity, and developing the enabling environment for private sector solutions through PPPs and commercial financing. We will also improve infrastructure project preparation and financing.

We will promote the sustainable, circular and low carbon development pathways of Africa and ensure its climatic and environmental resilience for the next decades. We will strive to widen the donor and investor base for climate and biodiversity finance and for technological development in Africa, including by channeling more resources to the continent through the Green Climate Fund and the Global Environment Facility. We also call on the IFIs to set ambitious targets for their projects related to climate, with a

balance between adaptation and mitigation, and to fully align their operations with the Paris Agreement, as soon as possible.

Ultimately, growth and resilience rely on human capital. Our overarching objective is to tap the human capital and demographic potential of Africa and to provide the private sector with the assets it needs. We commit to strengthen health and social protection systems and education and training institutions on the African continent, recognizing that they are key factors to increase productivity on the continent and to ensure economic resilience by protecting the African lives, jobs and skills.

We will work together to increase the mobilization of African talents and strengthen public sector expertise and local resources and knowledge. We believe that country engagement is essential and the set of actions we commit to must be supported by strong capacity development. We will work to develop and mobilize African expertise, within and outside the continent.

Investing in African economies' sustainable development and their active and growing labor force today will contribute to making Africa the next champion of global growth.

In the margins of the next IMF/WBG Annual meetings in October 2021 there will be an opportunity to take stock of our efforts to ensure the effective implementation of these measures and to refine our proposed initiatives.

A two pillar set of actions

Addressing financing needs to support a prompt, green, sustainable and inclusive recovery

We call for the swift decision on and implementation of a **general allocation of IMF's Special Drawing Rights (SDRs)**, unprecedented by its size (\$650 billion), that is expected to increase reserve assets of African countries by \$33 billion. We urge countries to utilize these new resources transparently and effectively.

In addition, we are determined to significantly magnify its impact for Africa by exploring, on a voluntary basis:

- On-lending SDRs to the Poverty Reduction and Growth Trust (PRGT); building upon the ongoing review of the IMF Concessional Financing and Policies, IMF estimates that its lending to LICs could be substantial over 2021-2025. We will explore options to ensure the sustainability of the subsidy account of the PRGT, which allows lending at zero or concessional interest rate.
- A range of additional options with the IMF, World Bank and other MDBs to enable possible on-lending of SDRs to support IMF members' green, resilient and inclusive recovery, as we emerge from the pandemic, in line with Sustainable Development Goals.

We commit to:

- Support an ambitious International Development Association **(IDA)-20 replenishment** with IDA's deepened focus on the special themes of human capital (including disability and social protection), climate change, jobs and economic transformation, gender, and fragility, conflict and violence, and underpinned by its cross-cutting issues on governance and institutions, debt sustainability, technology and crisis preparedness. This builds on IDA's long-term partnership with Africa,

including its response during the Covid-19 crisis with grants and highly concessional loans over FY21-22. We also call on IDA to explore how it can further unlock additional resources for IDA countries in a sustainable manner by further optimizing its balance sheet.

