



## Crisis turning into 'human calamity': IMF, World Bank

27 April 2009

The global economic crisis is turning into "a human and development calamity," with poorer countries being hit increasingly hard, the IMF and World Bank said Sunday.

"The global economy has deteriorated dramatically ... Developing countries face especially serious consequences as the financial and economic crisis turns into a human and development calamity," they said in a statement.

The crisis "has already driven more than 50 million people into extreme poverty ... We must alleviate its impact on developing countries and facilitate their contribution to global recovery."

How to help the developing world cope with the worst global slump since the Great Depression of the 1930s was top of the agenda for the joint International Monetary Fund and World Bank Development Committee meeting on Sunday.

A World Bank and IMF report warned on Friday that the crisis means up to 90 million more people will remain trapped in extreme poverty this year while the chronically hungry could top one billion.

African countries are among the most vulnerable in a crisis which has slashed investment and credit flows, jeopardizing development gains and poverty reduction.

The head of the African Development Bank, Donald **Kaberuka**, warned on Sunday that Africa was hit more quickly than expected by the crisis and, even worse, would pick up more slowly when recovery eventually comes.

Most had expected problems in Africa 18 months after the start of the crisis, because the continent is not tightly integrated into the global financial system. But instead the crisis hit investment immediately while "credit flows had almost dried up.

"My concern (is that) once recovery sets in ... African countries will recover much more slowly," **Kaberuka** said.

The IMF forecasts growth in Africa to plunge to 2.00 percent in 2009 from 5.25 percent in 2008 as exports slump and investment flows shrink.

The statement Sunday said member states needed to meet pledges, including commitments made at the London Group of 20 developed and developing countries summit on April 2, to boost resources available for states struggling to cope.

"Given the possibility of a slow recovery, we considered the need to deploy additional resources," it said.

"No one knows how long this crisis will last," World Bank president Robert Zoellick told a news conference after the close of the Development Committee meeting.

Zoellick warned that it would be extremely difficult to meet the UN Millennium Development Goals, which focus on reducing poverty, by the deadline of 2015.

On Saturday, the World Bank launched a 55-billion-dollar infrastructure investment program designed specifically to help developing countries weather the global slump.

"As developing countries are facing the trials of the global economic crisis, it is vitally important that economic stimulus packages in the developed world are accompanied by support to those that cannot afford multi-billion (dollar) bailouts," Zoellick said at the launch.

US Treasury Secretary Timothy Geithner told the development committee Sunday that "a top priority must also be support for the poorest countries."

Geithner said Washington was "on track" to meet a pledge to double development aid to Sub-Saharan Africa by next year and would increase other help "to vulnerable populations ... so that we can give people the tools they need to lift themselves out of poverty."

Marita Hutjes, senior policy advisor at anti-poverty group Oxfam International, called for a speeding of aid to the most vulnerable.

"Contributions to the bank and the IMF for the poorest countries are needed now. Bureaucratic delay and lack of political will on this will cost lives," Hutjes warned.

Brazil's finance minister, Guido Mantega, told the development committee that a temporary increase in aid "cannot be an option."

Steps to limit downturns "must not be adopted only when a crisis is under way. Applied in advance by all ... they could be an effective protection against future crisis," he said in a statement.

The 185-member IMF and sister institution the World Bank met Saturday and Sunday under tight security at their headquarters just blocks from the White House in Washington.

The IMF earlier this week sharply downgraded growth forecasts, saying it now sees the global economy contracting by 1.3 percent this year before returning to growth of 1.9 percent in 2010.



## IMF, World Bank focus on crisis aid for poor countries

Bryan McManus

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The International Monetary Fund and World Bank met Sunday, aiming to get more help to developing countries battered by the global financial crisis that is pushing millions more into poverty.

Topping the agenda of a meeting of the joint IMF-World Bank development committee was the fallout from the crisis that began in the advanced economies but which is now hitting the most vulnerable countries.

A World Bank/IMF report warned on Friday that the crisis means up to 90 million more people will remain trapped in extreme poverty this year while the chronically hungry could top one billion.

"The international community needs to work together to prevent the current crisis from escalating into a development crisis," Chinese Vice Finance Minister Li Yong said.

African countries are among the most vulnerable in a crisis which has slashed investment and credit flows, jeopardizing development gains, especially on poverty reduction.

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The head of the African Development Bank, Donald **Kaberuka**, warned on Sunday that Africa was hit more quickly than expected by the crisis and, just as bad, would pick up more slowly when recovery eventually comes.

Most expected problems after about 18 months because Africa was not tightly integrated into the global financial system but instead the crisis had had an immediate impact on investment while "credit flows had almost dried up."

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"A top priority must also be support for the poorest countries," US Treasury Secretary Timothy Geithner told the IMF/World Bank Development Committee on Sunday.

He said Washington was "on track" to meet a pledge to double development aid to Sub-Saharan Africa by next year and would increase other help "to vulnerable populations ... so that we can give people the tools they need to lift themselves out of poverty."

Brazil told the IMF/World Bank development committee meeting that a temporary increase in World Bank aid to such countries "cannot be an option" and attacked the idea free-market capitalism was the only answer to the problems.

"We need to free the world (of) pervasive economic dogmas presented for many years as absolute truths," Brazilian Finance Minister Guido Mantega said in a statement.

Steps to limit downturns "must not be adopted only when a crisis is under way. Applied in advance by all ... they could be an effective protection against future crisis," he said.

The 185-member IMF and sister institution the World Bank were meeting for a second and final day Sunday under tight security at their headquarters just blocks from the White House in Washington.

