ACCOUNTABILITY PACT

Written by

Think tank A New ROAD

A NEW
ROUND-TABLE
ON
AFRICAN
DEBTS

About think tank
A New ROAD

A New ROAD: A New Round-Table On African Debts is the first think tank dedicated to African public debts and aims to bring together various influential personalities, experts in their fields in order to work on debt treatment and more generally on financing African economies.

Our ambition is to facilitate the use of public funding as much as necessary and to encourage private investment as much as possible. Our objective is to design and propose innovative solutions both from the point of view of the sustainability of public debt and financing economic recovery. Our mission is to innovate, evaluate, propose and co-build.

Preamble

The future of our world is being played out in Africa. Its development, the development of its economies and the improvement of the quality of life of its populations must remain a shared and priority concern despite the current geopolitical, security and health crises. This Africa is looking for a new partnership, marked by mutual understanding and solidarity, as summed up in the words of President Macky Sall: *"This rapidly changing Africa wants consensual and mutually beneficial partnerships; partnerships co constructed on the basis of shared priorities and values, without civilizational injunction, without exclusion or exclusivity"*.

After Paris Summit on financing of African economies in May 2021 then the European Union summit - African Union in Brussels in February 2022, we are delighted that the continent's public and institutional donors have expressed the wish to approach its financing and the development of its economies in a concerted way, and that new concrete proposals are emerging. However, and as recalled by 14 African Heads of State during the 20th Recovery of the resources of the *International Development Association* in Abidjan, it is essential that these initiatives succeed in overcoming declarations of intent by materializing into appropriate pragmatic solutions.

The acquired general allocation of $33 billion in Special Drawing Rights (SDRs) granted by the International Monetary Fund (IMF) to Africa (out of the total $650 billion) remains insufficient in view of its financing needs. We very positively welcome the agreement in principle given at Paris Summit for the reallocation of an additional 67 billion dollars and the creation of *Resilience and Sustainability Trust* by IMF (whose constitution of resources is based in particular on the reallocation of socalled surplus SDRs from the main shareholders of the IMF), but we are forced to note that progress remains limited.

While only one African country currently benefits from a program under the *Resilience and Sustainability Trust*, the hybrid debt instrument project presented by the African Development Bank would be a welcome addition to achieve the objectives of reallocation of SDRs in favor of the continent.

We regret to note that the way towards the necessary mobilization of financing to meet the economic and social challenges of the continent announced in 2023 is still long, whether it is a question of the success of the 2030 agenda or the mitigation and adaptation to climate change.

The injection of these amounts into African economies will have to be coupled with measures intended to enable their structural transformation and support for African SMEs.

This is why we call for the creation of an **Accountability pact**.

We call for the creation of an Accountability Pact

State responsibility, first, translated (i) by a commitment to transparency, information and monitoring concerning the allocation of funding made available to them, (ii) by a commitment to benefit their youth and future generations by directing them towards investment spending that creates jobs and guarantees access to better levels of education, professional integration, housing and health and finally (iii) by the commitment to undertake reforms necessary for the emergence of modern, competitive and transparent investment climates..

Responsibility of large private groups operating in Africa, then, which must contribute to the establishment of a more balanced sharing of values in its threshold and its proportions, to the benefit of the regional economic fabric, while actively contributing to the training of populations.

Responsibility of financial institutions, finally, which must on the one hand adapt their offers and financial instruments to the needs of the continental economic actors who constitute the engines of the development of their countries and, on the other hand, work to offer (as in the other regions of the world) greater consistency between their requirements in terms of profitability and the actual associated risk.

Together, by ratifying this pact, we hope to contribute to:

- **Accelerate the process of transformation and industrialization of African economies;**
- **Rethink the value chains and sectors in which the countries of the continent have a role to play,** in particular through substantial demographic resources (thanks to a young population) and natural resources having a critical role to play in renewable energies;
- **Promote the creation of tools allowing the development of new economies,** which are ever more sovereign, autonomous and whose general principles that underpin them will be consistent with their cultures, their deep identities and their histories;
- **Bring out new structured and committed means of communication** aimed at strengthening African cooperation on the basis of solidarity and shared interests;
- **Encourage the definition and implementation of transnational, regional and even continental strategies, as well as the development of South-South partnerships,** which we believe constitute a reserve of value between partners sharing the same challenges;
- **Question and find alternatives to certain dated economic reasoning (development model based on aid, for example) and/or unsuited to the realities of the continent,** in order to get out of dependence, while recognizing the importance of development aid and donations for specific issues such as loss and damage caused by climate change;
- **Allow a better understanding and consideration of issues related to climate change, sustainable development and human rights in economic practice** both from the point of view of private and public actors.

