

BOARDS OF GOVERNORS•1999 ANNUAL MEETINGS•WASHINGTON, D.C.

WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

INTERNATIONAL MONETARY FUND

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Press Release No. 14

September 28–30, 1999

Statement by the Hon. **TANTELY R.G. ANDRIANARIVO**,
Governor of the Fund for **MADAGASCAR**,
on behalf of the African Governors
at the Joint Annual Discussion

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Mr. Chairman,
Distinguished Governors,
Ladies and gentlemen,

1. I have been given the honor and privilege of sharing with you, on behalf of my fellow African Governors, Africa's achievements in establishing macroeconomic stability and an appropriate environment for sustained growth as a necessary condition in its fight against poverty, which continue to be our priorities as we approach the new millennium. Africa is now at a crossroads in its history, and we must move forward resolutely towards its successful integration into the global economic and financial system. This is a joint responsibility which begins with the reform efforts of the African countries, to be complemented by the international community, if Africa is to make its rightful contribution to global prosperity. We are convinced that this approach to international cooperation would open the way to a peaceful, equitable, and stable world economic order.

2. On our part, Mr. Chairman, our countries have been implementing deep economic and structural reforms with the support of the IMF and the World Bank. We have embarked on political pluralism, which is contributing to greater accountability and transparency, and the private sector has been given a pivotal role as the engine of growth. We are hopeful that the encouraging results achieved in recent years can be sustained and improved, with the help of the international community. Our economies face tremendous development challenges that will require strengthened cooperation with the international community. These include, inter alia, financing development and poverty reduction in the face of declining resource flows, the high instability of Africa's export earnings, the debt burden, Africa's marginal role in the international financial system, the threat of the HIV/AIDS epidemic, and weak human and institutional capacity.

Financing Development

3. In order to achieve a significant reduction in poverty, Africa requires an average annual real growth rate of at least 7 percent over a sustained period, which calls for a substantial increase in the investment rate. Given Africa's low level of savings, and the reduction in official development assistance and in foreign direct investment, a major effort is needed to mobilize resources necessary to support this ambitious growth objective. Greater public savings can be mobilized through improved tax administration;

prudent monetary policy and increased financial intermediation can also help promote private savings. However, much of the needed resources will still have to come from foreign savings.

4. Given the low level of income in most of our economies, external financing should be on concessional terms. In this context, we welcome the IDA-12 replenishment which has increased the Association's capacity to respond to Africa's needs in the areas of poverty reduction, investment in human capital, the environment, and private sector development. Africa's current economic recovery, and its continued commitment to reform, should constitute grounds for increased development assistance. In this context, we urge the donor community to reach a timely agreement on the funding of the Enhanced Structural Adjustment Facility (ESAF), so that it can focus more on growth and poverty reduction. We also call for adequate provision of international technical and financial assistance to post-conflict countries, including those in arrears to multilateral institutions.

5. In assuming a greater ownership of our economic programs, we have given increased emphasis to transparency, accountability, poverty reduction and social safety nets, as well as regional integration. We look forward to the continued support of the Bank and the IMF in this endeavor, and encourage them to play a catalytic role in the matter of resource mobilization. In this connection, we urge the Fund and the World Bank to increase their partnership with the donor community and to enhance collaboration in support of these objectives.

6. The increased uncertainty about emerging markets in general that has resulted from the recent financial crises has had an adverse effect on the ability of African countries to attract private capital. However, tremendous investment opportunities have been opened up through greater economic integration, continued economic and structural reforms, the establishment of an investment-friendly environment, and the consolidation of the rule of law. We therefore expect to attract greater flows of foreign private capital into Africa in the near future.

Export Diversification

7. The continuing decline in commodity prices has highlighted the vulnerability of our economies to external shocks, leading to significant losses of real income. So far, African economies have coped with the deterioration of the terms of trade and the international financial crisis by strengthening their adjustment effort. This has not been an easy task. In this connection, we welcome the International Task Force on Commodity Risk Management in Developing Countries, recently established by the Bank, to seek for market-based hedging mechanisms that could reduce Africa's vulnerability to commodity price fluctuations and increase the predictability of export revenue flows.

8. If commodity prices were to remain depressed, domestic adjustment policies would reduce economic activity and dramatically increase poverty. We believe that our adjustment efforts need to be complemented by concessional external financing. However, the long-term solution for commodity-exporting economies lies in the diversification of exports and of export markets. This requires that industrial countries liberalize their markets for African exports, in areas where our economies have a comparative advantage.

