

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

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Mr. Bader Eldin Mahmoud Abbas, 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 had very productive discussions on the economic outlook and policy challenges facing Africa. We concurred that economic prospects for the continent are promising, with economic activity projected to increase at an annual rate of about 5 percent in 2014 and 2015 in an environment of declining inflation.

"We also noted that the main downside risks to the outlook are a larger-than expected slowdown in emerging economies, especially China, and fiscal vulnerabilities and security concerns in a number of countries. In this regard, African countries should continue with their efforts to preserve macroeconomic stability and build resilience. For most countries, finding the right balance between strengthening reserve positions, raising private and public investment, and ensuring appropriate levels of social spending will be critical in the period ahead, while for some countries it will also be important to strengthen their fiscal positions and contain debt accumulation. In addition, we look forward to concerted efforts to restore peace and stability in countries that have been affected by political instability or conflict.

"Looking forward, Africa has the potential to generate sustained economic growth and further reduce poverty. For most low-income countries and natural resource exporters, diversifying economic activity and exports is an important goal to boost resilience and generate employment opportunities to an expanding young labor force. For middle-income countries, the focus will be on reforms to address skill mismatches in the

labor force, streamline and improve regulations, and expand safety nets to protect the vulnerable groups. Furthermore, the need to deepen intra-regional trade can not be overemphasised.

Mr. Abbas noted that: "While Sub-Saharan Africa has so far sustained a healthy growth rate, it could be vulnerable to a slowdown in emerging economies given the continent's dependence on trade, particularly with China, and on commodity prices. Against this backdrop, African countries recognize that they need to do a rebalancing of their own and generate growth in sectors like manufacturing and agriculture that can benefit the population in terms of employment opportunities, including through tackling infrastructure and energy gaps. However, access to funding remains challenging. In this context, African countries look to the Fund to continue its effective engagement with Africa and reform its policies, including the debt limits policy in Fund-supported programs, with a view to facilitating greater flexibility in managing borrowing options and providing policy space to meet Africa's tremendous investment needs."

In closing, Ms. Lagarde said "The IMF will remain closely engaged with our African members to support them with financial resources and technical advice as needed. In particular, we will continue devoting resources to assist North African countries in transition and fragile states to ensure economic stability and build resilience. At the same time, the Fund will continue to strengthen the analytical underpinnings of its policy advice and instruments, and seek to adapt its policies to the evolving needs of the membership. We also look forward to two important upcoming conferences "*Building the Future: Jobs, Growth, and Fairness in the Arab World*", to be held on May 11-12 in Jordan, and "*Africa Rising*", to be held on May 29-30, 2014 in Maputo, Mozambique where, together with policymakers, the private sector, civil society, and academics, we will have an opportunity discuss the challenges that North African and Sub-Saharan African countries face and consider how to best reflect in our future work those issues that are highest on the countries' agendas.

¹ The African Consultative Group comprises the Fund Governors of a subset of 15 African countries belonging to the African Caucus (African finance ministers and central bank governors) 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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