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## The IMF or the AMF: Defining the Future of Financing for Investment and Development Projects in Africa

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THE IMF OR THE AMF: DEFINING THE FUTURE OF FINANCING FOR INVESTMENT AND DEVELOPMENT PROJECTS IN AFRICA

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# The IMF or the AMF: Defining the Future of Financing for Investment and Development Projects in Africa

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## 1. INTRODUCTION

The Articles of Agreement of the IMF were adopted at the United Nations Monetary and Financial Conference on 22 July 1944 and came into force on 27 December 1945.<sup>1</sup> These Articles have been amended several times by the Board of Governors through various resolutions.<sup>2</sup> The basic functions of the

IMF are to manage exchange rate practices, help governments and state parties that experience balance of payment problem by selling foreign currencies to them, and to ensure a flexible system of international payments. Moreover, the IMF also lends to member countries to be used in developmental projects.<sup>3</sup> In accordance with Article 1 of the IMF Articles of Agreement, one of the purposes of the IMF is to provide short term fund, under adequate safeguard, to member countries to correct maladjustment in their balance of payments position without hindering their national or international prosperity. Conversely, the Protocol that established the AMF was adopted on 27 June 2014 by the AU member states in Malabo, Equatorial Guinea.<sup>4</sup> The AMF has not yet come into force and currently, only 12 out of the 55 AU members have appended their signature.<sup>5</sup> The main objectives of the AMF are to promote African monetary cooperation so as to achieve African economic integration and speed up the process of economic development among state members, to ensure stability of exchange rates among currencies and their mutual convertibility, to promote the development of African financial markets and correct disequilibria in the balances of payments among state members. Accordingly, since independence from the colonial masters in the 1960s, most African states have relied on the IMF loans for developmental projects. The economic crises of the 1980s and 1990s as well as the COVID-19 pandemic have increased the rate at which most African countries are seeking loans from the IMF.<sup>6</sup> Since the AMF is not yet operational, the IMF remains the main financial institution that finances for most of the developmental projects in Africa. Finally, the IMF also partners with the World Bank to provide loans and funding for developmental projects in Africa.

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<sup>1</sup> See Articles of Agreement of the International Monetary Fund available at: <https://www.imf.org/en/Publications/Articles-of-Agreement/Issues/2016/12/30/Articles-of-Agreement-of-the-International-Monetary-Fund-Adopted-at-the-United-Nations-357> (the IMF Articles of Agreement), Accessed 12 May 2021.

<sup>2</sup> See various amendments of the Articles of Agreement of the IMF at: <https://www.imf.org/en/Search#q=articles%20of%20agreement&sort=relevancy>. Accessed 29 June 2021.

<sup>3</sup> See IMF Lending at: <https://www.imf.org/en/About/Factsheets/IMF-Lending>, Accessed 29 June 2021.

<sup>4</sup> See the Protocol on the Establishment of the African Monetary Fund available at: <https://au.int/en/treaties/protocol-establishment-african-monetary-fund>, (the 2014 AMF Statute), Accessed 12 May 2021.

<sup>5</sup> Ibid.

<sup>6</sup> See for example the case of South Africa available at: <https://www.imf.org/external/pubs/ft/fandd/2021/06/interview-with-south-africa-finance-minister-trevor-manuel.htm>, Accessed 29 June 2021.

After examining the aims and objectives of both the IMF and AMF in Part I, this article will examine the relationship between the IMF and Africa particularly the conditions for granting loans in Part II. Part III will examine whether the AMF will be the African investment and development financing panacea. Finally, Part IV examines Agenda 2063 as a development model for Africa. Part V also examines the sources of finance for future development and investment projects in Africa and, Part VI presents the concluding remarks.

## II. THE IMF AND AFRICA RELATIONSHIP

The IMF and the World Bank have long standing relationships with the African continent. These two institutions work together by granting loans to fund development and investment projects in Africa.<sup>7</sup> While the Fund provides temporary assistance to correct balance of payment problems in member countries and the African continent, the World Bank focuses on long term projects lending for the development of infrastructure in Africa and other developing countries.<sup>8</sup>

Initially, the Fund was not expected to be dealing with Less Developed Countries (LDC) which includes almost all the 55 African countries. However, in 1974, the Fund introduced a new policy; the Extended Fund Facility (EFF). The EFF which enables a funded programme to last for up to three years and by so doing, focus of the Fund shifted to developing countries as its major customers. Accordingly, the relationship between the Fund and Africa is further determined through the various conditions for the granting of loans and the Special Drawing Rights (SDR), applicable to member countries of the IMF.

