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INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Statement by the Hon. **DAVID O. CAREW,**
Governor of the Fund and the Bank for **SIERRA LEONE,**
on Behalf of the African Governors,
at the Joint Annual Discussion

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Governor of the Fund and the Bank for Sierra Leone,
on Behalf of the African Governors,
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Mr. Chairman,
Honorable Governors,
Ladies and Gentlemen,

Africa’s economic expansion is expected to continue this year, although the external environment is showing less favorable signs. The global economy has slowed down, oil and food prices have reached record-high levels, and global financial markets are strained. The deterioration of the external environment poses significant challenges causing great concern to many countries in our region.

We are particularly concerned about the severe impact that high global food and oil prices are exerting on our economies and the welfare of our populations. These have already taken a heavy toll on the hard-won macroeconomic stability, economic growth, and poverty reduction gains in our countries. Riots have threatened peace and stability in many of our countries, which are still grappling with deep scares on the social fabric.

The current financial turmoil in the advanced economies indicate that the real economy is decelerating faster than earlier envisaged, with consumption, labor and housing markets weakening in both the USA and Europe. The confidence shocks continue to exert intense pressure on these economies, with money markets and lending standards tightening further. We have witnessed the crisis evolving from one of liquidity into that of solvency, in the process, creating a systemic problem of recapitalizing the financial institutions. While we share the view that public money should be used when there is a solvency problem, we urge the Fund to quickly develop a set of systematic principles that should govern such policy recourse for all countries alike.

Africa has so far been relatively resilient to the current global financial crisis, but there are serious downside risks. The resilience has stemmed from, among others, solid macroeconomic fundamentals, prudent macroeconomic policies and higher commodity prices. However, the sharper-than-expected downturn for advanced economies and its likely spillovers on emerging market economies such as China and India would have a negative bearing on the growth prospects of Africa.

We would like, nonetheless, to reaffirm our commitment to prudent policies and structural reforms, especially those that would help the least able to cope with these external shocks, while consolidating the gains from macroeconomic stability. However, given the magnitude of the crisis, our countries cannot achieve the desired outcome unless and until the World Bank and the Fund step up their support to our policy frameworks, and help us address the short- and long-term impact of rising food and oil prices.

In this regard, we welcome the IMF's immediate responses that include some augmented access to the Poverty Reduction and Growth Facility (PRGF) for countries under this program and whose balance-of-payments has been severely affected by the current shocks. We also welcome the recent review of the Exogenous Shocks Facility (ESF) and we urge the Fund to expeditiously implement the facility in order to enable greater and faster access by countries in need of resources from this instrument.

In the World Bank Group, we welcome the New Deal on Global Food Policy, including the Global Food Crisis Response Facility which provides $1.2 billion as a rapid response financing, from which several of our countries have already benefited. We also support the intention of the World Bank Group to boost its overall assistance for global agriculture to $6 billion from $4 billion over the coming year and increase its agriculture lending to Africa from US$ 450 million to over US$ 800 million.

Despite these efforts, we would still like to underscore that more financial and technical support is required to meet the needs of our countries in the present environment. In this regard, we urge the World Bank to increase its financing to scale-up Africa's investment in agriculture, infrastructure, and other related areas, with the view to help reduce transaction cost and improve productivity. The World Bank Group needs to strategically take a comprehensive approach that encompasses the whole value chain of the agriculture sector, identify and remove all constraints from farm level all the way to transformation and export.

The main cause of Africa's low agricultural productivity lies on the limited irrigation and use of productivity-enhancing inputs, including fertilizers, improved seeds and pesticides. Thus, we call on the Bank and IFC to step up their support in irrigation and land management, and to facilitate access to inputs by farmers at affordable prices.

The World Bank should also assist our countries in building marketing and distribution infrastructure facilities in the context of regional integration, by providing adequate financing and technical assistance in support of our Regional Economic Communities (RECs).

We continue to underscore the critical importance of lowering global tariffs imposed on our agricultural commodities, and eliminating subsidies introduced by the developed countries on their products. The distorting developed countries' agriculture subsidies and tariffs have left Africa at a comparative disadvantage, and will have to be tackled first if one aims to exploit the continent's agricultural resources and the related processing and manufacturing activities. The current hikes in food prices provide a suitable environment to make a breakthrough in removing subsidies since the developed countries' producers are already getting the best returns.

More generally, there is a need to reverse the marginalization of Africa in global trade. To this end, we seek the IMF and the Bank's advocacy role in unblocking the WTO talks to allow a quick resumption and a successful conclusion of the multilateral trade negotiations on issues under the Doha Round in order to ensure fair and balanced international trade, and urge all members of the WTO to stay on course.

Honorable Governors,

Let me now turn to two important issues that are also of concern to us, related to the ongoing reform agenda at the IMF and the World Bank, namely, *voice and representation,* and *technical assistance.*

We are encouraged by the promising prospects of the ongoing dialogue in the World Bank Group to facilitate consensus building by stake holders on a voice and representation reform package. In particular, we welcome the establishment of a third chair for Africa, and urge its immediate implementation While acknowledging the doubling of basic votes proposed in the package, we are still calling for tripling of basic votes, or better, restoring their 1944 level. Furthermore, we call on the Bank to facilitate the increase of our countries' voting power in the IDA Board, moving towards achieving parity between developed and developing countries in the long run.

We would also like to welcome the package adopted by the IMF Board of Governors on April 28, 2008 on quota and voice reform. However, while the agreement is broadly in the right direction, we consider it as an initial step towards enhancing and strengthening voice and representation of the African countries in the IMF Board. More needs to be done to enable a more effective voice and participation of African countries in the decision-making process of the IMF in particular, and the Bretton Woods institutions in general, to restore their legitimacy, including the establishment of a third chair for Africa at the Executive Board of the IMF.

We acknowledge the progress made in enhancing diversity at the managerial level in the Bank, and we urge both the Bank and the IMF to do the same at all staff levels. A merit-based selection of the Heads of the Bretton Woods institutions, regardless of their nationality, also forms an important voice issue that needs to be achieved. Furthermore, the appointment of an African national as Deputy Managing Director of the IMF is long overdue.

Regarding technical assistance, we reaffirm that the technical assistance provided by the Bretton Woods institutions is vital to our countries' efforts to promote institutional capacity, macroeconomic stability, growth, and poverty reduction. In this regard, we welcome the increasing positive role played by the African Technical Assistance Centers (AFRITACs). However, we are deeply concerned about the potential impact of the current restructuring and refocusing of the IMF's activities on the delivery of technical assistance. In particular, we caution that any decision to impose fees on technical assistance on countries should take into consideration the fact that IMF's technical assistance is a public good, and should therefore be financed, as a matter of principle, by the general membership.

Finally, although our countries contribute the least to the carbon emission, they are the hardest hit by the climate change. Nonetheless, we are determined to play our role in the global effort to reduce the GHG emissions. We, therefore, call for availing us with adequate financial resources, mainly on grant basis, to enable us play our role effectively. We urge all the stake holders to expeditiously reach a new deal on the post-Kyoto Protocol under the auspices of the United Nations Framework for Climate Change. While we welcome the recent initiative by the World Bank to scale up its climate change activities, we urge the Institution not to compromise its growth and poverty reduction focus.

Thank you for your attention.