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to the Ad Hoc Committee of the Whole of the General Assembly
on the Mid-term Review of the Implementation of the
United Nations Program of Action for African
Economic Recovery and Development 1986-90
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It is a great privilege to address you today, on the occasion of the Mid-term Review of the United Nations Program of Action for African Economic Recovery and Development.

Two years ago the United Nations gave special recognition to the plight of the African countries, especially the poorest among them. As the report of the Secretary General makes clear, the challenges faced by these countries have not diminished since then. In many countries the standard of living and resources devoted to developing human resources have continued to decline.

But the past two years have also seen an unprecedented response to the exceptional situation faced by Africa. An unprecedented response; a universal response; and, first of all, an African response. Indeed, I see that an increasing number of African governments has been embarking on the difficult process of structural reform and financial adjustment that is essential to the restoration of economic growth. I am also gratified to see that the international community has come forward with significant initiatives to support the African countries. You are aware, for example, of the content of the special assistance program launched by the World Bank. I shall come shortly to our own action in the Fund.

What is more, the international economic environment has improved: growth in industrial countries has been maintained and accelerated somewhat; the volume of international trade has increased briskly; and international coordination of policies among the major industrial countries has been further strengthened, with benefits for the stability of exchange markets. However, gains resulting from these improvements have not been shared by all regions or groups of countries. Africa, especially, is yet to reap a significant benefit.

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This morning, I should like to limit my remarks to the central questions. How can we ensure that the momentum gained over the past years is not only maintained but gathers in force? What is the strategy that can achieve economic recovery and growth in Africa? And what is

the role the International Monetary Fund can play in the implementation of this strategy?

Our aim is to achieve the strongest economic growth that is possible given the domestic and external financial resources available; the strongest growth, but durable growth. It is now well understood that growth cannot be achieved without determined efforts on the part of the countries themselves. A country facing serious internal and external imbalances cannot attain a sustainable rate of economic growth without adjustment. But the converse is just as important. In other words, efforts to restore economic balance on a sustainable basis can only be maintained if they offer prospects for--and, indeed, if they take place as much as possible in the context of--durable economic growth and an improvement in social conditions. My conclusion is that a strategy which combines adjustment with growth remains the only valid approach. And I believe that the growing recognition of the need for this strategy in Africa and the demonstrated willingness of the donor community to support efforts under this strategy have set the stage for its successful implementation. But this implies that all partners shoulder their responsibilities even more fully.

What is our contribution in the IMF? Our role consists of assisting countries in the design and implementation of appropriate programs, supporting these programs with our own resources, and mobilizing additional financing from other sources. I know that the temporary decline in the net direct financial contribution of the Fund during the recent period has led to some concern that the Fund is surreptitiously withdrawing from Africa. We have demonstrated that this is not the case, and that the Fund is committed to supporting fully and actively African countries' adjustment efforts. And, as it is pointless to preach adjustment to others if one is not willing to question one's own effort, let me tell you that we have, in recent years and in recent months, undertaken to redefine both our strategy and our instruments. Our objective, quite simply, has been to explore in what ways we can play our role more effectively; in what ways we can enhance the willingness of countries to adopt and hold to appropriately strong growth-oriented adjustment programs; in what ways we can do more to provide creditors and donors with added confidence to move ahead. Let me touch on the most salient aspects of this reform effort.

In recognition of the exceptional difficulties of our poorest members--many of which are in Africa--early in 1986 the Fund established the structural adjustment facility (SAF). Late last year, and with very explicit reference to the UN Program of Action for African Economic Recovery and Development, we put into place the enhanced structural adjustment facility (ESAF) which will triple--to some US\$12 billion--the resources that can be made available to our poorest members. This new facility is well suited to serve as a key instrument in support of growth-oriented adjustment programs. The amounts available are important in themselves. Equally important in my view is the fact that

a wide range of countries are contributing to the ESAF, including some middle-income developing countries. This clearly demonstrates the urgency the international community attaches to providing exceptional assistance to the poorest countries.