### a) *The IMF Loans Conditionality to African Countries*

Almost all African countries fall under the category of Low Income Countries (LICs),<sup>9</sup> and the IMF uses various lending instruments depending on the need or circumstance.<sup>10</sup> In this regard, the IMF also uses policy conditionality agreed upon by the country and the IMF. Accordingly, the EFF for example, created by the Fund allows any African country to draw funding beyond its quota for up to three years, provided the country implements an economic stabilisation programme agreed to by the Fund and adheres to

performance criteria.<sup>11</sup> Additionally, the IMF provides financial support for balance of payment needs upon request by its member countries.<sup>12</sup> Consequently, unlike development banks, the IMF does not give loans for specific projects.<sup>13</sup> Upon receiving a loan request from a country, IMF staff holds discussion with the government of that country to assess the economic and financial structure, and the extent of the country's total financial needs. Then, the IMF and the government agree on appropriate policy. In other words, the country's government and the IMF must agree on a programme of economic policy reforms before the IMF may provide loans to that country. The policy programme agreed between the country and the Fund is presented to the Fund's Executive Board in a letter of intent for consideration.<sup>14</sup> Accordingly, the policy agreement may take different form and other conditions as follows: (i) Prior action which include steps a country agrees to take before the IMF approve financing.<sup>15</sup> Prior actions ensure that a programme will have the necessary foundation for success. Examples of prior actions are elimination of price controls and adoption of a budget consistent with fiscal policy; (ii) Quantitative Performance Criteria (QPCs) which include specific, measurable conditions for IMF lending that relate to microeconomic variables under the control of authorities. These are monetary and credit aggregates, international reserves, fiscal balances and external borrowing. Examples of QPCs include minimum level of government primary balance, ceiling on government borrowing and minimum level of international reserves; (iii) Indicative Targets (ITs) which include quantitative indicators to assess progress in realizing a programme's objective. Examples are minimum level of social assistance spending, minimum domestic revenue collection and minimum level of the general government primary balance; and (iv) Structural Benchmarks (SBs) which are reform measures that are non-quantifiable but are critical for realizing the programme objectives and are regarded as markers to assess programme implementation. Examples of SBs include improve

<sup>7</sup> See Havnevik K.J. (1987). *Introduction* in K.J. Havnevik (Ed.), *The IMF and the World Bank in Africa: Conditionality, Impact and Alternatives* (pp. 9-23). Uppsala: Scandinavian Institute of African Studies. This is also available at: <https://www.diva-portal.org>, Accessed 16 May 2021.

<sup>8</sup> Ibid.

<sup>9</sup> Most of the loans given to LICs are interest free.

<sup>10</sup> See IMF Support for Low Income Countries available at: <https://www.imf.org/en/About/Factsheets/IMF-Support-for-Low-Income-Countries>, Accessed 18 May 2021.

<sup>11</sup> Havnevik K.J. (1987). *Introduction* in K.J. Havnevik (Ed.), *The IMF and the World Bank in Africa: Conditionality, Impact and Alternatives* (p.11). Uppsala: Scandinavian Institute of African Studies.

<sup>12</sup> See Fritz-Krockow B. and Ramlogan P. (2007). *International Monetary Fund Handbook: Its Functions, Policies and Operation* (p.2), Washington D.C. International Monetary Fund Secretary's Department.

<sup>13</sup> See IMF Lending available at: <https://www.imf.org/en/About/Factsheets/IMF-Lending>, Accessed 18 May 2021.

<sup>14</sup> See an example on this in the recently in the Angola situation where the IMF Executive Board complete fifth review of the Extended Fund Facility Agreement with Angola and approves US\$772 million available at: <https://www.imf.org/en/News/Article/2021/06/09/pr21168-angola-imf-exec-board-completes-5th-review-of-the-eff-agreement-and-approves-disbursement>, Accessed on 25 June 2021.

<sup>15</sup> See Letters of Intent available at: <https://www.imf.org/en/Publications/CPID/Letters-of-Intent-Memoranda-of-Economic-Policies>, Accessed 29 June 2021.

financial sector operations, build up social safety nets and strengthen public finance management.<sup>16</sup>

Additionally, besides the EFF mentioned earlier, the policy conditionality may also take any of the following instruments:<sup>17</sup> (i) General Resources Account (GRA) which is available for all IMF members on non-concessional terms,<sup>18</sup> (ii) Poverty Reduction and Growth Trust (PRGT) which provides financial assistance to LICs at zero interest rate;<sup>19</sup> and (iii) Stand-By Arrangements (SBAs),<sup>20</sup> for emerging and advanced market economies in crises.<sup>21</sup> Accordingly, the SCF, the EFF, and the ECF are the main tools the Fund uses for medium-term support to LICs affected by protracted balance of payment problems.<sup>22</sup> Likewise, to help prevent or mitigate crises and boost market confidence during intensified risk, IMF members with strong policies can use the Flexible Credit Line (FCL),<sup>23</sup> or Precautionary and Liquidity Line (PLL).<sup>24</sup> Finally, for LICs in crises, the Rapid Financial Instrument (RFI) and the corresponding Rapid Credit Facility (RCF) can be used by the IMF to provide rapid assistance to countries with urgent balance of payment need which may include natural disasters like COVID19, commodity price, shocks and domestic fragility.<sup>25</sup>

In all, the above conditions must be applicable for the IMF to grant loans to any member country. The lending is applicable depending on the need the country is facing. Another loan facility available to all the IMF member countries is the SDRs.

