

African Governors to the Bretton Woods Institutions Freetown Declaration on Global Crisis and Africa Responses, Lessons Learnt and the Way Forward

Having met in Freetown, Sierra Leone, at our 2009 Caucus that was hosted and chaired by Dr. Samura Kamara, Chairman of the African Caucus of the International Monetary Fund (IMF) and the World Bank Group (WBG); and having exchanged views amongst ourselves and with senior representatives of the WBG, the IMF, and the African Development Bank (AfDB) on support to African countries to weather the adverse effects of the global financial and economic crisis;

Recalling our Nouakchott declaration of August 1, 2008 on financing for development in Africa, our Tunis communiqué of November 12, 2008 on the need for the MDBs to provide timely and targeted response to the crisis, and our Dar es Salaam statement of March 10-11, 2009 on the pursuit for a stronger partnership between Africa and the IMF;

Aware that the global financial turbulence, which began with the world's major financial centers, has spiralled into a global economic crisis with serious social consequences—the crisis is the deepest and most widespread in modern history—highlighting the longstanding systemic imbalances and fragilities—and the recovery of which is envisaged to be gradual and varied;

Deeply concerned about the gravity of the spillover effects of the crisis on our economies as characterized by the sharp contraction in exports, falling prices for primary commodities, declining remittances, unpredictable aid flows and a massive withdrawal of and delay in private capital flows that have caused financial stress with shrinking growth, widening fiscal deficits, rising unemployment and increasing poverty;

Noting that the relatively strong dependence of the continent on primary commodities and, hence, the high vulnerabilities and exposure to external shocks, creates a strong need for economic diversification and regional integration;

Welcoming the timely response of the IMF, WBG and AfDB to put in place a new architecture of facilities for low income countries (LICs) and to reform the concessional financing frameworks;

Noting the severe impact of the crisis on low middle-income countries and their inability to access the concessional financing windows due to their classification;

Equally noting the commitments made by the G20 members to, inter alia, restore confidence and lending in their financial system, undertake exceptional and coordinated fiscal actions to growth and jobs in their economies, strengthen the national foundation of regulation of their financial markets, and enhance the capital base and liquidity of the BWIs and the AfDB;

Emphasizing that the BWIs and the AfDB are well placed to support the African countries weather the effects of the crisis and restore their growth trajectory on the basis of their universal membership and apparent legitimacy;

Reaffirming commitment to implement policies that are central to promoting growth and achieving the MDGs, readiness to work with these financial institutions to achieve our development goal, and reflecting primary responsibility to the development of our countries and the enhancement of national ownership of development programs;

We, the African Governors to the BWIs and AfDB, commit to:

- a) consolidate medium-term macroeconomic stability and implement sound policies while maintaining reasonable debt sustainability levels;
- b) continue prioritizing poverty reduction strategies focusing on social safety nets and other social protection programs;
- c) implement fiscal stimulus measures where appropriate to weather the impact of the global economic downturn;
- d) expand high-growth yielding public investments, especially those in infrastructure with high employment intensity, to restore and raise our countries' growth and employment potential as well as crowd-in private investment;
- e) implement monetary policies that support the short-term fiscal stimulus measures, including continued monitoring of the financial sector;
- f) remain prepared to exit from the countercyclical fiscal stimulus policies as soon as the macroeconomic conditions permit; and
- g) improve regional integration in order to remove barriers to intra-African trade, increase economic activity and enhance competitiveness.

To this end, African IMF/WBG Governors urge:

1. The International Monetary Fund to :

- a) support our policy frameworks with consultation, research, analysis and advice that gives us the needed policy space, opportunities to leverage resources, and realistic exit strategies;
- b) facilitate expeditious access to the newly created financing instruments, especially for countries with balance of payments needs;
- c) accelerate the review of the debt sustainability framework;
- d) mobilize additional resources to allow an increase in concessional lending while ascertaining that these new instruments are fully funded; and
- e) promptly activate the precautionary component of the SCF;

2. World Bank Group to :

- a) improve the concessionality of the financing to widen the benefits of engagement to more areas and countries, and enable our countries and other low and middle income countries maintain debt sustainability;
- b) top up IDA-15 to fill the gaps emerging from the frontloaded disbursements of the current IDA-16 allocations;
- c) advance IDA-16 replenishment;
- d) scale up funding, including leveraging other sources of funding, for the high-yielding infrastructure projects, including regional projects;
- e) allow IDA-countries to have access to IBRD resources on soft terms;
- f) refocus attention to, and avail more resources towards, reconstruction and infrastructural and development projects; and

- g) WBG to introduce more flexible and adoptable budget support instrument that is capable of responding quickly to crisis;

3. African Development Bank to :

- a) scale up and frontload funding for budget support to enable authorities implement fiscal stimulus measures to weather the adverse effects of the crisis;
- b) top up ADF-12 to fill the gaps emerging from the frontloaded disbursements of the current ADF-11 allocations;
- c) scale up funding for infrastructure and introduce more flexibility in the application of the concessionality thresholds;
- d) devise rapid and effective financing instruments to cushion against external shocks; and
- e) continue to support the African countries, both at the individual and regional levels, with finance and policy advice;

4. Donors to :

- a) expeditiously honor pre-crisis aid commitments and pledges;
- b) scale up aid and facilitate the topping up of IDA-15 and ADF-12;
- c) be reliable on delivery of assistance;
- d) use flexible approach in negotiating assistance; and
- e) consider strongly a general capital increase for the AfDB;

We reaffirm our commitment to work with the IMF, WBG, AfDB and development partners to meet the challenges of the global economic and financial crisis.

We thank the President, the Government and the People of Sierra Leone for the hospitality and support they accorded us throughout our stay in the country;

Freetown, August 13, 2009.

The African Caucus