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SECRETARY'S CIRCULAR NO. 85/92

To: Members of the Executive Board

From: The Secretary

Subject: Report on the Symposium on Africa and the IMF

There is attached for the information of the Executive Directors a report on the symposium co-sponsored by the Fund and the Association of African Central Banks (AACB), held in Nairobi, Kenya, May 13-15, 1985.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Report on the Symposium on Africa and the IMF
Nairobi, Kenya, May 13-15, 1985

Prepared by the External Relations Department

Approved by A. F. Mohammed

July 19, 1985

1. Introduction

In February 1984, the Association of African Central Banks (AACB) requested the Fund to jointly organize a symposium on the subject of "Africa and the International Monetary Fund." The request was based on a decision to this effect adopted by the Governors at their Eighth General Assemby held in Arusha, Tanzania, in August 1983. The symposium was intended for central bank governors or their immediate deputies, focusing on policy questions rather than on the technical aspects of the issues facing Africa and the IMF. The Managing Director directed the Fund's External Relations Department to organize the symposium jointly with the Association, as the eleventh in the EXR seminar series.

2. Participants

Twenty-eight Governors or their immediate deputies attended together with nearly fifty of their associates (list of participants, Attachment I). Six non-officials were jointly invited, including Prof. Gerald K. Helleiner, University of Toronto, who served as Moderator, Prof. John Loxley, University of Manitoba, who presented a paper, and four non-African experts, Roger Lawrence, Carlos Massad, M. Narasimham, and John Williamson, who took part in a panel discussion on the final day of the symposium. Three Fund Executive Directors, Messrs. A. Alfidja, E. Mtei and G. Salehkhou, attended as did five IMF and one World Bank staff members.1/ Observers from the African Development Bank, the Economic Commission for Africa and the Organization of African Unity were present. Local diplomats and heads of financial institutions and senior members of the Kenyan Civil Service as well as the press were invited to the opening ceremonies. Participants were received by his Excellency, the President of the Republic of Kenya at State House in Nairobi.

1/ Messrs. Ouattara and Mohammed, Brau, Jimenez, and Abushadi from the Fund and Mr. L. de Azcarate from the World Bank staff.

3. Proceedings

The symposium started with a public session devoted to statements by Philip Ndegwa, Governor of the Central Bank of Kenya, Charles Nyirabu, Governor of the Bank of Tanzania and Chairman of the Association of African Central Banks, and George Saitoti, Minister of Finance and Planning of Kenya. The Deputy Managing Director delivered the keynote address (Attachment II). This was followed by the working sessions which included a panel discussion, and the summing up by the Moderator. Six papers were presented, two sponsored by the Association of African Central Banks, two by Fund staff, one by World Bank staff, and one by an academician (symposium program, Attachment III).

Governors participated actively in the discussions, drawing on their recent experience of dealing with the Fund. While there was little dispute that past domestic policies had contributed to present difficulties, there were many references to these having been severely aggravated by unfavorable external factors beyond the control of African countries. There was widespread recognition that adjustment must be undertaken in an environment in which resources for Africa will be even more constrained than in the past. The re-establishment of correct incentives, supported and protected by adequate demand management policies, was generally viewed as a critical element in the needed adjustment. Supply responses, however, would only be sustained if supported by timely and adequate external support. There was a broad-based conviction that the adjustment process lacked symmetry and that the assistance received, including that provided by the Bank and the Fund, fell considerably short of requirements. In addition, many Governors supported the view that the speed of adjustment envisaged in Fund-supported programs was much too rapid, given the structural character of many aspects of the present crisis.

There were numerous calls for additional resource flows from the Fund with most Governors focusing on the question of the actual access provided within the existing limits. In that connection, the staff explained the policies governing access and pointed to the substantial net financing provided in the 1980-83 period (approximately SDR 4.6 billion) when African countries were faced with the sharpest decline in export markets because of the international recession. Also indicated was the necessity to husband access if the Fund was going to serve as a catalyst for the much longer adjustment periods that most Governors felt were called for in the African context.

Other ideas for larger flows included recycling of the Trust Fund in the context of a special Fund facility for Sub-Saharan Africa, the possibility that the IMF might provide a subsidy on its lending to African countries, and the exploration of techniques for accepting payment of charges in a member's own currency. Governors also repeated the case for an SDR allocation, the need to ameliorate the conditionality of the compensatory financing facility and to use the extended Fund facility. They contrasted the current situation with that which existed in the early 1970s when a series of innovations included the creation of the Trust Fund, the Oil Facilities, and the extended Fund facility.