- Empower African public financial institutions, support an **enhanced engagement of the AfDB** on green, resilient and inclusive development, building on the ADF-15 replenishment, the future ADF-16 replenishment in 2022 and the 7th general capital increase of the Bank, and increase the involvement of the African financial institutions network in order to support job creation, social and climate investments, consistent with the objectives of the Paris Agreement.
- Maintain an **ambitious level of Official Development Assistance (ODA)** and, for the developed countries that have committed to them, strive to achieve the targets of 0.70% of gross national income (GNI) for ODA and 0.15% to 0.20% of GNI for ODA to LDCs.
- Work towards the **enhancement of Africa's integration into the international financial architecture**, through:
 - o for countries that have debt-carrying capacity, supporting the development of well-functioning markets for government debt, including tools to improve their access and liquidity, inter alia by exploring the feasibility of a liquidity facility;
 - o **urging the World Bank Group, the AfDB, other MDBs and funds, including the Green Climate Fund and the Global Environment Facility, and bilateral development agencies, to 'work as a system' and scale up by end-2021 tools to crowd-in private finance, including through enhanced risk-sharing instruments** including Project Based Guarantees, Policy Based Guarantees and political risk insurance where appropriate.
- Tackle **debt vulnerabilities** within the Common Framework for Debt Treatments, which is agreed by the G20 and the Paris Club acting upon the agreement as stated in the April G20 FMCBG communiqué, in the context of a sound macro-economic framework and reforms implemented by beneficiary countries under an IMF-supported program. We welcome the first meetings for a debt treatment for Chad under the Common Framework, and two other requests received from Ethiopia and Zambia will be discussed. This will help avoid a new cycle of over-indebtedness by addressing debt vulnerabilities, as well as help unlock new financing to support sustainable and inclusive growth.
- **Enhance sustainable development financing and avoid a new cycle of over-indebtedness** by:
 - o encouraging the shift towards increasingly sustainable financing practices, both on the side of borrowers and creditors. IMF program design should remain appropriately flexible to take into account the need to support growth in the current crisis context, while containing debt vulnerabilities. IDA's Sustainable Development Finance Policy should continue its support for more transparent and sustainable financing practices;
 - o welcoming the launch of the 2021 voluntary self-assessment of creditors' lending practices based on the G20 Operational Guidelines for Sustainable Financing, and supporting the implementation of the Institute for International Finance Voluntary Principles for Debt Transparency;

- debtor countries deploying reforms to enhance their public spending efficiency and public financial management, including progress on debt management, debt transparency and debt data accuracy and reporting, including by reinforcing national debt offices and their ability to assess fiscal risks, fiscal commitments and contingent liabilities, as well as on governance and financial integrity, in particular anti-corruption and anti-money laundering and counter terrorism financing (AML/CFT);
 - enhancing domestic resources mobilization through sustainable, transparent and accountable tax systems. In this regard, we welcome the mainstreaming of Addis Action Agenda Implementation, including the increasing adoption of Integrated National Financing Frameworks (INFFs) and the work of the Addis Tax Initiative (ATI) and the recently launched ATI Declaration 2025. We also welcome efforts by partners of the Platform for Collaboration on Tax (PCT) to scale up their support for African tax policy and administration development and reform. We support the expansion of OECD/UNDP Tax Inspectors Without Borders to strengthen tax and crime investigations, and the taxation of natural resources. We further welcome the launch of an OECD West Africa Tax and Crime Academy to build capacity to fight tax crime across all regions in Africa.
- **In the national budget, prioritize key public policies for sustainable growth like education and training, and health systems.** Support deeper engagement in existing policy coordination fora such as the Universal Social Protection 2030.

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Supporting a long term growth driven by a vibrant private sector and entrepreneurial dynamic and the emergence and financing of quality infrastructure projects

We reiterate our continued support for the G20 Initiative on Supporting the Industrialization in Africa and LDCs, G20 Africa Partnership and the Compact with Africa (CwA), and other relevant initiatives. Given the importance of private sector reform to recovery and long-term prosperity, we take note of the joint proposal of France and Germany to strengthen the G20 initiative Compact with Africa.

We will accelerate reforms, with the support of international financial institutions, international organizations and development agencies, to develop a more stable, transparent and reliable business environment and investment climate.

Efforts will be deployed to address the growing issue of economic informality, through dedicated reforms on legal and taxation frameworks, to strengthen domestic capabilities and to improve and harmonize the regulatory frameworks and administrative practices, including governance and financial integrity measures.

We encourage multilateral and bilateral development banks, as well as other development partners, including African national and regional public development banks, to play a key role in providing more financial incentives to implement these reforms.

We encourage further private sector focus in concessional windows at the World Bank Group and at the AfDB, by considering ways to increase the impact of the Private Sector Window (PSW) under the IDA-20 replenishment, and of the AfDB's Private Sector Credit Enhancement Facility (PSF) under the ADF-16 replenishment.

We welcome the ambition to develop an Alliance for Entrepreneurship in Africa to help mobilize all partners, public and private, ready to support, through financial and technical resources and capacity building, the development of the African private sector.

This Alliance will help mobilize all partners ready to support, through financial and technical resources, the development of African private sector, in particular MSMEs, and the amplification of the current entrepreneurial dynamics in Africa, with a specific attention to women and youth entrepreneurship. As a priority, we support investments in young businesses in Africa by developing new fit-for-purpose instruments as well as scaling up existing ones, tailoring our approach to the different needs of MSMEs according to their stage of development, targeting new countries and involving new actors.

