



AFRICAN CAUCUS 2023

THE SAL DECLARATION



JULY 8, 2023

AFRICAN GOVERNORS OF
THE INTERNATIONAL MONETARY FUND and THE WORLD BANK GROUP

Having convened in the Island of Sal, the Republic of Cabo Verde, from July 6-8, 2023; under the High Patronage of His Excellency the Prime Minister of the Republic of Cabo Verde, Dr. José Ulisses CORREIA e SILVA; for our 2023 African Caucus Meeting hosted and chaired by the Vice Prime Minister, Minister of Finance, Business Development, and Digital Economy, Honorable Olavo Avelino CORREIA, Governor of the International Monetary Fund (IMF) and the World Bank Group (WBG) for the Republic of Cabo Verde and Chair of the 2023 African Caucus; we, the African Governors of the IMF and the WBG together known as the Bretton Woods Institutions (BWIs), discussed the theme "*New Modalities and Mechanisms to Finance Economic Development in Africa.*"

Noting the rising **debt vulnerabilities**, costs of borrowing, and "big funding squeeze" which has serious ramifications for debt sustainability for most African countries; cognizant that financing **climate change** is critical to ensuring human health and welfare, while preserving ecosystems; aware that the fight against climate change in Africa will not be won without financing **energy** to power and drive livelihoods, technology, innovation, digitalization, trade, industrialization, and transformation; and mindful that - in addition to public sector efforts - actions on debt, climate, and energy require private finance and **private sector** involvement in the development process; we seek the tripling of concessional financing as well as the infusion of additional resources and substantial grants, from the IMF and the WBG, to regain lost ground towards eradicating extreme poverty and achieving the Sustainable Development Goals (SDGs) by 2030. Going forward, we continue to flag the current unbalanced global financial architecture which makes cost of capital expensive for Africa compared to the rest of the World. In this regard, we:

1. Call on the BWIs to help ensure public debt sustainability, through:

- A fair, inclusive, and just global financial architecture.
- Facilitating debt relief that is equitable, rapid, comprehensive, and sizable; debt standstill during times of negotiations; and outright cancellations for countries in high debt distress and in debt arrears.
- Helping to improve multilateral debt restructuring frameworks- enhance transparency of loan terms and contracts, accelerate reforms that support the extension of eligibility to highly indebted middle-income countries (MICs) in Africa, and ease aggressive limits on non-concessional borrowing.
- Ensuring the measures explored to optimize balance sheet, and the implementation of the G20 Capital Adequacy Framework, do not result in the significance hardening of lending terms that could have unintended consequences on the debt sustainability of African countries.
- Reform the debt resolution and regulatory framework by overhauling the Common Framework to make it more effective, time-bound, and transparent; and embedding climate contingency clauses and collective action clauses in debt issuances. On the Common Framework, we welcome the latest developments on Zambia and look forward to drawing key lessons from this case, which should form a strong foundation for expediting future debt relief operations, including for Chad, Ethiopia, Ghana, and Malawi.
- Bolstering support against illicit financial flows (IFFs), tax evasion and avoidance, trade mis-invoicing and transfer pricing, while facilitating stolen assets recovery and strengthening the capacity of public revenue-earning entities to boost domestic resource mobilization.

2. Urge the BWIs to unlock climate financing, by:

- Mobilizing – at a greater speed and scale – the USD2.8 trillion climate financing needed from international public and private sector sources – including developed countries' unmet commitment of USD100 billion per year, retroactive to 2020 – to close the funding gap which represents only about a third of Africa's climate financing needs.
- Calling for high-level ambition in the ongoing discussions on the development of a New Common Quantified Goal for climate finance that is informed by the climate finance needs of developing countries.
- Facilitating access to green climate financing; streamlining the IMF's Resilience and Sustainability Trust (RST) requirements to enable increased uptake by African countries that need them most; encouraging additional member countries to finalize their pledges and meet the RST's fundraising

targets; and establishing a Trust Fund for debt swaps for climate and SDGs. Going forward, we emphasize the need for intensified Fundraising efforts to replenish the concessional resources in the PRGT account, and the timely fulfillment of RST pledges to ensure adequate climate financing, given the growing demands among member countries.

- Scaling up the pipelines of adaptation projects so that Africa - the world's lowest polluter - does not end up disproportionately paying for climate change; recognizing officially the Vulnerable Twenty (V20) as a useful platform for advocating climate justice/finance; and delivering a joint cost analysis of "loss and damage" for African countries affected by climate change that can underpin and support eligibility and allocations under the "Loss and Damage Fund" launched at the COP 27 in Egypt in November 2022.

3. Urge the BWIs to assist African countries to enhance domestic resource mobilization capacity by:

- Identifying the international best practices and helping to replicate specific country experiences.
- Enhancing governance and accountability leading to better transparency.
- Strengthening countries' tax systems, combating tax evasion and illicit financial flows.
- Adjusting and expanding the tax base according to the specificities of economic operators, including from the informal sector, including formalizing the informal economy and reaping related benefits.