#### b) *Special Drawing Rights to African Countries*

The IMF has a Department responsible for Africa which recently marked its 60th anniversary on 10 May 2021.<sup>26</sup> SDRs were created after the first amendment of the Articles of Agreement and it became operational in 1969.<sup>27</sup> These SDRs was to supplement its members existing reserve assets as the demand for reserves was expected to grow in accordance with the growing world trade.<sup>28</sup> The SDRs serves as a unit of account of the IMF and some other international organisations such as the AMF.<sup>29</sup> The IMF's SDR is based on a basket of five currencies which include: the U.S dollar, the euro, the Chinese renminbi, the Japanese yen and the British pound sterling.<sup>30</sup> According to the Fund's Africa department African countries need to widen their tax base and pay heed to domestic political considerations and preferences. For example, the IMF has chosen to take a tougher line with the government of Equatorial Guinea and is withholding more than 85 per cent of a US\$280 million loan until the country implements a number of good governance reforms.<sup>31</sup> The current COVID-19 crises and its impact on Africa have led IMF to grant SDRs to African countries. The recent France-Africa summit is aimed to counter COVID-19 economic impact.<sup>32</sup> Accordingly, it was agreed at the summit that rich nations will reallocate \$100 billion in IMF' SDRs monetary reserves to African states by October 2021.<sup>33</sup> According to the IMF managing Director Kristalina Georgieva, 'we cannot afford leaving the African economies behind', she also confirmed that the IMF would before the summit issue \$33 billion in SDRs for the African continent for this year.<sup>34</sup> Therefore,

<sup>16</sup> See IMF Conditionality at: <https://www.imf.org/en/About/Factsheets/Sheets/2016/08/02/21/28/IMF-Conditionality>, Accessed 18 May 2021.

<sup>17</sup> Ibid.

<sup>18</sup> See more on this at: <https://www.imf.org/en/News/Articles/2021/05/28/imf-executive-board-reviews-funds-income-position-for-fy-2021-22>, Accessed 29 June 2021.

<sup>19</sup> The main PRGT instruments are the Standby Credit Facility (SCF), the EFF and the corresponding Extended Credit Facility (ECF).

<sup>20</sup> See the agreement between the IMF and Egypt on SBA available at: <https://www.imf.org/en/News/Articles/2021/06/23/pr21193-egypt-imf-execboard-completes-2nd-drev-under-the-sba-concludes-2021aiv>, Accessed 29 June 2021.

<sup>21</sup> See IMF lend and policies instruments available at: <https://www.imf.org/en/About/Factsheets/IMF-Lending>, Accessed 29 June 2021

<sup>22</sup> See for the example the ECF and EFF agreement between Cameroon and the IMF available at: <https://www.imf.org/en/News/Articles/2021/05/27/pr21147-cameroon-imf-mission-reaches-staff-level-agreement-new-arrangements-under-ecf-and-eff> Accessed 29 June 2021.

<sup>23</sup> See IMF and Sudan agreement on Rapid Credit Facility to address COVID-19 issues available at: <https://www.imf.org/en/News/Articles/2021/03/31/pr2194-south-sudan-imf-execboard-approves-us-174-2m-emergency-assistance-address-covid19> Accessed 29 June 2021.

<sup>24</sup> Ibid.

<sup>25</sup> For example, South Africa used RFI IMF loans for COVID19, available at: <https://www.imf.org/external/np/fn/tad/extarr2.aspx?memberkey1=880&date1key=2021-04-30>, Accessed 18 May 2021.

<sup>26</sup> See Transcript of the IMF Press Briefing available at: <https://www.imf.org/en/News/Articles/2021/05/06/tr050621-transcript-of-the-imf-regular-pres-briefing>, Accessed 28 May 2021.

<sup>27</sup> See International Monetary Fund Handbook: Its Functions, Policies and Operations available at <https://www.imf.org/en/Publications/Manuals-Guides/Issues/2016/12/31/International-Monetary-Fund-Handbook-Its-Fund-Policies-and-Operations-19756>, (the IMF Handbook), Accessed 22 May 2021.

<sup>28</sup> See details on this at the decision of the recent G7 summit at: <https://www.imf.org/en/News/Articles/2021/06/13/pr21173-imf-managing-director-welcomes-action-to-help-the-world-exit-the-pandemic-crises>, Accessed 29 June 2021.

<sup>29</sup> See art.9 section 4(2) of the 2014 AMF Protocol noting that pending the adoption of an African unit of account, the AMF unit of account will be the SDRs of the IMF.

<sup>30</sup> See Special Drawing Rights available at: <https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/14/51/Special-Drawing-Right-SDR>, Accessed 22 May 2021.

<sup>31</sup> See Africa and the IMF- an unlikely duo available at: <https://www.dailymaverick.co.za/article/2021-02-09-africa-and-the-imf-an-unlikely-duo/>, Accessed 22 May 2021.