Several participants argued that Fund-supported programs suffered from important design shortcomings. Programs largely concentrated on constraining domestic demand, and required reductions in domestic absorption and imports that proved counterproductive to the medium-term structural goals of achieving adjustment with growth. The period of adjustment as specified in programs was considered too short for low-income countries to allow for proper supply response, given the absence of adequate infrastructure. A few Governors disputed these views on the basis of experience with country programs, underlining the significant short-run supply response experienced following the re-establishment of adequate incentives. It was emphasized by the staff that the pace of adjustment is very much related to the availability of external financing, and that the "alternative stabilization approach" proposed by Prof. Loxley involved larger total external financing than was currently forthcoming. It was also pointed out that the faster the pace of adjustment in some important policy areas, the faster may be the response in economic growth.

Criticism was voiced that the Fund staff appeared to be insufficiently appreciative of the difficulties experienced by the technical policymakers in persuading higher political authority. Some Governors made the point that the Fund staff at times overestimated the management capacities of domestic institutions. Increased technical assistance to governments in implementing adjustment policies-- especially in the area of institution building--was deemed important, especially when difficult institutional changes were needed to make markets work more effectively. It was argued that the weak institutional structure in some countries made it necessary for the Fund to be flexible in responding to deviations from targeted performance under adjustment programs and there were several suggestions for contingencies to be built into the definition of performance criteria so as to obviate delays involved in obtaining waivers and modifications.

In the same vein, Fund negotiating missions were asked to present options to the authorities, which would achieve the same adjustment objectives. A general plea was made for greater flexibility in the timing of measures to take account of political considerations, where the basic need for the measures was not in dispute. The same sentiment was expressed with respect to the phasing of Fund disbursements with the observation that some adjustment measures may only work as intended if supported by sufficient front-loading of external resources.

There was a general sentiment that Fund staff missions were unduly tied to their briefs from headquarters. This contributed to the impression that the Fund staff had already made up their minds and were insufficiently receptive to the considerations advanced by local policymakers in such matters as the timing, phasing, and packaging of various adjustment measures. These, it was felt, were often matters of judgment and not of technical sophistication, which in any case was not lacking among the local technicians. It was explained by staff that discussions and negotiations were conducted at many levels and over extended periods of time, including in the context of Article IV discussions, and that all available options were explored and final program design and content was very much a matter of agreed diagnosis as well as prescription.

Governors did not take a position on the point made by some academic participants that the Fund become more directly concerned about the distributional aspects of program conditions and to design these conditions and assistance to ameliorate the impact on the poorest in African societies. Another point made by the academics was that while Fund prescriptions might be effective when applied to one country, the global consequences might be counterproductive if the same prescriptions were applied to a number of countries with similar structures. A final point made by them was the need for more independent investigation of the adjustment problems of low-income African countries and the Fund's role in them.

The climate of the discussions was, on the whole, constructive despite the rather pointed criticism voiced by some participants. It is proposed to publish the symposium papers and summary of the proceedings in English and French.

AFRICA AND THE INTERNATIONAL MONETARY FUND

Symposium Sponsored by the
Association of African Central Banks
and the
International Monetary Fund
hosted by the Central Bank of Kenya

Nairobi, Kenya
May 13-15, 1985

List of Participants, Authors, and Panelists

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Symposium on Africa and the International Monetary Fund

Sponsored by the Association of African Central Banks
and the International Monetary Fund

Hosted by the Central Bank of Kenya

Nairobi, May 13-15, 1985

Opening Remarks

by Richard D. Erb
Deputy Managing Director
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Introduction

The International Monetary Fund is playing and will continue to play a major role in supporting the efforts of African members that are undertaking adjustment in a very difficult external environment. While much attention is usually accorded to the provision of financial assistance, the Fund is, in a larger sense, a collaborative institution that provides all members with opportunities to interact within the Fund in a number of important ways. Through their full participation in discussions in the Executive Board, the Interim and Development Committees, and the Joint Annual Meetings of the Fund and the Bank, the representatives of African states are able to contribute to the formulation of policies of the Fund in such areas as Fund surveillance, the conditionality assocaited with the use of Fund resources, and international liquidity, as well as broader questions on the working of the international monetary system. The African countries also are major participants in the Fund's technical assistance programs, both at headquarters and in the field. If the greater part of my remarks today addresses the Fund's financial activities in Africa, this is simply a recognition of the extraordinary balance of payments problems that so many African states are encountering and which the Fund is seeking to help alleviate within the framework of its monetary role in the international monetary system. I shall revert to the broader issues of Fund/member relations in the concluding part of my statement.