4. Ask the WBG to foster energy financing, by:

- Meeting or exceeding the US\$200 billion required between 2021 and 2030, that is about US\$20 billion per year - based on data from the Summit on the Financing of African Economies held in Paris, France, on May 18, 2021 - to ensure access to electricity for more than 600 million people and clean energy for some 900 million persons across the continent.
- Supporting the implementation of energy programs and projects that are aligned to the Integrated Resource Plans of countries as well as the achievement of the Nationally Determined Commitments, to ensure that the priorities of energy access and security are adequately met.
- Deploying innovative financing instruments, de-risking products, and risk-sharing mechanisms to finance energy projects, including midstream and downstream hydro and gas-to-power projects, with the related resilience transport, transmission, and distribution networks, for increased energy baseload, uptake, and trade across the Continent in the context of the African Continental Free Trade Agreement (AfCFTA), via the Northern, Southern, Western, Eastern, and Central Africa's power pools.
- Setting, contributing to, leveraging private funding for, and managing a *Multi-Donor Energy Trust Fund* (MDE TF) that will finance bankable upstream pipeline of transformative energy projects in Africa and provide financing for innovative technologies that enhance the capacity and performance of national utility companies.

5. Exhort the BWIs to help boost private sector development, through:

- Scaling up the use of the IDA Private Sector Window (PSW); mobilizing substantial private savings from global institutional investors, like pension funds and insurance companies; re-engineering financial markets and creating investable assets; and embedding de-risking as a key avenue for private investment, using various financing instruments that are most commercially attractive to private investors, including blended finance and Public Private Partnerships (PPPs).
- Supporting the development of African private equity and venture capital funds, as well as African private equity associations and microfinance institutions, to incubate a pipeline of readily investable private companies and accelerate the growth of African Micro, Small, and Medium-sized Enterprises (MSMEs) for the emergence and prosperity of a truly indigenous private sector.
- Developing and financing digital platforms that allow young African entrepreneurs to incubate and commercialize their ideas and products, while enhancing their skill sets to be deployed throughout the continent to serve market demand.

- Supporting African countries through the newly launched B-Ready Project to facilitate African economies' business readiness and industrialization to mobilize needed investments for sustainable, inclusive development and economic growth.
- The visibility of MIGA and IFC in Africa to bridge the financing gap in support of the development of strategic sector in housing, infrastructure, agri-business, MSMEs, and secure financial inclusion, thereby leveraging innovative debt financing tools to mobilize private sector finance.
- Supporting the sustainable growth of domestic capital markets to pool local wealth, spur growth and attract investors, while promoting climate policies and goals.

6. Appeal to the BWIs to support a new Global Financial Architecture that yields a higher ambition and a stronger resolve to deliver additional and incremental concessional resources to insulate the poor and vulnerable and support improved progress in Africa's development agenda. To this end, we echo the Africa High-Level Working Group on the Global Financial Architecture and the Paris Summit on the New Global Financing Pact (June 22-23, 2023), and the UN SDGs Plan to:

- Lower the cost of financing and increase its availability by ensuring the financial sustainability of the Poverty Reduction and Growth Facility (PRGT); scaling up available resources for the International Development Association (IDA); operationalizing the re-channeling of Special Drawing Rights (SDRs) through Multilateral Development Banks (MDBs) in addition to replenishing PRGT and RST; while increasing the availability of blended finance.
- Scale-up the use of guarantees, by increasing access to official and WBG-provided guarantees
- Amplify Africa's voice and representation, by supporting a permanent seat for the African Union in the G20; and increasing Africa's quota share at the IMF and delivering on the third chair request.
- Support the call of the UNSG on SDG stimulus to mobilize a minimum of \$500 billion in additional financing per year aimed at mitigating the cumulative effects and providing developing economies with better long-term and affordable financing for sustainable development, including dealing with climate change.

7. Request, in the context of the WBG Evolution, to bolster and scale the response to eradicate extreme poverty, address global challenges, and achieve the SDGs, serving all client countries, by:

- Ensuring that the global commitment to address climate change is underpinned by the development agenda and demonstrates clear interlinkages between addressing global challenges and delivering on the SDGs.
- Recognizing that increasing Sub-Saharan Africa's on-grid and off-grid baseload capacity for energy security is an essential growth enabler and prioritizing investments in various energy sources, including hydro and gas, will facilitate Africa's transition to cleaner sources.
- Reinvigorating concessional resources for compounded crises affecting Africa; providing additional funds to the Crisis Response Window Plus (CRW+); maintaining that any additional resources going to IBRD are not at the expense of IDA; convening donors to contribute to IDA21 replenishment; and mobilizing considerable private financing.
- Making sure that the WBG provides additional resources and adopts operating and financial models that consider the specificities of and serve all member countries.
- On our part, Governors have resolved to continue undertaking the needed reforms taking into consideration country specific circumstances and providing the necessary policy environment in a very probable impactful manner with both the WBG and IMF.

8. In closing, we thank and commend the IMF and the WBG for their continued financial, technical, and advisory support in addressing African countries' challenges within the current difficult development finance landscape. We have high expectations for a business paradigm shift from ongoing discussions on both the WBG's Evolution and the IMF's 16th General Review of Quotas (GRQ) which should be concluded no later than December 15, 2023, as well as spearheading a new Global Financial Architecture. Broadly, we commit to implementing the necessary reforms to achieve the objectives of the Global Financial Architecture.

Finally, the outcomes of this 2023 African Caucus deliberations will be summarized in our Memorandum to be delivered to the Heads of the BWIs, in October 2023, during the Annual Meetings of the IMF and the WBG, in Marrakech, the Kingdom of Morocco. We, therefore, look forward to this historical event, which takes place in Africa in more than 50 years.

For the African Governors,
Chair of the 2023 African Caucus
Honorable Olavo Avelino CORREIA, Governor of the IMF and the WBG for the Republic of Cabo Verde and
Vice Prime Minister, Minister of Finance, Business Development and Digital Economy of the Republic
of Cabo Verde