<sup>32</sup> See France-African Summit 2021 available at: <https://p.dw.com/p/3TQ0l?maca=en-whatsapp-sharing>, Accessed 23 May 2021.

<sup>33</sup> See Paris Summit Promises New Deal for Africa available at: <https://m.dw.com/en/paris-summit-promises-new-deal-for-africa/a-57575579>, Accessed 23 May 2021.

<sup>34</sup> See Paris Summit Mobilises Finance, Vaccines for Africa New Deal available at: <https://www.google.com/amp/s/www.aljazeera.com/>



the summit was intended to triple the amount of SDR monetary reserves available to African countries at zero interest rate.<sup>35</sup> Similarly, the Fund authorizes the allocation of SDRs to members participating in the SDR Department. Accordingly, the allocation of SDRs to member countries is cost free, and it does not require contributions from donor countries' budget since SDRs are reserves and not foreign aid.<sup>36</sup> With regard to the condition for allocating SDRs to member countries, all that is needed is that the country have balance of payment needs or is going through extreme economic crisis as is the case now with the effects of the present COVID-19 pandemic on the economy of many African countries. Furthermore, the SDR provides the basis for calculating the interest rate charged to members on their non-concessional borrowing from the IMF and is paid to members for their remunerated creditor positions in the IMF. Finally, holders of SDR may use their SDR for the following: (i) to settle financial obligations; (ii) to make loans; (iii) to make pledges; (iv) as security for the settlement of financial obligations; (v) in both swap and forward operations; and (vi) to make donations.

Besides the IMF's SDR zero interest rate loans to African countries; the IMF has also restructured the high debt loads of Chad through the ECF and the EFF instruments.<sup>37</sup> This was because Chad urgently needs debt relief to recover from its present crises. Another African country that benefits from IMF zero interest rate is Sudan. According to the Sudanese government, both the IMF and Sudan agreed that the money will be used to pay salaries in arrears and the rest kept in the bank for urgent balance of payment needs.<sup>38</sup>

In all, the granting of SDRs based-funding by IMF to member countries is without interest.

### III. WHETHER THE AMF IS AFRICA'S INVESTMENT AND DEVELOPMENT FUNDING PANACEA

In order to determine whether the AMF is the African continent's investment and development panacea,

[amp/news/2021/5/18/paris-summit-mobilises-finance-vaccines-for-africa-new-deal](https://www.amp/news/2021/5/18/paris-summit-mobilises-finance-vaccines-for-africa-new-deal), Accessed 23 May 2021.

<sup>35</sup> See African Heads of States set for May 18 Paris Summit on COVID19 and Economic Revival available at: <https://www.google.com/amp/s/www.africannews.com/amp/2021/05/14/african-heads-of-states-set-for-may-18-paris-summit-on-covid-and-the-economy/>, Accessed May 23 2021.

<sup>36</sup> See Seven Things You Need to Know About SDR Allocations available at: <https://www.imf.org/en/Topics/special-drawing-right/seven-things-you-need-to-know-about-sdr-allocations>, Accessed 26 May 2021.

<sup>37</sup> See IMF Continuing Chad Debt Restructure Talks after Deby death available at: <https://www.msn.com/en-za/news/world/imf/-continuing-chad-debt-restructure-talks-after-deby-death/ar-AAKcPVE?ocid=HuaWei&appid=hwBrower&ctype=news>, Accessed 23 May 2021.

<sup>38</sup> See IMF Grants \$174m emergency loan to South Sudan available at: <https://www.msn.com/en-za/news/world/imf-grants-174m-emergency-loan-to-sudan-central-bank/ar-BB1fd7Ma?ocid=huawei&appid=hwBrower&ctype=news>, Accessed 23 May 2021.

the article will now examine the resources and operation of the AMF as well as sustainable development and investment model for Africa.

#### a) *The Resources and Operation of the AMF*

The authorized share capital of the AMF is US\$22.640 billion,<sup>39</sup> denominated in shares of US\$100 per share.<sup>40</sup> Similarly, the callable share capital of the fund shall be at least 50 per cent of the authorized share capital which is US\$11.320 billion. The paid-up share capital of the Fund shall be at least 50 per cent of the callable share capital which is US\$5.660 billion, denominated in shares of US\$100 per share.<sup>41</sup> By virtue of Article 5 of the 2014 AMF Statute, a state party may subscribe to shares in the authorized share capital of the Fund based on its capital subscription allocation specified in the AMF Statute.<sup>42</sup> The subscription by states parties to the Fund shares will also be determined by the AMF Statute.<sup>43</sup> Moreover, the shares of the Fund may not be pledged or encumbered,<sup>44</sup> and in case of an increase in the authorized capital of the fund, the increase shall be shared among the states parties in accordance with the existing capital subscription formula of the Statute.<sup>45</sup> Finally, by virtue of Article 5 Section 2(1), (2), and (3), of the AMF Statute each state party shall subscribe for shares from the date of deposit of its instrument of ratification or accession.<sup>46</sup>

