

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

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Mr. Ali Mahmoud Mohamed Abdelrasoul, Chairman of the African Caucus, and Ms. Christine Lagarde, Managing Director of the International Monetary Fund (IMF), co-chaired the African Consultative Group meeting today at the IMF Headquarters. They issued the following statement after the conclusion of the Group's meeting in Washington. ¹

"We discussed the near-term outlook for Africa and some pressing policy challenges. Africa grew slightly faster than the global economy in 2012, but there are marked differences across regions and country groups. Most countries in Sub-Saharan Africa (SSA) continued to record robust growth, but activity in middle income countries in the continent remained sluggish, in part reflecting closer trade linkages with Europe and, in some North African countries, complex political transitions. Looking ahead, growth is projected to remain robust in Sub-Saharan Africa, while recovering gradually in much of North Africa. There are downside risks to the outlook, most notably stemming from the uncertain global environment and from political developments in some countries.

"Against this background, we agreed that countries will have to tailor their policies according to the main challenges they face. Fast growing countries are well-positioned to strengthen fiscal positions, weakened during the crisis period, but slow growing countries will need to moderate the pace of adjustment to support domestic demand. In undertaking fiscal consolidation, it will be important to ensure adequate financing of infrastructure and social needs. The trade-offs involved between these two objectives can be eased by renewed efforts to mobilize revenue and to better prioritize public spending (including the scaling back of costly energy subsidies and replacing them with better targeted forms of social protection), complemented, where available, by concessional financing and grants.

"We also agreed on the critical importance of accelerating job creation in the continent. In most countries, investing in education, reducing skill mismatches with private employers'

needs, improving access to finance, and amending business regulations and fostering competition will go a long way to promote employment growth. In addition, many countries, especially low-income ones, stand to gain by investing in infrastructure and raising agricultural productivity.”

“African Governors noted that in the post-financial crisis period, sustaining growth while maintaining macroeconomic **stability is becoming a major challenge**. Progress in rebuilding buffers has been slow over the past few years, as tightening fiscal policy without creating social tensions and undermining growth prospects is proving difficult for many countries in the continent. Going forward, they cautioned that strategies to rebuild policy space have to balance adjustment against the need to maintain growth and preserve priority social spending and public investment. In this connection, they welcomed the ongoing review of the policy on debt limits in Fund-supported programs and expressed their expectation that the reform package would ensure that borrowing countries would have enough flexibility to manage the financing of essential public investment. Equally, they called on the IMF to explore options for debt relief in favor of countries in debt distress in the continent. They welcomed the IMF continued provision of technical assistance through regional centers. They also encouraged the IMF to conduct more analytical work to better assist member countries in their efforts to foster inclusive growth and stimulate job creation,” Mr. Abdelrasoul said.

Ms. Lagarde added: “On the IMF side, we have recently implemented important initiatives to strengthen our support to African countries through capacity building and financial assistance. To enhance our support for capacity-building, we have established a new Africa Training Institute in Mauritius that will begin operations in the next few months and are to open a sixth regional technical assistance center that will serve the continent in Accra later this year, to meet the needs of non-francophone West African countries. On financial assistance, we have extended the exceptional zero-interest rate on concessional loans for low-income countries through end-2014 and are working to secure the resources needed to continue providing concessional financing to low-income countries on a self-sustained basis over the longer term.”

In closing, the co-chairs noted that “African policy makers and IMF staff will continue working together to monitor domestic and global developments to deal with any adverse events and deploy policies to ensure a strong economic performance in the period ahead”.

¹ The African Consultative Group comprises the Fund Governors of a subset of 15 African countries belonging to the African Caucus and Fund management. It was formed in 2007 to enhance the IMF’s policy dialogue with the African Caucus. The Group meets at the time of the Spring Meetings, while Fund Management meets with the full membership of the African Caucus at the time of the Annual Meetings.

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