1. For African authorities

(1) Promote the emergence of **African solidarity** between commodity economies and the continent's most diversified economies, notably by facilitating the free movement of goods and people;

(2) Support the **creation of a platform on investment and productive transformation** aimed at (i) coordinating national strategies and existing free zones and (ii) facilitating the provision of financial flows to the continent;

(3) Coordinate to define and implement regional development strategies by sector through the creation of **regional competitiveness clusters** designed to bring out **regional champions by sector** and **to develop a made in Africa standard ensuring compliance with international standards**;

(4) **Strengthen institutional frameworks and procurement practices,** while addressing the question of the timeliness of procurement procedures;

(5) **Support the development of local capital markets** by promoting debt in local currencies, via a holistic approach to the development of savings and the financial sector to limit the risks weighing on financial stability;

(6) Take into account as a criterion, when selecting international private operators (awardees of contracts or within the framework of public-private partnerships), **the achievements completed locally in terms of improving and promoting sustainable development** through transfer of skills and technologies, in particular through training;

(7) Raising capital to finance **sector-based study funds with a regional vocation** intended to strengthen (i) the collection of technical, social, economic, financial and legal data by the States, as well as (ii) the tendering procedures and, consequently, lead to facilitating **access to financing for the projects concerned**;

(8) Raising capital to finance (i) **sectoral guarantee funds with a regional vocation** intended to provide an **alternative to sovereign guarantees** as part of the financial structuring of strategic projects and (ii) sovereign investment funds whose role is to propose mechanisms intended to de-risk investments in sectors identified as priorities, in order to attract private investors from the private equity;

(9) With a view to achieving the implementation of innovative national strategies adapted to the objectives of growth, financial inclusion and environmental, social and societal impact, **consider setting up of regulatory sandboxes in the field of digital economy** (including, where appropriate, a deregulation phase) leading to a regulatory review;

(10) Create a **continental "start-up label"**, allowing the mapping, monitoring and qualification of African start- ups;

(11) Encourage the growth of start-ups on the continent by **allocating a percentage of public procurement contracts to certified start-ups**, and creating incentives for large corporations to encourage partnerships;

(12) **The emergence of local champions through a system of reception and support of innovative entrepreneurs by regulatory authorities**, likely to benefit from the **principle of technological neutrality** (i.e. no technological standard imposed by the regulation) and **cross-border agreements** (i.e. private and public cooperation agreements) allowing a better distribution of services developed by 100% African digital companies (Fintechs, Foodtechs, Medtechs, Web 3...);

(13) **Encourage greater risk-taking by banks in structuring sectors,** insufficiently covered by the financial system by proposing the establishment of credible risk-sharing mechanisms and by guaranteeing a level of access, by the actors concerned, to the facilities necessary for the development of these sectors (supply, taxation, payment terms, reactivity, etc.);

(14) Work with central banks to **boost intra-African economic flows** from investments and structuring projects.

2. For banking sector and financial institutions

(1) **Promote engagement with international rating agencies to ensure that the specificities of African countries are taken into account and limit possible biases against the continent,** while supporting the development of objective indicators and increased transparency;

(2) **Apply international standards for risk assessment** by integrating a contextual approach, by taking into account ratings produced by African rating institutes, and by including these ratings in financing documentation;

(3) Working with African governments and employers on a **harmonized definition of impact, adjusted to the needs and realities of the continent**, in order to allow job-creating sectors that promote social inclusion, gender equality and the development of health, education and agriculture sectors to benefit from the funds set aside by banks **to finance impact**;

(4) In parallel, **engage in dialogue with institutions setting the standards for impact in major global financial centers** to ensure that they do not disadvantage African countries in terms of allocation by international investors;

(5) Provide tools to **leverage the potential of (i) agriculture and (i) carbon credits in African countries**;

(6) Put in place **tools to facilitate the financing of feasibility studies**;

(7) **Structuring a comprehensive banking support system** (if necessary, via venture capital funds) for digital companies with the proliferation of offers concerning:

- **Supporting digital entrepreneurs** in the "Early stage" phase of their development: assistance with creation and initial fund raising;
- **Easier access to account** for digital companies;
- **Medium to long term financing** of digital companies and, where applicable, **incubating of selected projects;**
- **Provision of banking infrastructure** within the framework of partnerships with some digital companies, allowing better distribution coverage across the continent;

(8) Contribute to the **emergence of national champions** by offering them:

- Multiple credit enhancement facilities;
- Access to high-performance digital services and market information;
- Campaigns to identify, support and finance SMEs (by investment funds in particular).

3. For private actors

(1) Integrate African VSMEs into purchasing strategies for tools, mechanisms and actions oriented towards their ecosystems, in order to **associate them primarily with the development of the continent** (synthetic securitization, market slicing, etc.);

(2) Ensure that **industrialization efforts and the results of economic transformation benefit the populations**;

(3) Multiply the **training in strategic sectors** by systematizing the offers of **private scholarships** and **funding apprenticeship training centers, university chairs and engineering schools**;

(4) **Incorporate a component relating to funding of the ecological transition and/or the decarbonization** in the structuring of any project developed on the continent as soon as relevant, also taking into account the objectives of the fight against poverty or access to energy;

(5) Work actively – and jointly with the regulator and the States – to **promote the insurance sector to the populations**, to ensure that it is perceived as an essential sector for stabilizing local ecosystems.

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