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UNITED NATIONS  
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Second 1988 Meeting of Working Party  
of African Governors in IMF/IBRD

Berlin (West), 21-24 September 1988

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REPORT OF SECOND 1988 MEETING OF WORKING PARTY  
OF AFRICAN GOVERNORS IN IMF AND WORLD BANK

## A. BACKGROUND

1. The second meeting of the Working Party of the IMF/World Bank Governors was held in Berlin (West) from 21 to 22 September 1988. The deliberations were held under the Chairmanship of Mr. B. Gaolathe, the Permanent Secretary in the Ministry of Finance and Development Planning of Botswana. This was followed by the 1988 Plenary Meeting of the African Governors Caucus (24 September 1988) and African Governors meetings with the President of the World Bank (Mr. Barber B. Conable) and the Managing Director of the International Monetary Fund (Mr. Michael Camdessus).

## B. ATTENDANCE

2. The meeting was attended by delegates from Botswana (Chairman), Côte d'Ivoire (Vice Chairman), Malawi and Morocco (Rapporteurs), Gabon, Madagascar, Niger, Nigeria, Rwanda, Sierra Leone, Tunisia and Uganda. In addition, representatives from Liberia, Mali, Zaire, the African Centre for Monetary Studies (ACMS), the Bank of Central African States (BEAC), the Economic Commission for Africa (ECA), the Central Bank of West African States (BCEAO) as well as the OAU Secretariat attended the meeting. African Executive Directors in the World Bank and the Fund or their representatives participated in the discussions.

## C. AGENDA AND WORK PROGRAMME

3. The African Governors Caucus meeting adopted the following agenda and the programme of work:

1. Adoption of the draft agenda
2. Adoption of the Minutes of the last meeting
3. Statement by the Chairman of the African Governors
4. Report of the Chairman of the Working Party
5. Consideration of the following documents:
  - a. Draft Memorandum to the World Bank President
  - b. Draft Memorandum to the IMF Managing Director
  - c. Draft Joint Statement of the African Governors at the 1988 Bank/Fund Annual Meetings
6. Adoption of the above drafts
7. Other Business

D. ACCOUNT OF PROCEEDINGS

1. Memorandum to Mr. Conable

4. The memorandum to the President of the World Bank centred on the issues of structural adjustment programmes, the debt problem, the General Capital Increase of the World Bank, the resources of the International Development Association (IDA), the policy framework paper, Multilateral Investment Guarantee Agency (MIGA), Regional Integration, and African representation in the Executive Board. The main thrust of the memorandum was that the World Bank should ensure that structural adjustment lending is a vehicle for economic recovery through mobilization of additional resources for sub-Saharan African countries. On the debt issue, the memorandum stated that since as much as 40 per cent of Africa's debt is owed to the Bank and the Fund, the World Bank should adopt more creative initiatives to deal with the debt issue especially the need to increase net resources inflows to Africa on highly concessional terms. To this end, the General Capital Increase, the Multilateral Investment Guarantee Agency (MIGA) and the IDA replenishment should pay special attention to the problems of sub-Saharan Africa. With regard to economic integration, the memorandum urged the World Bank to adopt a more dynamic supportive role to African integration institutions.

5. During the various discussions concerning the issues relating to the World Bank, technical support and advisory services was given in the following specific areas: (a) the need for African governors to take note of the United Nations Programme of Action on African Economic Recovery and Development (UN-PAAERD) especially on the setting of priorities for Africa. To this end, it was essential that African governors in the World Bank should insist on agriculture as the highest priority to be supported by transport and communications, industry, trade and finance, human resources development and the control of drought and desertification; (b) that despite the fact that many African countries were implementing structural adjustment programmes of the World Bank, the resources were inadequate to finance such programmes; and (c) that the structural adjustment lending by the World Bank should take into account the political and social cost of adjustment.

2. Memorandum to Mr. Camdessus

6. In the memorandum to Mr. Camdessus, the African Governors outlined the following issues: developments in the world economy; the economic adjustment process; the debt problem and overdue obligations to the Fund; Fund resources and operations; and Fund-Bank collaboration. The African governors emphasized that although the world economy had shown some improvement in the

economic growth in industrialized countries, many African economies had stagnated and were generally at less than 1 per cent per annum. In order to improve the African economic performance, the IMF should improve the design of its growth-oriented programmes to fully take account of the socio-economic effects of adjustment. The Fund should also expand the period of repurchases of Fund resources to enable the African countries to realize the full results of the adjustment programmes. Moreover, while welcoming Fund-Bank collaborations the memorandum expressed the concern that this should not lead to cross-conditionality. With regard to external debt the memorandum encouraged the Fund to continue to play its role in implementation of the debt strategy taking into account the individual situation of African countries. Lastly, on overdue financial obligations to the Fund, the memorandum stated that any "punitive" measures by the Fund would be counter-productive and that the Fund should play a more positive role in finding more appropriate solutions.