The financial resources of the AMF are made up of two categories of assets as follows: (i) ordinary resources and, (ii) other resources.<sup>47</sup> Ordinary resources include: the subscribed and paid-up shares, the resources derived from borrowing by the Fund, reserves, and net income from loans and portfolio investments made with the fund resources.<sup>48</sup> The other resources of the Fund include: special or voluntary contribution from state parties, contributions in the form of grants, donations and similar assistance from other countries or institutions which are not state parties in accordance with the AMF Protocol, grants and net income derived from voluntary contributions and donations.<sup>49</sup> Again, it is imperative to recall that one of the main objectives of the AMF is to promote economic development and the development of the African financial market, as well as granting of credit facilities states parties to sustain balance payment in conformity with credit policy.<sup>50</sup> Therefore, the capital resources of

<sup>39</sup> See art.5(1) of the 2014 AMF Statute.

<sup>40</sup> See art.5(2) of the 2014 AMF Statute.

<sup>41</sup> See art.5(3) of the 2014 AMF Protocol.

<sup>42</sup> See art.5 sect.2(2) of the 2014 AMF Statute.

<sup>43</sup> See art.5 sect.(1) of the 2014 AMF Statute.

<sup>44</sup> See art.5 sect.2(5) of the 2014 AMF Statute.

<sup>45</sup> See art.5 sect.2(4) of the 2014 AMF Statute.

<sup>46</sup> See art.5 sect.2(6) of the 2014 AMF Statute.

<sup>47</sup> See art.6 of the 2014 AMF Statute.

<sup>48</sup> See generally art.7 of the 2014 AMF Statute.

<sup>49</sup> See generally art.8 of the 2014 AMF Statute.

<sup>50</sup> See generally arts. 2 and 3 of the 2014 AMF Statute.

Fund and its financial capabilities will facilitate development and investment on the African continent.

With regard to the operations of the AMF, the Fund will provide loans, technical assistance and policy advice to state parties in situations of balance of payment challenges and other macroeconomic problems as agreed by the Board of Directors.<sup>51</sup> Similarly, the Fund may also provide financial assistance to state parties after approval by the Board of Governors.<sup>52</sup> The Fund is required to ensure strict compliance with principles of good governance, including the principles of integrity and transparency in all its financial arrangements, through the supervisory bodies of the AMF which shall ensure effective implementation in this regard.<sup>53</sup> Additionally, the Fund shall be authorized by the Board of Governors to borrow and invest funds not immediately needed for its operations in international financial markets and institutions in order to make profits.<sup>54</sup> Lastly, the Fund will at all times be financially independent, maintain a sound credit rating and operate on a self-financing basis.<sup>55</sup>

In all, the AMF operations consist of ordinary operations and special operations. Ordinary operations will be funded by ordinary resources of the Fund, while special operations will be financed from other resources of the fund as indicated earlier.<sup>56</sup> Equally, loans issued by the fund to a state party over a period of 12 months will not exceed twice the amount of its paid-up subscription. Likewise, the maximum amount of indebtedness of the Fund shall not exceed 200 per cent of its total authorized share capital, and borrowing will be in accordance with the terms and conditions approved by the Board of Directors.<sup>57</sup> As indicated earlier, the AMF's unit of account for the time being shall be the IMF's SDR. Accordingly based on the statistic regarding the AMF financial resource and the share capital allocation to states parties, it is very unlikely that the African states will only rely on the AMF for their financial needs. This is because the resources of the Fund are limited to support the entire continent of Africa. Additionally, the AMF is not yet operational.<sup>58</sup> The fact that only few states in the continent have actually ratified the Protocol creating the AMF is another concern. Conversely, the IMF support to African states especially on the present COVID-19 crisis is overwhelming. Almost all the states on the African continent have benefited

from IMF loans and SDRs awarded during this crisis. Most of loans granted by IMF to LICs are without interest. The AMF in this regard is not the African development and investment panacea as the Fund has a cordial relationship with the IMF. Sustainable development and investment model for Africa will enhance development in the continent.

#### b) *Sustainable Development and Investment Model for Africa*

Many African states arguably have the necessary resource to ensure sustainable development and investment. Most of the time, corruption in connection with the implementation of government projects has crippled the economy. The fight against corruption in public services and promotion of intra and inter African trade through the African Continental Free Trade Agreement (AfCFTA) are intervention that will ensure sustainable development and investment in the continent. The model adopted by the AMF specifically concerning the granting of loans to its African state parties is very vital as far as the fight against corruption is concerned. In this regard, Article 9 Section 1 of the AMF Statute provides as follow:

The Fund shall ensure strict compliance with principles of good governance, including the principles of integrity and transparency in its financial arrangement and those of its partners. These shall apply to the origins and destinations of capital for all financial transactions of the Fund. The supervisory bodies of the Fund shall ensure effective implementations of this provision.