The Fund will maintain its financial assistance to its African members, and do so in cooperation with the World Bank, as long as these countries pursue their adjustment to the severe internal and external imbalances that have characterized so many of these countries since the start of the decade. Although the external environment has and will continue to have an important impact on the growth prospects in Africa, continued domestic policy reforms will be necessary to improve the domestic environment for economic growth and stronger external payments positions. There is no single economic formula for restoring growth and for strengthening the abilityof countries to attract non-debt-creating capital flows and to mobilize domestic savings to finance expansion, but experience has pointed to the important roles that fiscal, monetary, exchange rate, and pricing policies play in providing conditions conducive to economic growth. These are the major themes of my remarks to you today, and I hope they will set the scene for a successful and stimulating symposium.

External Environment

The global economic environment of the late 1970s and early 1980s had a major impact on the economies of African countries. The rise in the price of oil, accompanied by a marked decline in the export prices of products typically exported by the African countries, led to a deterioration in the terms of trade for most of these countries. In addition, a slowdown in industrial country growth led to a decline in demand for exports from Africa, and a sharp rise in international interest rates increased the cost of commercial capital to those countries that were borrowing in private markets. Even countries for whom the bulk of capital flows was from official sources saw a leveling off in these flows as the economic situation of official lenders worsened with the global recession.

Looking to the future, the external environment for achieving orderly adjustment and restoring conditions for growth in Africa is likely to be somewhat better. In the short term, according to our latest staff assessment, GDP for all of Africa is expected to increase by 3.5 percent in 1985 and by 3.7 percent in 1986. Growth in sub-Saharan Africa is projected to reach 2.9 percent per year in 1985 and 3.5 percent in 1986. Despite these improving prospects, however, the aggregate current account deficit for Africa will remain difficult to finance, narrowing to a projected $10.2 billion in 1985 and $9.3 billion in 1986. For sub-Saharan Africa this deficit is projected to be $8.3 billion in 1985 and $7.8 billion in 1986.

Projections beyond the near term are more difficult to make and subject to even greater uncertainties. The Fund's World Economic Outlook exercise provides a medium term baseline scenario for the 1987-90 period, based on assumptions regarding the policies "most likely" to be pursued by both developing and industrial countries. This baseline scenario anticipates an average rate of growth of slightly over 3 percent for the industrial countries over the period to 1990. For all indebted developing countries, GNP growth consistent with the underlying policy assumptions would average about 4.8 percent. For sub-Saharan Africa, the baseline scenario anticipates an average growth rate of 4.2 percent. Interest rates are expected to be somewhat lower in real terms than early in 1985. And non-oil commodity prices are expected to rise broadly in line with prices of manufactured goods exported by industrial countries.

The policies pursued by industrial countries will be especially important because their economic performance will determine the external environment within which developing countries' efforts to resume sustainable growth will take place. The industrial countries will be seeking to consolidate the recovery and to ensure that its benefits are more broadly shared. This will involve action with respect to a range of domestic policies, including a firm rejection of protectionism. Industrial countries--especially those of Europe--will have to work to reduce structural rigidities that have led to inefficiencies and reduced employment opportunities which, in turn, have nurtured protectionism. A tightening of trade restrictions could choke off the ability of indebted countries to earn the foreign exchange necessary to meet their external debt payments.

In addition, as called for by the Interim Committee at its meeting in Washington last month, industrial countries should be prepared to support the adjustment efforts of debtors by providing adequate flows of capital on realistic terms, and by a readiness to consider restructuring of existing debt. The Committee also urged industrial countries to consider resuming export credit cover for debtor nations making satisfactory progess with adjustment policies. Industrial countries are urged to continue to provide concessional resources, either directly or through the multilateral development banks. While commercial capital, including debt rescheduling, is important, increased official development assistance will have to play the major role in the economic recovery and growth of many low-income African countries.

