The seminar held in Maputo was meant to provide a forum for the views of African senior policy-makers, regional organizations and civil society representatives on the role of the IMF in the African continent, and about the need and scope for regional cooperation on monetary and wider economic matters.

The seminar was opened by the Prime Minister of Mozambique and the President of the African Development Bank who expressed strong interest in and support for this initiative. The morning discussions then focused on the role and potential of regional cooperation, while the afternoon looked more specifically at the role of the IMF in the changing global context. This summary note brings together main themes of these discussions, and highlights specific recommendations that surfaced during the seminar.

The role and potential of regional organizations

Regional cooperation and integration in Africa dates back several decades, and mostly takes the form of sub-regional groupings in Southern, Eastern and Western Africa (SADC, COMESA, ECOWAS, etc.) which promote economic integration. The Lagos Plan of Action, approved in 1980, already talked about integration, indicating the need for the creation of an African Monetary Fund and for better harmonization of financial and monetary policies. In West Africa, the monetary union in the UEMOA has been a reality since 1994, with eight countries sharing a single currency and a central bank. SADC has designated 2018 as the target year for a fully functioning regional monetary union.

The experience of the UEMOA shows that the definition of regional plans and programmes might be a good way to present credible initiatives to development partners.
Also, financial market development at regional levels is a priority, to allow for a deeper mobilization of resources for development financing which better responds to local needs and priorities. Another successful case of regional cooperation is that among central bank governors in the Southern Africa region, which has promoted joint initiatives and agreement on convergence criteria, improvement of central bank statutes, etc.

Commodity prices, aid volatility, capital flows, trade access, and exchange rates all represent collective action problems that need to be dealt with through international cooperation. The future of regional integration, however, depends on leadership. There are some positive signs. For example, initially SADC discussed only political, and not economic, issues. Now things have changed, showing a different kind of commitment that encompasses economic issues as well. Infrastructure investment is one of the key challenges ahead.

**What the IMF should focus on in Africa**

Discussions on the role that the IMF should play in Africa today need to start from a recognition that circumstances have shifted quite dramatically in the last decade or so. Most middle-income countries that were the main clients of the IMF have paid off their debts, leaving the Fund with fewer resources and less leverage than it once had. A number of African countries, thanks to commodity price booms and better macroeconomic management, are doing without IMF programmes and turning to international capital markets to satisfy their needs for external financing. Others are engaging with new donors like China, reducing their dependence on IMF financing.

At the same time, some participants maintained the IMF still has an important role to play as guardian of international macroeconomic stability, especially given the current global economic turmoil, and as a signaling device for other donors in many low-income countries, particularly in Africa.

Many institutions, like donor agencies and private companies, still rely on the Fund to collect information and carry out analysis on the soundness of the macroeconomic policy framework in poor countries, which in turn determines the amount and nature of the financial flows that they receive. Several participants considered this arrangement to be unfortunate, but unlikely to change in the near future. Some observed that in the past the IMF had played a positive role as an external agency of restraint on fiscal expenditures, which partly explains Africa’s improved present economic performance. They also commend the quality of its analytical capacity and of the technical assistance it provides.

On the other hand, a large number of participants criticized the overly dogmatic and rigid approach that the IMF takes on a number of issues, including debt sustainability. Countries are given very little flexibility in terms of alternative policy strategies. In the case of DRC, for example, the IMF dismissed a proposed $8bn loan from China as unacceptable on debt sustainability terms, rather than assist the government in negotiating the best possible terms and conditions, given the country’s pressing infrastructure needs. In this sense, one of the main challenges that the IMF faces in Africa is that of responding more flexibly to country needs and circumstances, providing tailored advice and support. In other words, the IMF needs to operate more as a partner, but one which does not speak *ex-cathedra*. It needs to shed its role as a champion of an external agenda. What is needed are more frank and open discussions between country authorities and IMF.

One of the participants proposed categorizing African countries as belonging to three separate groups. The need to re-think the IMF’s approach in each of these groups was also proposed: 1) the ‘macroeconomic stabilizers’, who need signaling and only occasional funding; 2) the ‘resource-rich countries’, who can do without the IMF but may have serious problems as a consequence; and
3) ‘fragile states’ whose macroeconomic stability is undermined by conflict and instability.

