

BOARDS OF GOVERNORS ● 2000 ANNUAL MEETINGS ● PRAGUE, CZECH REPUBLIC

INTERNATIONAL MONETARY FUND

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

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Press Release No. 34

September 26–28, 2000

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

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Introduction

1. Mr. Chairman: It is my privilege to address this meeting on behalf of my fellow African Governors. At the outset, I thank the Czech authorities for hosting us in their beautiful country, and I would like to let them know that during our stay, we have also learnt important lessons from their successful economic transition. I take this opportunity to congratulate and welcome Mr. Horst Köhler, the new Managing Director for the IMF. We extend our highest appreciation to Mr. Wolfensohn who has worked tirelessly in promoting Africa's development agenda. Let me reiterate that, in the fight against poverty and for development, our Governments will continue to cooperate with the international community, and in particular, the two Bretton Woods institutions.
2. Mr. Chairman, that Africa is facing major challenges needs no further elaboration. As we seek solutions to these challenges, cross-fertilization of ideas with our development partners is essential. I therefore extend an open invitation to Mr. Köhler and Mr. Wolfensohn and our other partners to maintain a permanent dialogue with the Follow-up Committee set up in Libreville and with our political leadership.
3. In my statement, I will begin by emphasizing that Africa values the new partnership between the IMF and the World Bank in fighting poverty. I will then identify the major development challenges we face within the context of globalization and outline Africa's agenda for the future, spelling out the effort that will be required of us and the assistance that will be needed from our development partners.

Relevance of the IMF-World Bank Partnership in Poverty Alleviation

4. We are concerned about the call being made by a small segment of the international community for the IMF to abandon its current poverty alleviation effort. In contrast, we in Africa feel that the role of the IMF and the World Bank continues to be crucial. The new partnership between the Fund and the Bank in promoting macroeconomic stability, accelerating debt relief and strategizing on poverty alleviation undoubtedly provides a strengthened platform with which the international community can help move Africa forward.
5. We find the Fund uniquely positioned to mobilize concessional balance of payment support to low income countries, thereby creating the necessary conditions for high growth and poverty reduction. In this context, we feel the PRGF is the most suitable framework within which the Fund can assist low income members. We urge the IMF and the World Bank to pursue and intensify their assistance to conflict or post-

conflict countries, in particular, those who are in arrears with the multilateral institutions.

Africa's Voting Power in the IMF

6. The new emphasis on country ownership of programs requires that program countries have a greater say in defining development priorities. This objective is not consistent with the mechanical determination of quotas that would result in the erosion of Africa's relative voting power. To maintain the cooperative character of the Bretton Woods Institutions, Africa's voice in these Institutions needs to be enhanced. We also encourage the two institutions to increase staffing of our Executive Directors' offices so that our countries are better represented.

Factors Behind Africa's Poor Economic Performance

7. Several factors had an adverse impact on Africa's economic performance during 1999 and 2000: we witnessed a growing number of our countries afflicted by conflicts and natural disasters, with immense losses of human life and damage to basic physical and economic infrastructure. Those of our countries that made impressive progress in economic, social and political reforms continued to face low commodity prices, weak institutional and human capacities and natural disasters. In addition, the combination of falling commodity prices and increasing oil prices have resulted in a sharp decline in the terms of trade of non-oil producing countries, putting pressure on their balance of payments.
8. Consequently, economic growth rates in Africa have remained grossly inadequate to reverse the steep decline in real income, rising unemployment and deepening poverty. Worse still, and unlike many other regions, Africa's full recovery from the Asian financial crisis will remain a long haul, as many commodity prices are anticipated to remain depressed. We are therefore concerned about whether Africa can benefit from the globalization process.

Social Stability and Good Governance, the Keys to Economic Development

9. Against this background, let me emphasize that in Africa, there is growing realization that peace, social stability and good governance are major prerequisites for realizing economic development and integration. At the continental, regional and national levels, the issues of maintaining social stability, deepening democracy and enhancing transparency and good governance are being accorded the highest priority. African Heads of States, at their Libreville Summit in January 2000, reiterated their commitment to this effort and to spearheading and owning the reform process. We believe that with this effort, and supported by greater concessional financial flows, direct investment and support for strengthening human and institutional capacity

building, Africa can meet the daunting challenges of social and economic development, and integrating into the global economy.

Economic Integration in Africa

10. We strongly believe that collectively, Africa represents a big market with untapped human and natural resources. To realize this potential, and as expounded in the Abuja Treaty, economic cooperation and regional integration should be promoted within Africa, as an effective means of enhancing Africa's competitiveness and successful integration into the global economy. If implemented in a sound environment, economic cooperation and regional integration will indeed prove to be a powerful leverage for the improvement of the competitiveness of African economies. We welcome the recognition of the relevance of the principles spelt out in the Abuja Treaty reflected in the positions adopted by the European Union, and more recently by the U.S. administration making economic integration a priority for Africa.
11. We would urge the international community, including the Bretton Woods Institutions and the WTO to lend strong support for this approach, by developing the appropriate resources and instruments for the attainment of this regional objective. This regional dimension must also be taken into account in implementing our adjustment programs.