What are we going to do, in collaboration with the poorer countries, with these monies and with the resources that this facility will help to mobilize domestically and internationally? We shall try to eliminate the often deep-rooted structural obstacles to economic growth. First of all, the process involves the preparation of a comprehensive policy framework paper by the government of the country concerned, with the joint assistance of the Fund and the World Bank. The policy strategy and priorities set out in this framework then provide a focal point for the coordination of financial assistance from all sources. We think that this should greatly enhance the efficiency with which external resources are used.

But, more concretely, what will happen in the economies of these countries? Although the ESAF is a new facility, we are beginning to see matters steadily more clearly. The first two programs supported by the ESAF have already been approved; two other programs are under consideration in the Executive Board; and discussions are in an advanced stage with a considerable number of African countries. I am therefore in a position, on the basis of the first four (ESAF) programs, to underscore their most significant common features. What do we expect to see at the end of these three-year programs, in 1991?

Positive per capita economic growth will have been restored and maintained--something we have not seen in sub-Saharan Africa for almost two decades; the rate of inflation--which over the same two decades averaged more than 20 percent--will have been reduced to, or kept substantially below, 10 percent; a sustainable external position will have been restored; arrears will have been settled; exchange reserves will have been considerably strengthened; the ratio of domestic savings or of investment to GDP--often both--will have increased markedly; and fiscal balance will have been restored, or the fiscal position improved substantially.

True, these countries will nevertheless remain very vulnerable. Their growth rates, though improved, will not yet have reached the levels that we would like to see, but the basis for growth will have been strengthened. Much will remain to be done in these countries in 1991, but they will be on a firmer basis, and many obstacles to stronger growth will have been eliminated. Let me add that our projections are on the conservative side--too much so, I am sometimes told. They do not, for example, take into account the positive impact of the debt initiative of the Toronto summit. But, so much the better. Let us not forget, however, that all this can only be achieved if there is no relaxation of effort on the part of any of the parties involved--the countries themselves, donors, and the multilateral institutions. This

has to be a collective effort. It has to be sustained by all. But it is an opportunity not to be missed.

With the ESAF, there exists a unique opportunity for the poorest countries to launch the forceful programs needed to strengthen their external accounts and to revitalize the process of economic development. I urge all eligible countries to seize the opportunity that ESAF offers and not to shy away from the efforts it implies. For let us not delude ourselves: development cannot take place when deep-rooted imbalances are allowed to exist. History shows clearly that inflation is inimical to development, as are artificially-set prices, overvalued exchange rates, bloated public sectors and associated fiscal deficits, and excessive recourse to subsidies which, too often, under the pretense of social concerns, simply serve to perpetuate sometimes privileged situations and always entail costs which ultimately are borne by the poorest.

In speaking about the ESAF, I have spoken only of the poorest countries. But the need for financing in larger amounts and for longer periods is, of course, not confined to low-income countries. It is with other countries in mind that we have recently taken steps to revitalize our extended Fund facility (EFF), with the objective of enabling it to support similar comprehensive adjustment programs more effectively. The adaptations that have been made to this facility are designed to meet today's needs better--longer maturities, more appropriate conditions, somewhat lower cost. These adaptations should encourage greater commitment to durable policy efforts on the part of the middle-income countries and offer a stronger framework for support from donors and creditors.

However, even well designed and boldly implemented programs can be jeopardized by unanticipated external shocks. And such shocks, as we well know, occur frequently. In order to help countries in maintaining the momentum of adjustment in the face of such events, the Fund has also recently established a contingency financing mechanism. Should there occur--following the adoption of a Fund-supported program--a surge in interest rates, or a sharp drop in exports, in earnings from tourism, or in workers remittances from abroad, for example, the Fund will assume a substantial share of the additional financing effort required.

