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African Consultative Group Meeting: Statement by the Chairman of the African Caucus and the Managing Director of the IMF

Mr. Samura Kamara, Minister of Finance and Economic Development of Sierra Leone, and Mr. Dominique Strauss-Kahn, Managing Director of the International Monetary Fund (IMF), co-chairs of the African Consultative Group, issued the following statement today after the conclusion of the Group's meeting, which was held at IMF headquarters:

"We met to discuss Africa's response to the global economic crisis. The impact of the crisis on Africa will be severe. Growth will be lower, budgets will be strained, and external accounts will weaken. The remarkable gains achieved by Africa over the past decade are now under threat and there is a real risk that millions will be thrown back into poverty.

"We discussed implementation of the joint commitments we made in Tanzania last month, when we identified a series of actions to protect and sustain Africa's achievements in raising growth and reducing poverty and agreed on the importance of implementing these commitments.

"In the interim, African Governors welcomed the IMF's decision to double access limits under the PRGF and ESF. In this context, African Governors welcomed support from the G-20 for doubling the IMF's concessional lending capacity for low income countries and the recent IMF Executive Board informal discussion of concrete proposals to achieve this goal. They stressed the need to accelerate reforms of IMF governance to amplify Africa's voice within the institution.

"The Managing Director reiterated that the IMF stands ready to supplement its policy advice with financial resources and will act quickly to provide African countries with the support they need. He noted that the IMF will make financing for low income countries more flexible and responsive to the diverse needs of African countries. He also emphasized that the IMF's framework for assessing debt sustainability is being reexamined to ensure that it can accommodate Africa's new financing needs and opportunities.

"We discussed the responses needed within African countries to support growth, preserve macroeconomic stability, and sustain momentum towards achieving the Millennium Development Goals (MDGs). We agreed that many countries are confronting the crisis from

a stronger position than they have been in several years. Some countries have built up sufficient foreign reserves to cushion the external shock. Falling public debt and high savings have provided others with greater fiscal space to counter the crisis. Yet the challenges at this juncture are immense and many countries will need significant additional concessional financing to weather the crisis and to keep the MDGs within sight.

"We agreed that in countries with flexible exchange rates and where inflationary pressures stemming from earlier increases in food and oil prices are starting to recede, there may be scope for more accommodative monetary policies to support growth.

"Fiscal policy must strike a balance between supporting growth while preserving macroeconomic stability and debt sustainability over the longer run. In many countries, there is room to let automatic stabilizers work or introduce stimulus measures to support growth. In other countries, where debt levels are already unsustainable or where financing constraints are binding, there may be little option but to tighten fiscal policies in response to the sharply weaker economic outlook. In all countries, however, priority should be given to strengthening social safety nets to minimize the adverse consequences of the downturn for the poor.

"We agreed that additional donor support will be critical in allowing a policy stance that is more supportive to growth. In this context, we reiterated our call for the international community to fulfill the promises already made to significantly increase aid flows to Africa, the urgency of which has increased as a result of the global economic crisis. All countries must also play their part in rejecting protectionism by ensuring that their borders remain open to trade and financial flows."