Domestic Policy Requirements

Although the adverse external environment has contributed to the difficulties of many African countries, these adversities have also served to highlight certain internal rigidities and structural imbalances that had been allowed to grow for too many years. While not gainsaying the importance of the external environment, it also has to be recognized that the growth and balance of payments prospects of African countries depend fundamentally on the domestic policy course adopted in each country. In working with African countries in the context of Article IV consultations, requests for the use of Fund resources, and the furnishing of technical assistance, the Fund has gained considerable experience concerning the types of policies that are conducive to economic growth and external payments viability.

The key requirement for achieving growth on an enduring basis is domestic financial and price stability and the allocation of resources in an efficient and effective manner. Particularly where inflation has been endemic, action to reduce fiscal deficits and to control monetary expansion is essential. Special attention has to be accorded to keeping tight control over current public expenditures so that more resources can be directed to investment. A reduction in the claims of the general budget on the banking system releases resources for use by more productive sectors of the economy.

As for improving resource allocation, pricing policies are crucial. Many countries in Africa maintain extensive systems of price control and subsidies which might temporarily mask inflationary pressures but lead to misallocations. Low agricultural producer prices, for example, result in declining domestic availability of food grains and to a growing dependency on imports.

In the external sector, the price of foreign exchange is another key element in the adjustment process. An inappropriate exchange rate generates cost and price distortions that encourage consumption and uneconomic investment and reduce the profitability of export and import competing sectors. If exchange rates and interest rates are not allowed to respond to market conditions, domestic savings tend to flow abroad and savings of by nationals working in other countries tend to be retained abroad rather than repatriated. Similarly, restrictions on trade and competition create inefficient firms and sectors and tax the community for the benefit of favored groups.

Economic growth depends critically on the level of domestic capital formation, provided that investment is allocated efficiently. In this area, member countries can call on the expertise of the World Bank to help them design measures to strengthen and enhance their development prospects. This is just one way in which the Fund and the World Bank reinforce one another in best serving their members. The Fund's role is primarily to promote macroeconomic and broad pricing policies conducive to growth and balance of payments viability. The Bank's role is primarily to promote investment policies conducive to growth and to encourage better project design, evaluation, and implementation. Our experience has convinced us that a country's productive resources cannot be properly developed if payments difficulties are overriding and if incentives--such as appropriately-valued exchange rates--are inadequate. At the same time, achievement of a sustainable balance of payments position depends, among other things, on the efficient deployment of resources over time.

These then are the key policies that the Fund espouses, whether in the course of Article IV consultations or in the context of the use of its resources. Not only are these policies designed to mobilize larger domestic savings but they are also essential for attracting larger flows of resources from abroad on terms that are appropriate. Of course, these general policies must be carefully adapted to the situation of each case.

In advising countries on designing programs that can be supported by the Fund, the first step is to reach an understanding with the countries' officials on the problems causing the balance of payments difficulties, the measures needed to correct them, and the amount of total financing that may be available from donors and creditors. There is no "optimal" adjustment path that is the same for every country seeking to restore conditions for growth. Within the constraints of available financing each country must answer for itself the critical question regarding the optimal speed and pace of adjustment. Some countries may need, or choose, to undertake very rapid and sharp adjustment, in which a number of corrective measures are implemented simultaneously. Others may be able to phase in their measures more gradually, assuming that such an approach does not make a call upon external resources larger than can be mobilized, or even worse, discourage foreign sources of credit and development assistance from providing the resources required. In addition, a more gradual approach to policy adjustment may directly result in a lower domestic growth rate.

A number of countries of Africa have been successfully pursuing the types of policies that I have described. Their experiences with these policies will be discussed in detail during the course of this symposium, but I would like to take a moment to highlight some noteworthy cases. For example, the Central Bank of our host country--Kenya--has, through a series of increases in domestic interest rates, restored real interest rates to positive levels for the first time in recent years. Domestic saving as a percentage of GDP has exceeded the Government's target rate every year since 1980. In addition, a series of devaluations of the Kenyan shilling and a managed float of the currency since 1983 has helped increase Kenya's exports as a percentage of GDP from 13.7 percent in 1983 to 17.9 percent in 1984. Other examples include the Ivory Coast, where authorities have adopted a new interest rate policy aimed at making domestic financial investments competitive with similar investment abroad. And Mali, through adoption of important fiscal policy reforms, such as containment of public sector personnel expenditures through a wage freeze and increases in public enterprise prices and tariffs, succeeded in eliminating its deficit of consolidated Government operations. Needless to say, while the Fund has supported these types of measures, it is the officials of the countries who chose and implemented them. Any improvements in economic conditions that resulted must be credited to the perseverance and tenacity of these officials.