Developed Country Trade Restrictions on African Exports

12. The importance of trade to development and poverty reduction is now widely acknowledged, hence the importance of integrating developing countries into the global economy. However, despite substantial progress made in trade liberalization, our countries have not been able to benefit from expansion in world trade because of trade restrictions prevailing in developed countries' markets. We want to reinforce the specific request already made by some Directors at the Bretton Woods Institutions that the management of both institutions urgently undertake a study on trade restrictions imposed on developing countries and come up with recommendations that can be quickly implemented. We urge the industrial countries to meet and fulfill previous commitments they made in the context of the Uruguay Round accords toward developing countries.
13. Initiating special arrangements of a preferential nature for major exports from developing countries, particularly textile and manufactured products, will boost incomes in those countries. In this context, we welcome the concrete steps taken by some countries or groups of countries, including the E.U./ A.C.P. agreements, aimed at enhancing market access for our countries. However, attaching many conditions to such offers might make it difficult for many countries to benefit. In this regard, we call on the international community, particularly the Bank, the Fund and WTO to pay special attention to assisting poor African countries in improving their capacity for international trade negotiations.

Declining Trend in Official Development Assistance (ODA) Flows to Africa

14. We are fully aware of the need to accelerate the mobilization of our domestic resources to promote higher investment rates in our countries. However, the provision of additional external resources is crucial to augment resources available for our priority sectors. In this regard, we are concerned that ODA flows to Africa continue on a declining trend. Moreover, ODA is becoming increasingly allocated according to stricter conditionality that is making it difficult for some of our needy countries to access. Also, the diversion of ODA to non-traditional purposes such as emergency humanitarian aid, financing debt reduction and funding Non-Governmental Organizations (NGOs) activities is undermining the principle of additionality in ODA flows. We urge the donor community to address these issues with a view to accelerating development in Africa. Equally important is the need to reduce the multiplicity of conditionality in bilateral disbursements. In this regard, we recommend the formulation of international standards for the disbursement of donor aid. On our part, we are firmly committed to rebuilding our efforts to ensure effective use of ODA resources to be allocated as a matter of priority to poverty reduction, especially to the improvement of the delivery of basic social services and the enhancement of basic infrastructure.

Need for Speeding Up Debt Relief

15. It has been widely agreed that debt overhang is a stumbling block to both growth and poverty reduction in Africa. This is why we have embraced the Enhanced HIPC Initiative. Linking debt reduction to poverty alleviation through the newly established Poverty Reduction Strategy Papers (PRSP) process will likely result in a more broad-based and equitable distribution of the benefits of debt relief. Unfortunately, however, implementation of the HIPC Initiative has fallen short of our expectations, with only Uganda having reached its completion point in early May 2000. We wish to express our disappointment at these delays which will impact negatively on our ability to reduce poverty. Also, the indebtedness of middle-income countries, where major pockets of poverty still exist, and small landlocked and island economies remains a major concern which deserves close attention and calls for innovative solutions.

16. We are equally concerned about the current arrangements for burden sharing among creditors, which remains a significant obstacle to the HIPC implementation. Many creditor developing countries, including some HIPC and regional institutions have expressed their inability to provide relief on their claims. Strict adherence to the principle of comparable treatment by other creditors is therefore imposing delays in the implementation of the HIPC Initiative. We urge the industrial countries and IFIs to be more flexible in applying this principle to expedite the debt relief process.

Poverty Reduction and Growth Facility (PRGF) and the Comprehensive Development Framework (CDF)

17. The PRGF and CDF have elevated the status of poverty reduction and social concerns in setting development policy priorities and strategies. Both rightly stress the importance of ownership of the reform process by borrowers as stated in the Libreville Declaration. We particularly welcome the formation of an IMF/World Bank Joint Implementation Committee to strengthen co-ordination in debt relief and poverty reduction policies.
18. While we fully appreciate the linkage between debt relief and economic performance, we feel too numerous and onerous conditionality lead to unnecessary delays. For example, the requirement that the PRSP be implemented for one year before a country is considered for debt relief should be eliminated. The conduct of household, consumer, business and social sector surveys needed for PRSP preparation as well as monitoring data on poverty on an ongoing basis, consume substantial human and financial resources. We call upon the Bank, Fund and the rest of the donor community to provide all necessary assistance for these exercises. We would also urge that due consideration be given to specific circumstances of countries within the context of PRSP preparation and that standardization of consultative processes be avoided.

Assistance to Conflict and/or Post-conflict Countries

19. We acknowledge that conflict and violence are among the pressing problems of many of our countries. We also acknowledge the fact that the Bank and the Fund have attempted to respond to the challenges facing conflict/post-conflict countries in a number of ways, including preparing transitional support strategies and prioritizing intervention during transition from war to peace. We note, however, that the post-conflict fund established by the Bank in 1997 has yet to benefit African countries in a meaningful way.
20. We would urge the two Bretton Woods institutions to broaden their involvement and increase their assistance in both conflict and post-conflict countries. In this regard, we would like to emphasize the importance of both institutions remaining engaged with countries in conflict and continuing to provide assistance to those areas of the countries that are not affected by the conflicts.

