Finance ministers of low-income Francophone countries met in Washington on 12 October 2017, to discuss financing for development. The meeting was chaired by Mrs. Vonintsalama ANDRIAMBOLOLONA, Minister of Finance and Budget of Madagascar; and co-chaired by Mr. Ousmane Alamine MEY, Minister of Finance of Cameroon; and Mr. Amadou BA, Minister of Economy and Finance of Senegal.

Ministers focussed their discussions on three roles the IMF and World Bank should be playing to promote development financing: reducing costs and risks of Public-Private Partnerships; helping countries to collect higher and more progressive tax revenue; and strengthening measures to avoid a new debt crisis. They make a series of recommendations in these three areas:

1) COST AND RISK OF PUBLIC-PRIVATE PARTNERSHIPS MUST FALL

Recent initiatives such as the G20 Compact for Africa and the World Bank Cascade are resulting in an enhanced push for large infrastructure projects to be financed by public-private partnership financing arrangements. To ensure these are successful:
1) The elements of these initiatives which recommend new laws, institutional structures, procedures and contracts for PPPs should be reviewed through further consultation with Finance Ministries of low-income countries, in order to ensure that they conform to (and do not undermine or bypass) the normal procedures for project design and approval, procurement, public financial management, and transparency and accountability to parliament and citizens.
2) Current technical assistance initiatives on PPPs need to be broadened so that they also help parliamentarians, audit institutions and civil society organisations, and to maximise the transfer of skills and capacity to national officials, reducing dependence on external assistance.
3) The Development Financing Institutions (DFIs) such as the IFC, which support private sector operations, as well as the IMF, should analyse and publish the costs of previous PPP arrangements, set benchmarks for acceptable costs for different types of PPP financing, and set objectives for reducing these dramatically in future years.
4) To avoid additional costs, and reiterating their demand already made for all IFC projects, IFC should avoid all tax exemptions for PPP projects.
5) The DFIs and IMF should work together to design measures to guarantee and protect government budgets against market risks such as cost underestimates, revenue overestimates, and exogenous market shocks. This should include exploring the feasibility of a global guarantee/contingency fund to refinance PPPs.
6) The IMF and World Bank should ensure that each country analyses the fiscal costs and risks of its large PPPs (or its portfolio of smaller PPPs), using for example the P-
FRAM tool, integrates these analyses into Debt Sustainability Analyses, and publishes the analysis with the budget so as to allow a transparent parliamentary debate.

7) To promote transparency and accountability, the DFIs and the IMF (in the context of its Fiscal Transparency Code) could insist on the publication of each contract before its final signature.

8) In the context of the SDGs, it will be vital to concentrate the attention and resources of the BWIs on public investment projects which target universal access to services, in less high-return sectors such as education, health, water and energy.

2) THE BWIs COMMIT TO TAX ASSISTANCE AND POLICY CHANGES

At their press conference in 2016, Ministers suggested changes in the scale and nature of technical assistance and policy advice being provided by the BWIs, as well as in World Bank policies and practices on tax to make them fully coherent.

Ministers express their satisfaction that both of the Bretton Woods Institutions have indicated that they will be scaling up their technical assistance to member states of the network, to help them design more progressive tax systems. They undertake to monitor the progress of this scaling up every semester in cooperation with the institutions.

Ministers also express their satisfaction that the World Bank has indicated its openness to changing its tax policies, by ending requests for tax exemptions or holidays on IFC projects including PPPs, and to reconsidering the sub-criterion in Doing Business which gives countries higher scores for lower corporate taxes, and puts pressure on governments to “race to the bottom”. They await more detailed concrete proposals from the World Bank on these issues.

3) DEBTS MUST BE KEPT SUSTAINABLE

Ministers welcome the review of the Low-Income Countries Debt Sustainability Framework, which at the same time offers more flexibility and fiscal space, but also is more realistic in integrating analysis of PPPs and other contingent liabilities more fully into the framework.

However, Ministers also note that recent commodity price falls and other exogenous shocks have substantially increased the number of countries with high risk of (or in) debt distress, and therefore urge the international community to maximise flows of concessional assistance in order to allow low- and lower-middle income countries to finance their development without provoking a new multi-country debt crisis.

Finally, Ministers express their solidarity with the Caribbean islands (including member states of OIF) hit by the recent hurricanes. They urge the international community and in particular the BWIs to reduce the debt burdens of these countries by introducing a moratorium on debt service, and providing grants or highly concessional loans to finance their reconstruction.