The Fund's Financial Activities in Africa

The Fund has played an active role in supporting the adjustment efforts of its African members in recent years. At the end of 1984, total obligations of African countries to the Fund subject to repurchase, including repayments to the Trust Fund, amounted to SDR 7.2 billion. Of this amount, SDR 1.5 billion was provided under the Fund's compensatory financing facility in response to shortfalls in African countries' export proceeds and to increases in cereal import costs. As of the end of April of this year, the Fund had 14 stand-by arrangements and one extended arrangement in effect with its African members, and two more stand-by arrangements--for Ivory Coast and Togo--are pending.

In addition to providing its own financial resources, the Fund has been a catalyst for mobilizing support from other external sources such as Paris Club official debt reschedulings and provision of new external finance. In 1984 seven African countries negotiated debt reschedulings under the auspices of the Paris Club for an estimated $1.9 billion in debt relief. In that year the Fund also attended consultative groups and donor conferences involving twelve African countries, where pledges were made for significant amounts of commodity and project assistance.

The Fund's resources are a revolving pool of funds that can be made available on a temporary basis to members experiencing balance of payments difficulties. This assistance is designed to enable countries to restore a viable external payments position in the medium term--that is, an external current account deficit that can be covered by normal capital inflows that are consistent with the debt servicing capacity of the economy. The resources of the Fund thus serve as a second line of reserves for its members, providing quick-disbursing financing, untied to projects or designated imports. Members draw on these "second-line" reserves to meet immediate financing needs while they implement corrective adjustment measures and work to attract other funds of a longer-term maturity that are designed to address their developmental needs. As these adjustment measures take effect, the need for exceptional financing from the Fund should recede and countries can start to rebuild their reserves as insurance against future, unforeseen crises. Part of this reserve rebuilding includes restoration of their "second-line" of reserves through repayment to the Fund. Any failure to do so undermines the institution's unique monetary role and makes it that much harder to obtain resources for the Fund itself. As central bankers you are well aware that claims on the Fund are treated as liquid reserves by creditors.

The role of the Fund in providing short-term, quick-disbursing financing can be seen by looking at the levels of Fund assistance during the difficult 1980-84 period, compared with multilateral development bank assistance, for example, which is longer-term, more project-oriented, and therefore not as quickly mobilized. Purchases from the Fund by African countries in 1981 and 1982--a period when the external environment was particularly harsh with high interest rates and a world recession--totaled SDR 1.9 billion and SDR 1.7 billion, respectively. This compares with World Bank disbursements of $1.0 billion in 1981 and $1.3 billion in 1982. By 1984, however, World Bank disbursements to Africa totaled $1.8 billion, while Fund purchases had declined to SDR 1.2 billion. This shift in the composition of flows to Africa reflects a transformation from immediate balance of payments requirements to longer-term, structural adjustment and development financing.

Finally, let me just take a moment to comment on the Fund's role in providing technical assistance to Africa. In 1984 the Fund provided $13.4 million in technical assistance to Africa, a 44 percent increase over the $9.3 million provided in 1980. In terms of experts, the Fund provided 62 man-years of assistance in 1984, compared with 47 man-years of expert assistance in 1980.

Policy Issues

Because its assistance is provided on a short term basis, the Fund has been perceived as expecting its members to adjust overnight. Although Fund assistance is disbursed against short term targets, these targets are established within a medium term framework of policy commitments. The Fund does not expect that a balance of payments turnaround will occur in one year, and the fact that many stand-by programs have a one-year duration simply reflects the fact that it is not feasible to devise policy commitments beyond one year. Additionally, the longer the time over which adjustment is spread, the larger must be the commitment of resources from abroad; the Fund and the member country can make meaningful projections only for a certain period ahead. Few authorities are willing or able to make policy commitments beyond one year ahead, given politial calendars, i.e., elections, the annual budget cycles of both the country and its donors, and the normal span of official debt reschedulings, etc.

Some members are concerned that the policy conditions imposed by the Fund are unduly harsh and have the effect of undermining their growth. I would suggest that conditionality is no more severe than it has to be to meet the essential medium-term objective of restoring growth and a viable external payments position, given the external resources members can obtain from the Fund and from other donors and creditors. In cases where a country has postponed adjustment too long, the adjustment measures may be implemented in circumstances that are socially and politically hard to bear, and may be disruptive to the economy. But the alternatives, in terms of further deterioration of economic conditions, are even more disruptive. For most countries implementing Fund-supported programs, the decline in growth rates occurred before they embarked on the program. The provision of financing by the Fund, both directly and indirectly through its catalytic effect, helps these countries to sustain much higher levels of imports and of activity than would be possible without the Fund's support.