The Debt Problem

9. In addition to the development financing problems, the economic expansion of Africa faces a major handicap, namely, its heavy debt burden, which absorbs over 50 percent of government revenues in most countries. Most of the heavily indebted low-income countries are in Africa, which calls for special attention. Creative solutions need also to be found for the debt burden of middle-income countries. There is a danger that, unless debt cancellation or substantial debt relief is granted, any potential for high economic growth expansion in Africa will be further jeopardized.

10. The launching of the HIPC initiative in 1996 by the IMF and the World Bank had raised hopes for a comprehensive solution to the debt problem. However, so far, only two African countries (Uganda and Mozambique) have benefitted from it. We reiterate our call for a fundamental change in its structure and for a relaxation of the eligibility criteria so as to include a larger number of countries. Funds released through debt reduction would enable our countries to allocate additional resources to the development of the social sectors and to poverty reduction. We welcome the recent initiatives to reduce further the debt burden of the poorest countries, so as to foster sustainable development. In particular, we welcome the recommendations of the G-7 in its recent Cologne Summit and the global consensus for reform. We therefore urge a rapid implementation of the modifications to the HIPC Initiative as approved by the Boards of the IMF and the World Bank. We are well aware that the proposed reforms would entail additional costs, and we support the ongoing efforts by the international community to secure financing in the context of an appropriate burden-sharing arrangement. We would like to emphasize that enhanced debt relief should not be provided at the expense of ODA funding or IDA operations.

Africa and the International Financial System

11. Since the Asian crisis - the repercussions of which appeared to threaten the stability of capital markets throughout the world - African countries share the view that, although these consequences have been contained, the financial sector should be extensively reformed. Our efforts are being directed to crisis prevention through strengthened supervision, increased surveillance, improved transparency and implementation of internationally recognized standards, so as to detect weaknesses in a timely manner and protect our economies against the adverse effects of any similar crises.

12. In this connection, we welcome the recent creation of the Financial Stability Forum (FSF), which should contribute to the establishment of a sound and stable international financial system. We call for an extension of the FSF's membership to include developing countries and urge the FSF to ensure that African countries and their views are suitably represented during its deliberations. Similarly, African governors insist that the relevant organs of the new international financial system maintain a constituency-based structure that is representative of member countries. This would increase the chances that solutions to crises will be reached through consensus.

13. We believe that the integration of our economies into the international financial market is a precondition for harmonious integration into the process of globalization. However, the liberalization of capital movements should be done within a sound macroeconomic framework and should go hand in hand with the development and strengthening of our financial systems.

The HIV/AIDS Epidemic

14. In Africa, as highlighted in the recent Lusaka meeting, more than anywhere else in the world, the scourge of HIV/AIDS epidemic has spread with alarming speed. According to United Nations statistics, 22 million Africans are living with HIV/AIDS, and more than 11 million have died of AIDS. Last year alone, four million Africans were infected, and in at least four African countries one adult in every five is living with the HIV virus. At this rate, and given the fact that it is the young, and therefore the most productive, who are the most vulnerable, it is sadly obvious that the disease poses a threat to the continent's economic development.

15. In these circumstances, a concerted effort must be launched, both within and outside Africa, by the entire international development community to eradicate this scourge.

Capacity Building and Technical Assistance

16. Africa regards its human resources and institutional capacities as the basis for securing sustainable development. In this regard, we urge the continued donor support for the recently established Partnership for Capacity Building in Africa (PACT); in particular, we call upon our development partners to contribute to the PACT Trust Fund.

17. Africa is reforming its policies, its structures and its institutions. African countries are also willing to implement transparency codes and appropriate standards in the context of the new international financial architecture, and are preparing to deal with the Y2K problem. We are concerned that this Y2K problem could disrupt economic activity in a wide range of sectors. To this end, the assistance from the IMF, the World Bank and the international community in human and financial resources is desired. However, we are of the view that these new demands should not be addressed at the expense of traditional technical assistance.

Conclusion

18. Economic reform efforts of African countries have produced some positive results. But much remains to be done to achieve sustainable development. We are determined to redouble our adjustment efforts and to strengthen our regional integration process, and, therefore, call for the coordination of economic policies at the international level so as to revive the global economic activity. We are confident that, as we enter the new millennium, Africa can start reaping the fruits of its economic, structural and political reform efforts. However, sustained growth will require a steady development of our human resources, effective HIV/AIDS prevention and care programs, increased concessional and private capital flows, debt cancellation or substantial debt relief, and increased access to export markets. We trust that we can count on the continued support of the international community, and thus ensure a successful integration of African countries into the global economic system.

Thank you, Mr. Chairman.