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on Behalf of the African Governors

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At the 2010 Annual Meetings

Introduction

After a sharp decline in growth in 2009, Africa's recovery now seems well underway. Africa has exhibited substantial resilience during this global recession, and has emerged from the crisis faster and more robustly than in the past and relative to most other developing regions. In addition to the global recovery, driven by developing Asia and expansionary policies in advanced countries, strong commodity demand and prices have played a key role in the revival of continent's exports.

While some factors driving Africa's recovery have been external, the positive outcome to date has been mostly due to the good policies that countries implemented before and during the crisis. Prudent macroeconomic policies prior to the crisis, especially fiscal consolidation, as well as improved institutions of macroeconomic management provided space for fiscal stimulus initiatives. The financial support from IFIs, including the IMF and the World Bank, also played an important role in preventing large pro-cyclical fiscal cuts. In some of our countries, improvements to business environments helped relieve structural bottlenecks. In others, government interventions stimulated agriculture and the overall private domestic demand. Timely and effective measures that many African countries were able to adopt demonstrated the strengthened quality of their institutions.

Outlook for Africa amid weak global economic recovery

Despite the positive outcomes to date, our countries continue to face multiple challenges and constraints as substantial risks remain and have been only exacerbated by the recent turmoil in European countries. The projected growth for 2010 and 2011 remains below the trend in most countries, as increased trade and financial linkages with Asia will not compensate for subdued demand from the advanced economies due to deleveraging and fiscal consolidation and increased cost of credit. The ongoing debt problems in Europe have only heightened the uncertainties surrounding the global recovery. The increased cost of financing would only reduce further the post-crisis trend growth. While the macroeconomic policies adopted by African countries prior to the crisis served them well overall, the long lasting impact of the crisis on the development trajectories of our countries cannot be ignored. Our governments still need to maintain healthy balance between short run stabilization and achieving high long-term growth within the framework of maintaining supportive macroeconomic policies and structural reforms.

Going forward, it will be increasingly challenging for African countries to continue securing financing from both public and private sources as advanced countries embark on fiscal consolidation, amidst anemic recoveries. A number of African countries during the crisis had to resort to concessional borrowing, particularly from the IMF and the WBG. Several major economies received generous stimulus packages from the IMF to compensate for the loss in export revenue and remittances from weak trading partners. Some of this assistance came in the form of budget support from WBG financial resources. The challenge remains how the BWI can continue to help these countries with their debt prospects if the crisis stays with us for some time and should our countries need to borrow more to finance their recovery.

Africa and other LICs have the potential to contribute to stronger and more balanced growth, and should be viewed as markets, offering new opportunities for investment, trade and business. Therefore, it will be important for advanced countries to take into account the impact of their policy actions on low-income countries (LICs) as an integral part to their broader objective of achieving strong, sustainable and balanced growth and ensuring a more robust and resilient global economy for all.

Economic recovery in developing countries depends on the deployment of domestic policies and instruments, such as, prudent fiscal policies, social safety mechanisms, and subsidies, enhancing productivity in real economic sectors, foreign reserve and debt management. However, these measures are necessary but not sufficient. Developing countries recovery depends on economic revival in developed economies which is a major factor for resumption of commodity imports from developing countries and remittances. It will also be important for advanced countries to ease their trade barriers facing imports from developing countries.

Additionally, if we are to make poverty a history, the agriculture sector will need to get a prominent role. The farm-support programs of the world's richest nations and cheap cotton dumped on the world market are undercutting African exports, choking economic development and stymieing efforts to end Africa's cycle of poverty. As Africa tries to find its niche in the world marketplace and tries to succeed in building up a functioning agricultural sector, it will be crucial for advanced countries to pursue a more sensible policy regarding agriculture that brings about deeper cuts in subsidies. This issue is far too crucial for Africa's development to be put aside.

Rethinking Africa's development strategy

The global crisis presents opportunities for our countries to rethink their development strategies, diversify our economies, and explore new markets as we examine the best options for accelerating economic growth and reduce poverty. In particular, there is an urgent need to developing and deepening regional and domestic markets central for increasing our countries' resilience against exogenous shocks, to generate employment, unlock Africa's untapped potential and sustain pro-poor growth. The main constraints to this lies in closing Africa's large investment financing gap. To this end, support from the BWIs will be crucial in our efforts to increase regional trade by developing and improving Pan African corridors and networks in areas of infrastructure to achieve the broader objective of Africa-wide integration in all sectors. Garnering support to our countries in their efforts to accelerate Africa's agricultural transformation from subsistence to small-scale farm units to commercial large scale and exports through development of the whole agricultural value chain.

To this end, we call on our development partners to support a stronger replenishment of IDA 16 to set the WBG Group on solid financial footing and to establish a mechanism whereby scaling up of resources will be possible in the event our countries are confronted with a crisis such as the current one.

Quota reform

We reaffirm our welcome to the commitment of the G20 leaders and the IMFC to a fast-track new round of quota and voice reform. We realize fully that achieving these objectives is a daunting task, given the intensity of engagement required and the need for a spirit of compromise from all parties and we are confident that there is political will to achieve an ambitious outcome.

We appreciate IMF's commitment for the protection of the quota shares of the poorest countries. However, having lost quota shares across the board during the second round —the 2008 Quota and Voice reforms—by an average of 6-10 percent, another round of even deeper losses in quota shares would be detrimental to the prospects of our countries accessing Fund resources that they depend on to meet their financing needs. We, therefore, welcome the emerging consensus to protect the quota shares of each of these countries at the post-second round level. We strongly urge that such protection be at country level, covering all PRGT- and PCDR-eligible countries.

We recall that the majority of small middle-income countries in Africa, the Caribbean, Central America and the Pacific also incurred substantial losses in quota shares during the second round, and are bound to incur another round of deeper losses under the current review. We also recall that the quota shares of South Africa would be reduced after a significant reduction during the second round. To ensure that these countries also remain undiminished partners, we call for protection of their quota shares also at the second round level.

We are aware that reaching these targets has been severely constrained by the decision to use the current quota formula as a basis for realigning quota shares. We would have preferred that an amended formula is used for the current round of quota review. To enhance legitimacy of the Fund as a rule-based institution, the quota formula should not be used again until it is substantially reviewed in line with the Governors' Resolution of 2008.

Conclusion

In conclusion, the challenges facing Africa are still numerous, but we can surmount them with continued effective support from the BWIs as well as other development partners. We reaffirm our commitment to work with the IMF, WBG, development partners and the rest of the international community to attain our development objectives.

I thank you for your attention.