This Alliance specifically aims at developing innovative and pioneering MSMEs, primary sources of growth and job creation, and at strengthening the capacity of entrepreneurs to access financing, which is a key driver for change, innovation and inclusive economic growth in Africa. The Alliance should also benefit from the entry into force of the African Continent Free Trade Agreement, whose implementation will be supported by development partners, with specific attention given to enhancing regional integration and its long-term benefits to develop local and regional markets and sustainable growth.

To support this Alliance, we will build on the existing coalition of financial institutions¹, formed during the Finance in Common Summit in November 2020, and which committed to join forces to share best practices in providing solutions to MSMEs in Africa. And we will leverage the positive contribution of all private-sector-focused MDBs and development finance institutions engaged in Africa.

We look forward to the IFC, in coordination with the AfDB, the EBRD in its countries of operations², the EIB and other relevant MDBs and interested bilateral DFIs to advance efforts to launch this Alliance, in collaboration with the African Union Commission, in a progressive and targeted way. This builds on the efforts made under a Team Europe approach with the European DFIs in the context of contributing to the objectives of this Summit, starting with promising measures as first steps:

- **We support the development of African private equity and venture capital funds, African private equity associations and microfinance institutions** which are essential actors to accelerate African MSMEs' growth:
 - o through dedicated instruments (including concessional ones), and building on existing partnerships like *Boost Africa* (an AfDB and EIB and European Commission initiative), we will support fund managers in catering to the unmet needs of African start-ups and MSMEs, to incubate and accelerate a pipeline of readily investable companies, to accompany the fund raising efforts of fund managers and to help recruit, train and retain sustainable investment professionals. Given that the vast majority of entrepreneurs fall into the category of micro enterprises, particular attention will be given to the role of accelerators, incubators, angel networks and university business schools;

¹ AfDB, BOAD, FinDEV Canada, US DFC, ICD and 15 European Development Finance Institutions.

² We note that the EBRD's Strategic Capital Framework 2021-2025, adopted by the EBRD Governors, affirms the continued strategic interest in a limited and incremental expansion to Sub-Saharan Africa. This does not pre-empt Governors' eventual decision on this matter.

- with risk-sharing facilities (such as guarantees and political risk insurance) meant to mitigate specific risks such as foreign exchange or liquidity risks, we will reinforce the attractiveness of the African private equity asset class to attract further private capital, both international and domestic. Mobilization of private finance flows would also be achieved by further deepening secondary markets for investment stakes in African private equity funds;
 - with further cross-listings in regional and pan-African markets to enlarge the pool of funds available for investment and to accelerate legal, regulatory and institutional reforms to achieve harmonization across markets that enhance liquidity and stability.
- **We welcome new innovative measures**, to be further discussed within each Institution's governance body, **to tackle specific challenges faced by African MSMEs**, such as:
- the proposal led by the IFC, and supported by the IDA Private Sector Window, the EBRD, the EIB and Proparco, to improve access to finance for MSMEs in Africa through innovative structures and risk mitigation instruments to incentivize more lending to this sector; the initiative will look into new sources of finance for MSMEs and developing markets specifically for MSMEs including through funds and digital platforms, while utilizing mitigation tools; additionally the initiative could also target MSMEs in agribusiness value chains and medium-scale commercial farms, recognizing that these sectors are drivers of growth, jobs and sustainable development in Africa;
 - the IFC and EBRD efforts to support trade flows of critical goods, equipment and supplies to Africa during the economic recovery phase of the Covid-19 crisis;
 - the AFAWA, the pan-African initiative supported by the AfDB, and other women-oriented initiatives such as SheInvest and the 2X Challenge on Financing for Women, to bridge the financing gap facing women in Africa;
 - further prioritization of MSMEs as primary targets in digital platforms like the Africa Digital Financial Inclusion Facility (ADFI) launched by the AfDB, recognizing that supporting financial inclusion and facilitating access to financial services is essential for MSMEs and the informal sector.

