



# Interview with Journal of Economics and Finance

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## **Journal of Economics and Finance: What are the Bretton Woods Institutions?**

**Nicholas Staines:** The Bretton Woods Institutions are the IMF and the World Bank, which were formed in 1944 at Bretton Woods in the state of New Hampshire in the United States. The IMF was established in 1945 with the purpose of building a framework for economic cooperation that would avoid the disastrous economic policies that contributed to the Great Depression of the 1930s. The IMF oversees the international monetary system—the system of exchange rates and international payments that enables countries to buy goods and services from each other. More broadly, the IMF’s mandate is to help maintain global macroeconomic stability.

The IMF does its work through three channels. First the IMF monitors and advises on the economic and financial policies of member countries and regional bodies to identify and address weaknesses that threaten macroeconomic instability. Second, the IMF provides technical assistance to help improve the design and implementation of economic policies, and also provides training to strengthening capacity in the key macroeconomic agencies, especially the Ministry of Finance and Central Bank. Third, the IMF provides financing in the context of a temporary program to any member that faces an urgent balance of payments need to help restore macroeconomic stability and sustainable economic growth. A balance of payments need is central to IMF lending and the IMF is not a development bank so that, unlike the World Bank and other development agencies, the IMF does not finance projects.

## **Journal of Economics and Finance: What has been the role of the IMF in countries’ economic development?**

**Nicholas Staines:** The IMF’s principal contribution to global economic development is to provide the policy analysis and advice and the forum for international cooperation to maintain global macroeconomic stability. The nature of the IMF’s engagement with individual countries varies considerably. For those with more developed economies and institutional capacities, this primarily takes the form of bilateral surveillance, policy advice and sometimes, as is currently the case in Europe, financial support in the context of a temporary program. Countries with less developed economies and institutional capacities have tended to have a more prolonged program engagement with the IMF. In these countries, as well as often providing financial support, the IMF’s primary role is to help countries build the institutional capacity to formulate and maintain macroeconomic policies consistent with stability and sustained growth.

## **Journal of Economics and Finance: To what extent has the support provided to African countries helped them achieve their macroeconomic targets?**

**Nicholas Staines:** Many countries in sub-Saharan Africa have had successive IMF programs which have emphasized cementing macroeconomic stability to support economic growth and hence reduce poverty on a sustainable basis. As a result, the region's macroeconomic performance has been strong and accompanied by continued declines in poverty rates. Until the crisis, economic growth was averaging around 7 percent and inflation was down well into single digits, fiscal deficits and debt levels were falling, trade balances improving and international reserve coverage rising.

The region as whole was also much better placed to respond to the recent global economic crisis than in previous episodes and weathered the crisis well. This was partly because of increased IMF financial assistance, but also because IMF programs had emphasized the need to build macroeconomic buffers and the institutional capacity needed for a robust policy response to crisis. Countries were therefore able to implement effective counter-cyclical policies, preserving government spending despite falling revenues. As a result, most Sub-Saharan countries were able to maintain positive growth during the global recession and have so far experienced a more rapid recovery than in past crisis episodes.

## **Journal of Economics and Finance: With regards to Angola, what is your assessment of the indicators achieved by the Angolan economy?**

**Nicholas Staines:** Angola was heavily affected by the recent global economic crisis mainly because of its heavy reliance on oil revenues, but also because the country lacked the adequate macroeconomic buffers to implement counter-cyclical policies that could soften the domestic impact. However, since the crisis, Angola has made substantial strides in improving its macroeconomic indicators. It is fair to say that macroeconomic stability has been restored and the economy is now in a better position to face another shock: international reserves are higher than they were before, the budget is in a much healthier condition, and inflation has come down to single digits.

Looking ahead, Angola faces many challenges such as how to diversify the economy and reduce poverty. But the key economic challenge is to maintain macroeconomic stability and to build the institutional capacity to formulate and implement the policies needed. This is essential for the non-oil sector's growth and hence diversification, which in turn will provide the basis for reducing poverty on a sustainable basis. This requires a medium-term framework to maintain macroeconomic policies—fiscal, monetary and foreign exchange policies—on a path that is prudent and sustainable. Such a framework would, in turn, also delink the non-oil sector from the oil sector and make it less vulnerable to fluctuations in international oil prices.

## **Journal of Economics and Finance: What are the strategies defined by the institution regarding the granting of more loans to countries?**

**Nicholas Staines:** Member countries can seek financial assistance from the IMF which would be provided in the context of a program arrangement. Financing for low-income countries is provided under highly concessional terms. Countries can also seek support for their policy reform efforts under a program without financing or with assurances of financing if needed. For middle and high income countries, including Angola, crisis financing is normally provided under a Standby Agreement (SBA). Countries without an immediate financing need, as is currently the case for Angola, can obtain the benefits of IMF program support for their policy reform efforts without financing under the Extended Fund Facility or under a precautionary SBA.

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