*The keys terms here are:* The principles of good governance, integrity and transparency, and of course effective supervisory bodies. The implementation of these principles by African states will create the atmosphere for development and attracts foreign investment.<sup>59</sup>

With regards to AfCFTA, it will not only generate the necessary income needed to fund developmental projects, but also promote Foreign Direct Investment (FDI).<sup>60</sup> Accordingly, foreign investors are contributors to sustainable development. Moreover, trade, international licensing of technology and intellectual property and multinational enterprises will promote foreign investment and sustainable development in Africa. However, even though FDI promotes economic growth, it may also harm the environment through pollution caused by some of the activities carried out by multinational corporations. Accordingly, the AU Agenda 2063 and the United Nations (UN) Sustainable Development Goals

<sup>51</sup> See art.9 sect.1(1) of the 2014 AMF Statute.

<sup>52</sup> See art.9 sect.1(2) of the 2014 AMF Statute.

<sup>53</sup> See art.9 sect.1(5) of the 2014 AMF Statute.

<sup>54</sup> See art.9 sect.1(3) of the 2014 AMF Statute.

<sup>55</sup> See art.9 sect.1(4) of the 2014 AMF Statute.

<sup>56</sup> See art.9 sect.2 of the 2014 AMF Statute.

<sup>57</sup> See art.9 sect.3(1)(2) of the 2014 AMF Statute.

<sup>58</sup> See Protocol on the Establishment of African Monetary available at: <https://au.int/en/treaties/protocol-establishment-african-monetary-fund>, Accessed 16 November 2021.

<sup>59</sup> See Fiscal Monitor: Curbing Corruption in some African countries available at: <https://www.imf.org/en/Publications/FM/Issues/2019/03/18/fiscal-monitor-april-2019>, Accessed 29 May 2021.

<sup>60</sup> See Condition for Success in the Implementation of the African Continental Free Trade Agreement available at: <https://au.int/en/documents/20200209/conditions-success-implementation-african-continental-free-trade-agreement>, Accessed 19 June 2021.

(SDGs) are stimulus for sustainable development and investment for the African continent.<sup>61</sup>

#### IV. AGENDA 2063 AS SUSTAINABLE DEVELOPMENT MODEL FOR AFRICA

Agenda 2063 is the Framework document that was adopted by the AU Assembly of heads of state and government in January 2015 in Addis Ababa.<sup>62</sup> This document was adopted after many consultations involving all African society both home and abroad, reflecting on the Africa we want by 2063. Agenda 2063 is therefore Africa's blueprint and master plan for transformation of Africa into a recognisable and an undeniable global powerhouse of the future. It is the continent's strategic framework that aims to deliver on its goals for inclusive and sustainable development, and collective prosperity pursued under Pan-Africanism.<sup>63</sup> Accordingly, Agenda 2063 is captioned by the following words:

"A shared strategic framework for inclusive growth and sustainable development and, and a global strategy to optimize the use of Africa's resources for the benefit of all Africans".

This Agenda 2063 is founded on the AU's vision of 'an integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the international arena'.<sup>64</sup> The vision of this Agenda is supported by seven aspirations as follows: (i) a prosperous Africa based on inclusive growth and sustainable development;<sup>65</sup> (ii) an integrated continent, politically united and based on the ideas of Pan-Africanism and the vision of Africa's Renaissance;<sup>66</sup> (iii) an African of good governance, democracy, respect for human rights, justice and the rule of law;<sup>67</sup> (iv), a peaceful and secure Africa;<sup>68</sup> (v) an Africa with a strong

identity, common heritage, shared values and ethics;<sup>69</sup> (vi) an Africa whose development is people-driven, rely on the potential of the African people especially women, and youth and caring for children;<sup>70</sup> and (vii) Africa as a strong, united, resilient and influential global player and partner.<sup>71</sup> The last aspiration seeks to elevate the African continent to be an undeniable social, political and economic force in the world.

The continental framework has been developed and is aimed to address key developmental sectors such as agriculture, trade, transport, energy and mining.<sup>72</sup> These frameworks include: the Comprehensive African Agricultural Development Programme (CAADP),<sup>73</sup> the Programme for Infrastructural Development in Africa (PIDA),<sup>74</sup> the African Mining Vision (AMV),<sup>75</sup> there is also Science Technology Innovation Strategy for Africa (STISA),<sup>76</sup> Boosting Intra African Trade (BIAT),<sup>77</sup> and finally, Accelerated Industrial Development for Africa (AIDA).<sup>78</sup>

<sup>69</sup> This aspiration also seeks to Pan-African cultural assets such as heritage, folklore, language, films music, theatre, literature, festivals, religions and spirituality.

<sup>70</sup> This aspiration further seeks to include everybody in the decision-making in all aspects of development including social, economic, political and environmental in the continent.

<sup>71</sup> See Agenda 2063 Aspirations available at: <https://au.int/agenda2063/aspirations>, Accessed 12 June 2021.

<sup>72</sup> See Agenda 2063 Continental Frameworks available at: <https://au.int/agenda2063/continental-frameworks>, Accessed 15 June 2021.