The Fund is prepared to use its best efforts to adapt to country preferences as long as it can carry conviction with other suppliers of finance, and is itself convinced, that a comprehensive program is being embarked upon to rectify the underlying imbalances in the economy. In every case, considerable attention will continue to be paid to supply-oriented policies that are consistent with the development aspirations of African countries. Any adjustment that requires a compression of net domestic absorption will appear restrictive in the short term but can enhance growth prospects in the medium run. Decontrol of interest rates may result in an increase in domestic interest rates that, in the short term, leads to liquidity problems and even bankruptcy for some domestic companies. But in the medium term these interest rates will attract higher levels of domestic savings and support increased domestic investment. In addition, these interest rates will provide better signals for a more efficient allocation of investment and, together with higher levels of domestic capital formation contribute, to increased domestic output.

Finally, let me stress that policies of the character supported by the Fund are not temporary measures, to be abandoned once financial adjustment is achieved. Nor are they to be contrasted with policies aimed at development. On the contrary, they must be maintained and adapted to ever-changing conditions in the domestic and international environment if the momentum of growth is to be sustained.

Prospects

In coming years, the Fund hopes to continue to assist its members through its various facilities, provided that appropriate adjustment policies are followed, and to serve the catalytic function of inducing additional finance from official and private lenders. The Fund cannot project future use of its own resources based on a specified country-by-country lending program in the way a development financing institution can because it has no project pipeline and its funds disburse rapidly rather than being spread over a project cycle.

The decision to approach the Fund for help is a sovereign decision of the member and cannot be taken for granted. The Fund might itself be precluded from providing financial assistance by the emergence of arrears on payment of charges or on the discharge of repurchases on past transactions. However, on the basis of existing programs, plus those under active negotiation, it appears likely that net use of Fund credit by African countries--under credit tranche facilities--will continue to expand in 1985, although the use of Fund financial assistance by the African countries might be expected to stabilize somewhat in the years ahead. African countries will be making repurchases under the Fund's special facilitites in the next few years, but the net outcome will depend on whether conditions develop that warrant fresh purchases under these facilities.

For the Fund to remain strong and credible and able to help its African members, it must be assured of the adequacy of its resources. The Fund's liquidity position was substantially strengthened in 1984 when quotas were increased to SDR 89.2 billion from SDR 61.1 billion, and its permanent lines of credit enlarged following the revision of the General Arrangements to Borrow. In addition, special borrowing arrangements with some Fund members have increased the Fund's access to credit by SDR 7.5 billion. But the Fund's resources are limited, and in order to be able to stand ready to meet the requirements of all its member countries it must be assured of repurchases by member countries within the prescribed amount of time.

Collaboration with the Fund

Let me return now to other matters on which African members work with other countries within the framework of the Fund. As I mentioned earlier, there are a number of ways, in addition to the financial assistance that the Fund can provide, that the interests of African countries are served by their membership in the IMF. One of these is the process of consultation regarding economic and financial policies that every country undertakes in accordance with Article IV of the Fund's Articles of Agreement. These regular consultations are a key element of the Fund's surveillance process and provide an opportunity for African members, in particular those members not currently drawing on Fund resources, to analyze and discuss their domestic policies and to benefit from the assessment of the international community on their consistency with the objectives of growth and stability. And through the participation of their representatives in the Executive Board discussions, African members can express their views on the policies and actions of other Fund members, especially those that are important as markets for African exports or as suppliers of capital.

Also, through their participation in Board discussions, the African members contribute to the evolution of Fund policies. Two issues that have been keenly debated in the Board recently--IMF surveillance and the allocation of SDRs--exemplify the importance of these discussions. African members, in conjunction with a number of others from the developing world, have argued that there is a global need for liquidity that justifies an SDR allocation without delay. Other members have not been able to agree with this conclusion in part because they have difficulty in formulating the place of the SDR in a rapidly evolving structure of international liquidity. The debate is therefore broadening to take account of these more fundamental questions.