7. Specific suggestions from the ECA for improving the dialogue in international monetary and financial relations included the following main issues: (a) the IMF continues to be a net recipient of resources from Africa and measures should be taken to halt or reverse this trend if economic recovery is to comment in African countries; (b) overdue obligations to IMF had become a serious issue for many African countries including those that have not actually defaulted. Therefore, the Fund, should not always resort to punitive measures that ostracize countries from the financial and donor community but should play a catalytic role in mobilizing additional resources to Africa; and (c) African countries have been most seriously hit by the continuing high interest rates as well as fluctuation in exchange rate adjustments of the world major currencies. Therefore, the IMF's surveillance role should be remodelled to ensure that the weak nations are fully protected.

### 3. The Joint Statement

8. The Joint Statement by the African Governors at the 1988 Annual Meetings of the Board of Governors of the IMF and the World Bank (delivered by Honourable P.S. Mmusi, Vice President and Minister of Finance and Development Planning in his capacity as chairman of the African Governors' Caucus), stressed that growth of world output had not been shared equitably between developed and developing countries and that the deterioration in terms of trade of African countries and increasing balance of payments deficits had halted development. Africa's external debt was increasing thereby draining away the meagre resources. There was also the disappointing growth impact of adjustment on African economies and much needed to be done to strengthen the design of programmes to make them more relevant to the particular needs of African countries concerned. It emphasized

that the unique character of Africa's external debt was contained in Africa's Common Position on Africa's External Debt crisis adopted by the Third Extraordinary Assembly of Heads of State and Government of the Organization of African Unity in December 1987.

9. Africa urged the Bretton Woods Institutions to consider more pragmatic debt relief programmes that are consistent with the current initiatives to alleviate debt. In mobilizing resources to Africa to finance structural adjustment programmes by the World Bank and the IMF, the two institutions should avoid introducing or strengthening cross-conditionality. While welcoming World Bank's new initiative on environment protection in its lending programmes, the Joint Statement stressed the need for the international community to co-operation in avoiding the dumping of industrial material, including toxic wastes, in African countries. On structural adjustment, the statement emphasized the need to consider new policy instruments to ensure that adjustment takes into account the socio-economic impacts on the poor of the African societies.

E. MEETING WITH MR. CONABLE AND MR. CAMDESSUS

10. In addition to the written memorandum to the President of the World Bank and the Managing Director of the IMF, the African Governors traditionally hold separate meetings with the Executive Heads of these institutions at which the main issues highlighted in the memoranda (see paras 4 to 7) are brought to their attention. Meetings were held with Mr. Conable on 24 September 1988 and with Mr. Camdessus on 27 September 1988 under the chairmanship of Mr. Paul Mmusi, Vice-President and Minister of Finance of Botswana and Chairman of the 1988 African Governors Caucus in the IMF and World Bank.

1. Meeting with Mr. Conable

11. In the verbal reply to the memorandum, Mr. Conable praised the World Bank performance and emphasized that during 1986/87 period, the World Bank had significantly increased its lending to Africa from \$2 billion to over \$3 billion most of which was quick-disbursing. Moreover, the Bank had been instrumental in persuading other lenders to increase flows to Africa through additional financing of \$6.5 billion of which over \$4.5 billion had already been committed. He defended the structural adjustment programmes by emphasizing that countries with structural adjustment programmes in place had performed better economically than those that did not. He urged that the main consideration should not be on mitigating the cost of adjustment but rather the cost of not adjusting. He stressed three further issues: (i) that time was ripe to build African management capacities through joint collaboration between African countries and

bilateral and multilateral donors; (ii) population control was an essential means of improving the living standards of the masses in Africa; hence, the World Bank was ready to work with Africa to develop effective population policies to cope with realities; and (iii) privatization was the best means of ensuring that entrepreneurs release the required creative energy in growth. The World Bank, through the International Finance Corporation (IFC) and MIGA would help develop projects for the private sector.