<sup>73</sup> CAADP is a continental initiative designed by African countries to eliminated hunger and reduces poverty by raising economic growth through agriculture-led development. It has four priority areas namely; (i) extending the areas under sustainable land management and reliable water control system; (ii) improving rural infrastructure and trade-related capacity for market access; (iii) increasing food supply, reducing hunger, and improving responses to food emergency crises; (iv) improving agriculture research, technology dissemination and adoption.

<sup>74</sup> PIDA provides a common framework for African stakeholders to build the infrastructure necessary for more integrated transport, energy and trans-boundary water networks to boost trade, sparks growth and create jobs.

<sup>75</sup> AMV aims for transparent, equitable and optimal exploitation of mineral resources to accelerate sustainable growth and socio-economic development. It envisages an African mining sector that is: (i) knowledge-driven and contributes to growth and development which is fully integrated into a single African market; (ii) sustainable and well-governed and effective management of resources, taking into consideration the environment and the surrounding communities; (iii) a major component in the industrialisation of African economy; and (iv) optimising Africa's finite minerals for commercial purposes.

<sup>76</sup> STISA is considered to be at the epicentre of Africa's socio-economic development and growth. It is aimed at the following: (i) eradication of hunger and achieving food security; (ii) communication through physical and intellectual mobility; (iii) the protection of African space; (iv) living together in peace and harmony to build the society; (v) and wealth creation.

<sup>77</sup> BIAT main purpose is to deepen and widen Africa's market integration on the one hand and to increase the volume of trade amongst African countries to over 25 per cent the next decade on the other hand. The seven pillars identified by BIAT to address trade challenges are the following; trade policy, trade facilitation, productive capacity and trade information and factor market integration.

<sup>78</sup> AIDA is a Pan-African programme aimed at mobilising both financial and nonfinancial resources and enhances Africa's industrial

<sup>61</sup> See the 17 United Nations Sustainable Development Goals available at: <https://www.un.org/sustainabledevelopment/sdgs-framework-for-covid-19-recovery/>, Accessed 16 November 2021.

<sup>62</sup> See Framework Document of Agenda 2063 available at: <https://au.int/en/documents/20141012/key-documents-agenda2063>, (Agenda 2063 Framework Document of 2015), Accessed 12 June 2021.

<sup>63</sup> See Agenda 2063 Overview available at: <https://au.int/agenda2063/overview>, Accessed 12 June 2021.

<sup>64</sup> See the Agenda 2063 Framework Document of 2015, p.12.

<sup>65</sup> This aspiration is aimed to create an African that is environmentally friendly; using its own resources to drive its development thereby eradicating poverty. This will be done through manufacturing, values addition and using science and technology-driven innovation.

<sup>66</sup> This aspiration seeks to achieve an integrated, united, peaceful, sovereign and independent, confident and self-reliant continent.

<sup>67</sup> This aspiration also seeks to eradicate corruption and impunity on the one hand and promote democratic values, culture practices, respect for human rights, justice, gender equality and the rule of law in Africa on the other hand.

<sup>68</sup> This aspiration is aimed at promoting collective security and safety for all Africans, and also to eradicate gender-based violence in the continent.

Likewise, Agenda 2063 also considered the national development plan of AU state members as well as the strategic plans of the Regional Economic Communities (REC) as development priority.<sup>79</sup> Accordingly, some of the national and regional priorities areas are as follows: (i) sustainable and inclusive economic growth; (ii) human capital development; (iii) employment generation especially the youth and females; (iv) good governance including capable institutions; (v) manufacturing- based industrialization; (vi) science, technology and innovations.<sup>80</sup> Similarly, the main Agenda 2063 flagship programmes which also address the issues of development as agreed by the AU political leaders are as follows:<sup>81</sup> (i) the integrated high speed train network aimed to connect all African capitals and commercial centres to facilitate movement of people and goods; (ii) a Pan-African E-university designed to accelerate development of human capital, science, technology and innovation, and increase access to tertiary education for all African students in the world; (iii) formulation of a commodities strategy to add value and higher rents to all commodities in Africa; (iv) an annual African forum designed to bring African political leadership, the private sector academia and the civil society to discuss developmental issues and constraints regarding Agenda 2063; (v) fast track the establishment of the Continental Free Trade Area by 2017 aimed to promote intra-African trade and use trade as an engine of growth and sustainable development; (vi) the African passport and free continental movement of people designed to bring down borders and facilitate continental integration; (vii) silencing the guns by 2020 designed to end all wars and conflict in Africa; (viii) implementation of the Grand Inga Dam project to boost Africa's energy production to facilitate development and growth; (ix) the Pan-African E-Network designed to boost services in the continent and promote intra-African broad band; and finally, (x) the African outer space designed to strengthen Africa's use of outer space to bolster development.<sup>82</sup> Finally, Agenda 2063 is linked and consistent with the United Nations (UN) Sustainable Development Goals (SDGs).<sup>83</sup> These 17 goals include:<sup>84</sup> no poverty; zero hunger; good health

performance. It also focuses on driving the integration of industrialisation of national development policies in poverty alleviation strategies; support the development of small scale and rural industries as well as the informal sectors.