In addition to adapting our credit facilities, we have also been exploring ways in which we could improve the design of adjustment programs. I have often explained, in particular when addressing the Economic and Social Council of the United Nations, how we have tried to make sure that these adjustment programs become more genuinely growth-oriented through a more decisive structural reform effort. The four programs that I have just mentioned bear such a trade mark. Let me not fail today to emphasize that special attention is also being given to the social impact of adjustment policies, especially on the poorest segments of the population. In the past, the notion has emerged in some

quarters that the Fund is insensitive to the social aspects of economic policies. Let me reiterate that within its mandate and its possibilities, the Fund has given increasing attention to such matters. We have expanded our contacts with UN-related agencies that are expert in social policies, and we shall continue to do so. And we stand ready, when requested, to assist countries in designing programs in ways that would shelter the poorest members of society through compensatory measures while pursuing policies to correct macroeconomic and structural imbalances that are necessary to eradicate poverty in the longer run.

I do not have enough time today to describe the social content of our first four ESAF programs. But there is such a content, and it has been formulated by each country on the basis of its most urgent needs. Beyond seeking to improve real per capita income, some programs aim at developing or restructuring basic social services (health and education); others, at meeting the specific needs of the poorest or the most vulnerable segments of the population (small farmers, urban unemployed workers, laid-off public sector workers).

While there can be no doubt that the main responsibility for action remains with the African countries themselves, it must also be recognized that the far-reaching measures that are required to tackle the obstacles to economic growth are very difficult, and that they require considerable political commitment and courage. This being so, it is imperative that countries willing to undertake strong programs be able to count on external support commensurate to their efforts.

I therefore deeply welcome the significant progress that has been made over the past year by official creditors in offering stronger financial support to low-income countries embarking on policy reforms. The initiatives of the Paris Club and, more recently, at the Toronto summit, have the potential to ease significantly the debt-service burdens of the poorest countries in a sustained fashion. I also welcome the fact that a number of individual official creditors have already implemented far-reaching measures in this area for selected countries. All of these steps go in the same direction, helping to move growth-oriented adjustment forward in the poorest countries. It goes without saying, of course, that it is important that these initiatives provide truly additional assistance. For many countries debt relief is not enough; additional balance of payments support is required in the form of grants and highly concessional loans in support of policy reform. And it is essential that official creditors increase their bilateral development assistance for well-conceived investment programs that genuinely increase the future growth potential of the African economies.

One last word, Mr. Chairman, on a subject which I do not touch on very frequently: the subject of purely humanitarian contributions and of emergency aid programs in the case of major disasters. This is generally not associated with the wide-ranging macroeconomic programs for which we have a clear mandate in the IMF. But dealing effectively,

through international solidarity, with such disasters is also an essential element of providing for the future, even if such a cooperative effort is primarily focused on alleviating today's most acute sufferings. How could I fail to mention, for example, the urgent need to assist Malawi in coping with the influx of refugees it currently faces? How could we not see how essential it is to make sure that the international response to disastrous flooding in the Sudan is large enough to enable that country to sustain its own adjustment and recovery effort?

Therefore, Mr. Chairman, I can only join my colleagues of the specialized agencies in calling for a strengthening of the international community's support of their efforts in those countries, whatever the disasters that plague them--drought or flood, locusts, insecurity, or violence in neighboring countries.

The challenge of achieving growth and development in the African countries remains daunting. But I am convinced that it can be met. This will require an exceptional degree of cooperation by all parties. Let me reaffirm the Fund's continued willingness to assist all African countries in their formidable task to achieve sustainable economic growth and a lasting improvement in the living conditions of the African people. And let me not forget to mention that success in this area will depend heavily on the success of our efforts in other areas:

- efforts to foster durable growth in industrial countries;
- efforts in the same countries to reduce payments imbalances, to stabilize exchange markets, and to remove structural impediments to growth; and
- efforts to roll back protectionism.

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Mr. President, in conclusion, let me pay tribute to the United Nations for having taken the initiative to bring the African economic and social dilemma to the fore through the adoption of UNPAAERD.