The issue of Fund surveillance has been subjected to a similar process of reflection. African members have joined others in stressing the need for the Fund to carry out its responsibilities in an even-handed way. Given that developments in the largest industrial countries have a very heavy impact on the rest of the world, they have argued the special importance of ensuring that surveillance be effective over those countries. In considering the modalities for making this process effective, African states must be prepared to reflect on their own attitudes towards the views expressed by the Fund when they are not under pressure of need to use Fund resources.

There is a final issue I want to mention--the issue of improvements in the working of the international monetary system. In recent years, emphasis has been given to the role that economic policies in member countries can play in improving the working of the international monetary system. For example, efforts to encourage greater convergence of underlying economic and financial conditions and policies are being intensified by looking at ways to promote a more effective surveillance process. Increasing attention is being given to the structural characteristics of financial and exchange markets to see if improvements in markets could result in smoother adjustments of exchange rates so as to contribute to maximizing trade and long-term investment opportunities. As stated in the recent Interim Committee communiqué, improvements in the international monetary system are currently under study and the Committee agreed that it would review these issues at its next meeting in Seoul. The African countries, with their special concerns for the stabilization of markets, will undoubtedly have an important contribution to make to an intellectual process that will strengthen the Fund and enable it to function in the best interest of all its members.

Africa and the International Monetary Fund

Symposium Sponsored by
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Hosted by the Central Bank of Kenya

May 13-15, 1985
Jomo Kenyatta Conference Centre
Nairobi, Kenya

Symposium Moderator: Gerald K. Helleiner

Monday, May 13, 1985

10:00 a.m.	Opening session Dr. Philip Ndegwa, Governor, Central Bank of Kenya Charles M. Nyirabu, Chairman, AACB, and Governor, Bank of Tanzania Prof. G. Saitoti M.P., Minister of Finance and Planning, Kenya Richard D. Erb, Deputy Managing Director, IMF
11:30 a.m. - 1:00 p.m.	Introduction Gerald K. Helleiner, Professor of Economics, University of Toronto 1. The Economics Crisis in Africa Philip Ndegwa, Governor, Central Bank of Kenya 2. Design, Implementation and Adequacy of Fund Programs in Africa Alassane D. Ouattara, Director, African Department, IMF Discussant: David Phiri, Governor, Bank of Zambia
4:00 p.m. - 6:30 p.m.	3. Fund Conditionality and Social and Economic Conditions in Africa Samba Mawakani, Director of Research, Bank of Zaire Discussant: Kombo Moyana, Governor, Reserve Bank of Zimbabwe 4. Economic Disequilibria in Africa and the International Monetary System J.O. Sanusi, Executive Director, Central Bank of Nigeria Discussant: J. Jimenez, Chief, East African Division, African Department, IMF General Discussion

Tuesday, May 14, 1985

9:00 a.m. - 1:00 p.m.	5. The Role of the World Bank in Adjustment and Economic Growth in Africa Luis de Azcarate, Director, Country Policy Department, IBRD Discussant: Philip Ndegwa, Governor, Central Bank of Kenya
	6. Alternative Approaches to Stabilization in Africa John Loxley, Head, Department of Economics, University of Manitoba Discussant: A. F. Mohammed, Director, External Relations Department, IMF
4:00 p.m.	Audience with H.E. The President of the Republic of Kenya
5:00 a.m. - 7:00 p.m.	7. External Debt Management in the African Context Eduard Brau, Senior Advisor, Exchange and Trade Relations Department, IMF Discussant: Charles Nyirabu, Governor, Bank of Tanzania

Wednesday, May 15, 1985

9:00 a.m. - 12:00 p.m.	8. Panel Discussion Adjustment in Africa - What Can Be Done? Gov. Abdoulaye Fadiga, Gov. Taddesse Gebre-Kidan, Roger Lawrence, Carlos Massad, A.F. Mohammed, M. Narasimham, John Williamson,
12:00 p.m. - 1:00 p.m.	Closing session Final summing up by the Moderator Closing remarks

Panelists:
1. Governor Abdoulaye Fadiga, Central Bank of West African States (BCEAO)
2. Governor Taddesse Gabre-Kidan, National Bank of Ethiopia
3. Roger Lawrence, Director, Money & Finance, UNCTAD
4. Carlos Massad, Professor of Economics, Univ. of Santiago
5. A. F. Mohammed, Director, External Relations Dept., IMF
6. M. Narasimham, Director, Administrative College of India
7. John Williamson, Senior Fellow, Institute for International Economics, Washington D.C.