Besides changing its approach, a number of participants highlighted some key issues that the IMF should focus on. These included:

- Addressing the impact of exogenous shocks, especially current shocks in oil and food prices;
- Tracing the potential impact on Africa of current financial crises, which might affect Africa more than the 1997 Asian crisis;
- Looking at and responding to the changing dynamics of aid delivery and foreign investment, including the Paris Declaration and the role of new donors and sovereign wealth funds;
- Assisting countries in expanding their fiscal space, to provide for the need for increased expenditure, especially for capital investments;
- Adopting a more proactive effort to use collective knowledge on global issues for regional purposes (e.g. macroeconomics of food security); and
- Allowing national governments more policy space, and providing advice on alternative policy approaches drawing from the experiences of non-OECD countries.

In summary, while participants felt that overall the IMF still had a significant role to play, mostly focused on global issues, surveillance, signaling and technical assistance, its role in Africa needed to shift substantially in order to better respond to country contexts, be less intrusive and more flexible and responsive to the continent’s new agendas and realities.

Wider reform issues for the IMF

The points highlighted above mostly deal with how the IMF is perceived at country level. Yet, participants recognized that there are a series of issues that need to be tackled at an international level, and particularly at IMF headquarters, in order to create some of the conditions for the shifts that are necessary at country level. For the IMF to respond better to Africa’s priorities, governance reforms are needed, for example in the areas of quotas and board representation, beyond the small steps taken at the Spring 2008 meeting of the IMFC. While some participants noted that, given the current global power balance, not much progress could be expected in these areas in the near future, others claimed that there is a need for mobilization of civil society and other stakeholders on IMF reform, similar to what happened with debt relief. It is also important to remember that Africa can have more bargaining power within the IMF since it is the sole region that continues to borrow from and actively engage with the IMF. Thus its influence should be more significant that the small size of its quotas and voice at the IMF Board. Turkey just completed its agreement, so no more middle-income countries are borrowing from the IMF.

Other important areas of attention on the global scale included:

- Shifting some of the functions currently housed in the IMF and WB (for example their respective Africa Departments) to regional bodies such as the African Development Bank.
- Increasing the number of senior Africans working within the IMF, especially in management positions.
- Strengthening and re-focusing the role of the IMF African Caucus in order to concentrate on stimulating debate on African development issues and on IMF reform.
Cross Cutting Issues

Throughout the seminar, two issues were of importance to all participants and were raised repeatedly, whether the discussion was on national, continental or global issues. Those issues were conditionality and capacity building.

Conditionality

A number of participants, while recognizing the merits in some of the recent changes, nonetheless lamented the continued use of strict conditionalities in IMF programmes. On the one hand, some claimed that conditionalities only lead to reforms when there is government commitment, in which case they are clearly unnecessary. On the other hand, conditionalities restrict policy space, affect predictability and impede those policy initiatives that are the prerogative of governments. Some policy changes may require urgent attention in the short term, without having to wait for IMF approval. The new PSI instrument continues the same inflexibility and heavy monitoring costs that characterized the conditions that accompanied loans. The frustration of many participants was captured by the story accounting a meeting with an IMF representative and an African Finance Minister. The IMF person had brought a newspaper clipping about a new policy initiative by the government. The Fund representative complained that the government could not act because the issue “had not been discussed yet”. In another case, the IMF delayed 6-months in responding to a serious crisis linked to food prices. There was a clear need for urgent measures, and the government was ready to intervene, but the IMF mission calendar did not allow for any immediate policy and budget reviews.

Capacity building

Capacity building was deemed key to the sustainability of reforms, but many agreed that it is a poorly understood area. While resources are often scarce, there are also untapped reserves within Africa itself. Why not tap the expertise of former World Bank, IMF and UN staff from African countries, who will have the right skills? Further, African governments have to create better conditions, making it possible, competitive and advantageous for local capacity to be best mobilized and utilized. There was a strong consensus that a change in the overall approach to capacity building is needed, with local/regional capacity building as the way forward.
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