<sup>79</sup> See Agenda 2063 Framework Document of 2015, p.14.

<sup>80</sup> For greater details, see Agenda 2063 Priorities available at: <https://au.int/agenda2063/priorities>, Accessed 19 June 2021.

<sup>81</sup> See Agenda 2063 Flagship Projects available at: <https://au.int/agenda2063/flagship-projects>, Accessed 19 June 2021.

<sup>82</sup> See Agenda 2063 Framework Document of 2015, pp.107-108.

<sup>83</sup> See Agenda 2063 and the Sustainable Development Goals available at: <https://au.int/agenda2063/sdgs>, Accessed 19 June 2021.

<sup>84</sup> See United Nations Sustainable Development Goals available at: <https://www.un.org/sustainabledevelopment/sdgs-framework-for-covid-19-recovery>, Accessed on 19 June 2021.

and well-being; quality education; gender equality; clean water and sanitation; affordable and clean energy; decent work and economic growth; industry, innovation and infrastructure; reduced inequalities; sustainable cities and communities; responsible consumption and production; climate action; life below water; life on land; peace, justice and strong institutions; and finally partnerships for the goals.<sup>85</sup> The outcome Agenda 2063 is that Africa is expected to witness the following: improved standards of living; transformed, inclusive and sustained economies; increased level of regional and continental integration; a population of empowered women and youth and a society in which they are cared for and protected; societies that are peaceful, demonstrate good democratic values, practice good governance principles and enhance Africa's cultural identity.<sup>86</sup> Nevertheless, most of these benefits are still in the pipe line and, consequently, financing the Agenda 2063 development projects may still require funds from the IMF.

## V. FINANCING AFRICA'S FUTURE DEVELOPMENTAL PROJECTS

The IMF, the World Bank and the African Development Bank are currently the main financial sources for developmental projects in Africa. Indeed, the IMF is the financial powerhouse of Africa with regard to development, loans and balance of payment problems in Africa, and the latest African country to benefit from the IMF's EFF of US\$772 million is Angola.<sup>87</sup> Despite the contributions made by the IMF in the African continent towards developmental projects, Agenda 2063 has considered different sources of finance and strategic plans for future for developmental and investment projects in Africa as stipulated in the Framework Document. Some of the developmental projects include: infrastructure; science, technology and innovation-based industrialization, and processing of local-resources; agriculture, food security and environmental sustainability; intra-Africa trade; health and nutrition; education attainment and science, technology, engineering and mathematics-based education, research and centre of excellence; inclusive and sustainable growth.<sup>88</sup> Indeed, all these projects require huge sums of money for their accomplishment. The financing sources identified by Agenda 2063 range from commercial finance from both public and private

<sup>85</sup> See further the Goals and Priority Areas of Agenda 2063 available at: <https://au.int/agenda2063/goals>, Accessed 19 June 2021.

<sup>86</sup> See the Agenda 2063 Outcomes available at: <https://au.int/agenda2063/outcomes>, Accessed June 19 2021.

<sup>87</sup> See IMF Executive Board complete fifth review of the Extended Fund Facility Agreement with Angola and approves US\$772 million available at: <https://www.imf.org/en/News/Article/2021/06/09/pr21168-angola-imf-exec-board-completes-5th-review-of-the-eff-agreement-and-approves-disbursement>, Accessed 19 June 2021.

<sup>88</sup> See the Agenda 2063 Framework Document of 2015, pp.121-124.



commercial sources; grants, technical assistance, concessional loans, market price-based commercial loans; equity and other market-like instruments such as FDI and portfolio investment by the private sector. Furthermore, Agenda 2063 has also articulated three financial strategies as follows: (i) domestic resource mobilization; (ii) intermediation of resources into investment; (iii) access to finances<sup>89</sup>.

With regard to domestic resource mobilization and intermediation strategy, some of the potential sources of finance include: (i) government investment budget mobilized through budget reallocation, taxes, customs and revenues; (ii) government expenditure budgets reallocation; (iii) illicit capital flows mobilized through regulations, surveillance and enforcement; (iv) carbon credit, claimed from international development mechanism; (v) FDI through targeted investment promotion; (vi) private investment through project development; (vii) diaspora funds through bond, mutual funds and direct participation into projects; (viii) commercial bank and trade finance through capacitation and capitalization of banks; (ix) credit investment insurance and African Investment Bank, and Africa 50 Fund mobilized through institutional investors. Finally, the main source of continental financial sources is the levies on African private sector firms as suggested by the report of the Obasanjo led high-level panel on alternative sources of funding for the AU.

## VI. CONCLUDING REMARKS

The IMF is still a vital source of finance for development and investment projects despite the alternative sources of finance proposed by the AU and Agenda 2063. The AMF is under the supervision of the AU and therefore an integral part of Agenda 2063 projects. Even though the IMF grants loans with interest to advance economic development to develop countries, most of the loans granted to African countries and LICs are without interest.

<sup>89</sup> See the Agenda 2063 Framework Document of 2015, p.122.