

**ANNUAL MEETINGS OF THE INTERNATIONAL MONETARY FUND
AND
THE WORLD BANK GROUP**

MEMORANDUM OF THE AFRICAN GOVERNORS

TO

**Dr. JIM YONG KIM
PRESIDENT OF THE WORLD BANK GROUP**

AND

**Ms. CHRISTINE LAGARDE
MANAGING DIRECTOR OF THE INTERNATIONAL MONETARY FUND**

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INTRODUCTION

1. According to the International Monetary Fund (IMF) (2016), Investment and Capital Stock dataset, 1960-2015, Africa remains the most under-capitalized region in the world, with low levels of public and private investments and a large share of investment spending going to recurrent expenditures. At 0.04% of Gross Domestic Product (GDP), public spending in agriculture still lags other regions and foreign direct investment (FDI) is negligible. However, evidence shows that agriculture is an important foundation for economic transformation to rapidly create inclusive growth, employment and reduce poverty in a sustainable manner, but the continent imports more than 15 million tons of cereals each year just to meet the growing demand for food.
2. Against this background, we, African Governors, met in Gaborone, Republic of Botswana, during August 2-4, 2017 to discuss “Economic Transformation and Job Creation”, with a focus on agriculture in Africa. To this end, our 2017 Memorandum seeks additional support of the Bretton Woods Institutions (BWIs) in the following areas: a) Agriculture Policy Foundations: Reforms and Policy Agenda; b) Agriculture Technologies and Value Chains and Sustainable Job Creation for Women; c) Infrastructure Financing and Financial Inclusion; and d) Quota, Voice and Diversity.

AGRICULTURE POLICY FOUNDATIONS: REFORMS AND AGENDA

3. We observe that the current approach to move from subsistence to commercial agriculture through more inputs and targeting larger farms has proven insufficient and often unsuitable to remove the constraints to inclusive agricultural growth. Therefore, to attain the structural transformation, reforms of policies and strategies are urgently needed, in addition to getting the macro fundamentals right so that resources flow into the agriculture sector. These include policies and strategies to improve investment climate, develop rural infrastructure, remove rigidities in the land market, improve access of smallholders to rural finance, enhance the provision of agricultural services; and invest in physical infrastructure, social and human capital, technological progress and innovation, in product and market diversification.
4. Therefore, we call on the World Bank Group (WBG) and the IMF to enhance their role and review their investments instruments to so as to facilitate and enable the transformation of the agriculture sector in Africa. Policy tools and approaches could focus on trade and economic policy, customs and logistics, and direct enterprise support. Accordingly, the policy agenda could relate to the following three core areas, which collectively offer a platform on which the necessary policy dialogues can be developed:
 - *Macro fundamentals* (e.g., economic biases due to tariff and nontariff trade barriers, real exchange rate misalignment, tax distortions, overall fiscal health of the economy).

- *Hard and soft infrastructure* (e.g., infrastructure, customs and trade logistics, the costs of doing business).
 - *Supply-side measures* (e.g., technology creation and adaptation, product standards and certification, export promotion, human resource development).
5. In addition, we call for special attention to small middle-income countries. Often these countries face similar structural problems and other development challenges as most low income countries, and therefore also require appropriate instruments to deal with their challenges.

AGRICULTURE TECHNOLOGIES, VALUE CHAINS, AND SUSTAINABLE JOB CREATION FOR YOUTH AND WOMEN

6. We consider the development of value chains to be pivotal in addressing poverty, particularly among women and the youth. Against this backdrop, we seek to strengthen agriculture production and agribusiness across the whole value chain: from input supply, production, post-harvest handling, to processing and marketing. We are convinced that, with their global knowledge, expertise and financing instruments, the WBG and the IMF can play an instrumental role in supporting this agenda.
7. Therefore, we call on the WBG to develop and implement a joint (IDA/IFC/MIGA) Action Plan in support of Africa's agricultural transformation agenda for the next 3-5 years, by helping countries:
- Increase agricultural production and productivity at farm level and improve resilience, while emphasizing more climate smart agriculture. To this end, we request a significant increase of Africa's share in IDA18 commitments, related to climate smart agriculture; land, forest and water management to be implemented in Africa during IDA18 cycle.
 - Link farmers to markets and strengthen value chains, while emphasizing more private sector support;
 - Reduce the risk and vulnerability through emphasis on risk management, nutrition and gender.

AGRICULTURE INFRASTRUCTURE FINANCING AND FINANCIAL INCLUSION

8. Agriculture infrastructure financing and financial inclusion are inevitable to boosting productivity in agribusiness sector. To achieve this dual objective, we urge the WBG and the IMF to support countries in: (i) de-risking agriculture financing with credit risk institutions; (ii) identifying domestic and foreign financial institutions (DFIs) with risk appetite in agriculture while promoting sound financial development and inclusion and enabling a level-playing field for competition; (iii) creating the fiscal space within our public budgets along with mobilizing private and external resources, to meet the

agriculture infrastructure and operational needs; and (iv) identifying existing farmers, and enabling them access to finance and boost their potential.

9. To sustain this strategy, we welcome and look forward to a judicious use and regional repartition of the resources from the World Bank Group's Private Sector Window (PSW), the Blended Finance Facility, the Risk Mitigation Facility, and innovative PPPs to help unlock commercial and long-term financing of agriculture in Africa, while counting on the BWIs' policy advice and technical assistance to improve institutional capacity for domestic revenue mobilization (DRM) in Africa.

10. More specifically, we urge the BWIs to assist our countries in meeting the African Union objective of 10 percent national budget allocation to agriculture development set forth in the Maputo Declaration on Agriculture and Food Security (2003) to accelerate agricultural transformation for shared prosperity. We look forward to the 2018 Review of IMF Facilities for Low-Income Countries and expect the revised or new instruments to be better geared towards growth objectives. In particular, we request flexibility in the design and conditionality of IMF-supported program to accommodate the necessary significant public investment in the sector, consistent with preserving fiscal and debt sustainability. To this end, we urge the BWIs to ensure that the revised Debt Sustainability Framework for Low-Income Countries (LIC DSF) is better tuned to the growth-investment nexus, and debt sustainability analyses are based on realistic macroeconomic assumptions.

QUOTA, VOICE AND DIVERSITY

11. We acknowledge some commendable progress made on a number of issues raised in our earlier Memoranda, including reaching the Diversity target for staff of African and Caribbean descent of 12.5 percent at the World Bank, and the commitment the Bank made to raise this target to 15 percent in FY18. However, while IBRD met its target, IFC and MIGA made very little progress, and fell short of their targets. Therefore, we urge both IFC and MIGA Management to take the necessary steps to meet their targets. Also, given a low representation of SSA nationals at the mid management level (the missing middle), in the two institutions, we request that the WBG and the IMF take deliberate steps to build a pipeline of Africans at mid to senior management level to ensure that there is an adequate pool of Africans both at the technical and managerial levels to be promoted to more senior levels whenever vacancies arise. We reiterate our call to enhance staff diversity at the IMF, particularly the representation of nationals from Sub-Saharan and North Africa regions which remain under represented.

12. We welcome efforts to realign shareholding at the World Bank. On the Fund side, we reiterate our call for completion of the 15th General Review of Quotas by the 2019 Annual Meetings alongside work on a new quota formula. We expect the new IMF quota formula

to result in enhanced quota shares for African member countries commensurate with their economic dynamism. We also reiterate our longstanding call for a third chair for Sub-Saharan Africa at the IMF Executive Board to improve representation of these countries and alleviate the exceptionally heavy burden put on the two Sub-Saharan Africa existing chairs.