We also encourage a deeper cooperation between African and non-African private companies, including through investment platforms like the African Investment Forum (AIF) and the development of joint ventures or joint participation in public procurement. We call for enhanced investment to support value chains and SMEs in partnership with our business organizations.

We will make efforts to generate and finance quality and sustainable infrastructure projects in Africa according to individual country conditions and being consistent with local laws and regulations, by:

- **strengthening macro-financial environment and trustworthy policy legal and institutional frameworks** – regarding openness and transparency of procurement, economic efficiency in view of life-cycle cost, competitive level playing field in the procurement process, fight against corruption, risk perception, fiscal transparency, debt sustainability and management strategy;
- **further working on the mobilization of multilateral and bilateral financial instruments and products, including guarantees, political risk insurance, risk-sharing instruments and other forms of support for PPP projects and the mobilization of commercial finance:**

- We call on multilateral financial institutions to expand their financing of public investments in the digital sector, while paying due attention to cybersecurity and privacy concerns. We also call on them to use a range of instruments, including partial risk guarantees and political risk insurance, as appropriate, to encourage foreign direct investment in that sector. Reaching digital transformation in Africa requires universal access through sustained reforms and investments in digital infrastructure, skills, platforms, and financial services. The World Bank estimates the cost of such investments at about \$80-100 billion over the next 10 years, divided evenly between the public and private sectors.
- We call on multilateral organizations to increase financing of renewable energy projects in Africa. Moreover, in light of the important role that the private sector can play in achieving universal access, we call upon them to use all available instruments, including partial risk guarantees and political risk insurance, as appropriate, to encourage private investment in Africa's energy sector. Achieving universal access to electricity in Africa will require investments of around \$200 billion between now and 2030, or about \$20 billion per year. Governments do not need to finance all those investments as increasingly electricity generation and distribution are being carried out by the private sector. Governments will need to invest in transmission lines as well as in setting up the legal and regulatory frameworks conducive to private investment. Enhanced political risk insurance can provide comfort for investors to invest into PPP projects in Africa. In addition, regional integration would help achieve universal access as countries with surplus electricity can export to their neighbors.
- **increasing the quantity of infrastructure investment, including through national infrastructure funds, while improving quality and sustainable infrastructure investment, including by a voluntary engagement of African States to assess the quality and sustainability of their infrastructure projects**, namely through the African Union Development Agency (AUDA-NEPAD) and Infrastructure Consortium for Africa (ICA), with the political support of the African Union, and the technical support of the AfDB, the IMF, the World Bank and the OECD. This voluntary and non-binding assessment will draw upon agreed international principles such as the G20 Principles for Quality Infrastructure Investment (QII), in synergy with the certification work "PIDA Quality Label". It will notably among others aims at securing "Openness and transparency of procurement to ensure that infrastructure projects are value for money, safe and effective and so that investment is not diverted from its intended use"³;
- **supporting capacity development for planning and preparation of key infrastructure projects and foster the emergence of bankable projects**, through: promoting the deployment of the multilateral platform SOURCE for sustainable infrastructure project preparation, jointly led and funded by MDBs, or other comparable instruments; supporting facilities for the preparation and financing of quality infrastructure projects in Africa, including Africa-driven initiatives such as Africa50; strengthening the community of African infrastructure professionals, including the African Infrastructure Knowledge and Learning Platform (AILEAP) led by the AUDA-NEPAD, ACET and the OECD.

³ Principle 6.1. from G20 Principles for Quality Infrastructure Investment.

Summit on Financing African Economies

Paris – 18 May 2021

List of the participants to the Summit who adopted the Declaration

Countries:

Algeria, Angola, Belgium, Benin, Burkina Faso, Cameroon, Canada, China, Comoros, Congo, DR Congo, Ivory Coast, Egypt, Ethiopia, France, Germany, Ghana, Italy, Japan, Kenya, Mali, Mauritius, Mauritania, Morocco, Mozambique, Netherlands, Niger, Nigeria, Portugal, Rwanda, Saudi Arabia, Senegal, Spain, South Africa, Sudan, Tanzania, Chad, Togo, Tunisia, United Arab Emirates, United Kingdom, United States of America, Zambia.

And the Chairperson of the African Union, the Chairperson of the African Union Commission, the President of the European Council and the President of the European Commission.