Challenges for Small Land-Locked and Island Economies

21. The challenge of development in a globalized world is daunting for small states, whose unique characteristics make them even more vulnerable to external shocks and natural calamities. We, therefore, welcome recent efforts by the World Bank and the Commonwealth Secretariat aimed at directing particular attention to the special characteristics and needs of small states. We urge that the agreed agenda to help small

states to combat poverty and reduce their vulnerability through the application of the general principles of flexibility, regional integration and disaster mitigation while paying special attention to capacity building, be taken seriously by all parties involved. In this regard, we further urge the World Bank to continue working more diligently on the Commodity Risk Management Strategy for small economies as well as large low income economies that remain dependent on commodity production.

Africa, lagging behind in the Information Technology Revolution

22. As the world makes major strides in the development of technology, Africa continues to lag behind, particularly in the use of basic information technology. This ongoing digital divide is due to a combination of factors: the high cost of acquiring information technologies, lack of infrastructure adaptable to low-income users and the scarcity of a well-educated and computer-literate work force that can help disseminate these technologies.
23. It is in this regard that we would like to call on the World Bank to help fund alternative and affordable technologies for accessing the global information network by the poor countries. Although the private sector already plays a dominant role in the infrastructure involved in telecommunications and the information highway, the World Bank Group, in particular, could help to modify and expand system capacities for use by developing countries.

Intensifying Action Against HIV/AIDS and Malaria

24. The HIV/AIDS epidemic has emerged as one of the greatest threats to Africa's development, which already faces other diseases, such as malaria. A growing number of our governments have begun to address it with renewed vigor, having recognized its far-reaching implications on the social fabric and our economies. Although somewhat belated, the international response to this epidemic has also regained momentum, as the U.S. Administration has stepped up its campaign against HIV/AIDS, and within the Bretton Woods Institutions, the topic was placed on the Development Committee agenda for discussion at the Spring 2000 Meetings. Also, Mr. Wolfensohn has embarked on a crusade aimed at mobilizing international assistance in the fight against AIDS, for which the World Bank has allocated US\$500 million. These are commendable efforts.
25. Moreover, dealing with the HIV/AIDS and Malaria in developing countries is the most daunting challenge. Developing countries are already disadvantaged because they have fewer doctors specializing in HIV/AIDS management. The infrastructure, including reliable supporting services from modern laboratories does not exist. The already poor nutritional status of many patients in developing countries does not only impair the effectiveness of AIDS drugs, but also, further compounds the side effects of AIDS treatments. Very important, developing countries have very limited financial resources to cope with both HIV/AIDS and Malaria.

26. We commend the major drug manufacturers for their intention to make HIV/AIDS drugs affordable. Nonetheless, an effective combination of drugs that can prolong and improve the quality of life will remain unaffordable for most patients in Africa. Moreover, these drugs do not cure the disease; they only control it. We believe that the search for a vaccine, and indeed a cure, must be intensified. Meanwhile our countries will continue to direct most of their limited resources towards prevention.

Need for more Technical Assistance and Strengthening Capacity Building

27. To maximize the long-term impact of technical assistance on recipient member countries, it is important that technical assistance be integrated in a broader policy framework that aims at capacity building. In this context, we welcome the recent Fund initiative to define an overall policy for technical assistance. We recommend strongly that the Fund's technical assistance be consistent with the Partnership for Capacity Building in Africa (PACT) recently established with World Bank assistance and with Fund contribution. The development of domestic administrative, and technical capacity involving the training of local officials should be clearly specified in the mandate of experts. It is critical to associate recipient authorities in the planning, selection and evaluation of technical assistance projects. Finally, we would urge that the recruitment of experts be carried out in a more open and competitive setting that also provides an opportunity for qualified African nationals to serve their continent.

28. We also urge the Managing Director of the IMF and the President of the World Bank to pursue transparent and dynamic policies in the recruitment and promotion of African nationals in the two institutions, building on the efforts already under way at the World Bank.

Concluding Remarks

29. Africa faces several development challenges as it enters the 21st century. While we acknowledge that such challenges are daunting, we also recognize that they are surmountable. Over the last three decades, we have not only undertaken painful economic reforms, but also made significant gain in civil liberties and democracy. This notwithstanding, Africa today accounts for less than 2 % of world trade which is predominantly in primary products.

30. In spite of these problems, we are strongly convinced that Africa can make a contribution to the global development platform. To achieve this objective, it is imperative that Africans and donors work together in a new partnership that focuses,

among other things, on reducing poverty and putting Africans in charge of their development agenda. Living together in this global village requires our cooperation for one and all. Hence a setback in the development of Africa is a setback for the rest of the world. Similarly any success for Africa is a success for the rest of the world.