12. The African governors raised issues on the following areas: (i) the medium-income African countries were not getting adequate attention in resource flows or debt relief programmes though many of them were experiencing serious economic and financial difficulties; (ii) the problem of resources outflows from Africa were still very serious and while the World Bank was mobilizing additional resources, other financial entities were busy siphoning the money out of Africa thereby frustrating economic recovery programmes; and (iii) what was the nature and status of the World Bank's long-term study? Would this involve African countries and institutions?

13. Mr. Conable replied that the world Bank had special programmes to assist middle-income countries especially in the area of co-financing. A review will be made to see how best to design lending programmes to take into account the special position of these countries. On resources, the world Bank was ensuring that resource outflows were mitigated. The present criteria for resource flows into Africa was that the countries must be poor, heavily indebted and implementing approved structural adjustment programmes. There would be no additional conditionality for co-financing. On the long-term study, this would take considerable time to complete but African institutions (ECA, ADB and OAU) would be consulted and fully involved in this exercise.

## 2. Meeting with Mr. Camdessus

14. Mr. Camdessus verbally responded to the African presentation by stressing that IMF was interested in ensuring that African countries improve their capabilities for monetary and financial management. He stated that IMF was making special effort to provide additional resources to the poorest countries in dealing with short-term as well as medium-term economic problems through the structural financing facilities (SAF) and the enhanced structural financing facility (ESAF). As an agenda for action for the next five years, Mr. Camdessus indicated that the Fund would place emphasis on the following issues (i) to sustain growth in the industrialized countries; (ii) to facilitate freer international trade; (iii) to strengthen the international monetary system; (iv) to have developing countries grow at a

more satisfactory rate and grow out of their debt difficulties; and (v) to sustain the Fund and enable it to discharge its responsibilities. The situation of the low and middle income countries would be given special attention.

15. The African countries pressed for the following issues (i) that adjustment should ensure growth and equity and fully take account of the social and political costs involved; (ii) the relationship between the Fund and the financial donor community at large should not lead to cross-conditionality; and (iii) Africa's obligations to the Fund were increasing and causing serious concern. Fund should ensure that it was not a net recipient of resources from Africa.

16. Mr. Camdessus stressed that IMF was seeking a formula for effective dialogue between it and its members as well as with donor agencies to deal more effectively with the problems of the poor countries especially in sub-saharan Africa. The policy framework paper is a vehicle to ensure such a dialogue.

#### F. EVALUATION AND FOLLOW-UP

17. Two meetings of the working Party of African Governors in the IMF and the World Bank were held in Gaborone in July 1988 and Berlin (West) in September 1988 at which ECA played an active role in providing technical support and advisory services in the preparation of the memoranda and joint statement. This was followed by the meeting of the African Governors' Council in the IMF and World Bank as well as individual meetings between the governors and Messers Conable and Camdessus. These forums provide ample opportunity to ensure that the major issues of interest to Africa are duly reflected. The ECA ensured that there was some consistency in the African statements made within the context of the IMF and the World Bank, with those made elsewhere in Africa and the UNCTAD. More specifically, the African delegations were reminded of the Lagos Plan of Action and the Final Act of Lagos as the basis for African long-term development strategy. These were amplified, for short and medium-term implementation, in Africa's Priority Programme for Economic Recovery (APPER) and the United Nations Programme of Action for African Economic Recovery and Development (UN-PAAERD). Furthermore, the debt strategy was outlined in the African Common Position on Africa's External Debt crisis.

18. For the future, the following aspects are of importance to the African countries.

- (i) Despite resource constraints, ECA should re-assert its co-ordinating role in the African monetary and financial matters. Greater co-ordination should be developed between ECA and the African Executive Directors in the IMF and the World Bank to ensure a regular exchange of information on what is happening

in Africa as well as the Bretton Woods Institutions. More specifically, ECA should endeavour to prepare, in collaboration with the African Centre for Monetary Studies, the preliminary drafts of the Memoranda and Joint Statement that would reflect the current situation and realities in African countries;

- (ii) African Executive Directors in the IMF and World Bank should be invited to actively participate in all ECA meetings dealing with trade, development finance and external debt.
- (iii) In order to ensure continuity in the trends of issues, the Memoranda to the World Bank and IMF Executive Heads as well as the Joint Statements should be made available to the meetings of the Conference of Ministers of Finance, the Association of African Central Banks and the sub-regional monetary and financial institutions. This would assist especially those countries that frequently change delegations to these meetings.