The IMF earlier this week sharply downgraded growth forecasts, saying it now sees the global economy contracting by 1.3 percent this year before returning to growth of 1.9 percent in 2010.



## Zimbabwe needs to do more for financial aid-bank

By Lucia Mutikani

26 April 2009

WASHINGTON, April 26 (Reuters) - The African Development Bank said on Sunday Zimbabwe needs to do more work before the country's full scale reengagement with the global community, a sign that foreign funding to rebuild its shattered economy will be tough to secure.

ADB President Donald **Kaberuka** told reporters the bank was working together with the International Monetary Fund and the World Bank to ensure Zimbabwe normalized its relations with the international community.

"There are many things to be done for full scale reengagement," said **Kaberuka**, side stepping the issue of whether the ADB would step in with some form of funding.

Zimbabwe's new unity government has asked for international funding to rehabilitate an economy, once described by the World Bank as the fastest shrinking outside a war zone. Over 90 percent of the country's working population is unemployed and the government is broke.

Despite the formation of the new government early this year by political rivals Robert Mugabe and Morgan Tsvangirai, donors remain reluctant to lend money. More worrying, farm invasions, at the root of the collapse of the once vibrant economy, have continued.

Policy differences with President Mugabe's government, including the often violent seizure of white-owned farms for the resettlement of landless blacks, have left it without international funding. The land seizures started in 2000.

The IMF, which suspended Zimbabwe's voting rights in 2003, said on Friday the country had to clear its arrears with the fund, now amounting to \$130 million, before it could get any money. The World Bank, which is owed over \$600 million, has maintained a similar stance.

There had been speculation that either the ADB or the Southern African Development Community could

arrange a bridge loan to pay off Zimbabwe's arrears with the IMF. However, **Kaberuka's** remarks appeared to pour cold water on suggestions that a rescue package was in the works.

"I don't think the strategy of making Zimbabwe dependent on foreign aid is the right one. What we need to do with Zimbabwe is to work with them to establish business confidence, rehabilitate their infrastructure and ensure that skilled Zimbabweans come back to their country," he said.

"I very much welcome the political arrangement in Zimbabwe. It may be imperfect but it represents a chance for that country's recovery and return to its previous prosperous status."

The U.S. has indicated it is not yet ready to give money to Zimbabwe. (Reporting by Lucia Mutikani; Editing by Neil Stempleman)

Mail and Guardian

## **Africa to recover slowly from global crisis**

26 April 2009

ISI Emerging Markets Africawire

The global crisis has hit African countries harder than initially anticipated and the continent will lag the rest of the world in recovery, the African Development Bank (ADB) said on Sunday. Africa has seen a sharp decline in investment flows while credit financing has dried up, chipping away at infrastructure development, ADB president Donald **Kaberuka** told reporters on the sidelines of the International Monetary Fund/World Bank spring meetings.

"At the beginning of the crisis we thought maybe it would take a year and a half for the effects to reach us. The effects have been faster than expected on African currencies and investment flows," he said.

"What is most damaging in this is, we have been hit faster than expected and my expectation is that once the recovery sets in, African countries will recover much more slowly than the rest of the world."

The global financial and economic crisis, stemming from the collapse of the US housing market, has decimated African exports. That, combined with declining commodity prices, foreign direct investment flows and worker remittances, has exerted fiscal pressure on many governments.

**Kaberuka** said there had been sharp pull backs in mining investments, with the most affected areas being in Zambia's Copper Belt, the south western Democratic Republic of Congo, Liberia and Guinea, where aluminum and iron ore projects worth billions of dollars had been scaled down by half.

"The other area, which is quite unfortunate, is infrastructure. We are beginning to see a lot of sudden retrenchment here," said **Kaberuka**.

Maintaining infrastructure spending is critical to attracting foreign investment in Africa, especially after years of neglect in some countries.

The World Bank on Saturday launched two new funds with an expected financing of \$55-billion over the next three years to try and ensure infrastructure projects in developing countries do not dry up in the financial crisis.

The funds are expected to focus largely on projects in Africa. The World Bank estimates the financing gap for infrastructure projects could range from \$140-billion to \$270-billion. - Reuters

Xinhua News Agency

## **Mining, infrastructure most hit in Africa amid financial crisis: AFDB president**

26 April 2009

WASHINGTON, April 26 (Xinhua) -- The current global financial and economic downturn has given a violent blow on the mining and infrastructure industries of Africa, African Development Bank President Donald **Kaberuka** said here Sunday.

"The biggest hit area is the mining industry, and second, which is quite unfortunate, is the infrastructure," **Kaberuka** told a press briefing at the spring meetings of the World Bank and the International Monetary Fund held here in Washington.

He said the interest of the public-private sector partnerships in power projects and other infrastructure projects went under a sudden entrenchment.

The most affected areas are in Zambia, southeastern Democratic Republic of Congo, Namibia and Guinea, said **Kaberuka**, citing the investment of a large aluminium project in Guinea and an iron ore project in Namibia are "killed down almost by a half."

He said Africa was hit more quickly by the global financial crisis rather than most people have expected that the effects would show up in the continent after about 18 months due to its rather loose integration into the global financial system.

The crisis had hit much faster, casting an immediate shadow on investment commitments while "credit flows had almost dried up," **Kaberuka** said.

He said for Africa, it is not a financial crisis, or a banking crisis, but an economic crisis, which "affecting countries through exports, through remittances and through neighborhood effects."

"My concern (is that) once recovery sets in ... African countries will recover much more slowly," said the president.

AFDB is one of the multilateral development banks mandated by the G20 summit to play a greater role, with increased means, to help poor countries tackle the crisis.

Xinhua News Agency

## **La crise mondiale porte un coup aux secteurs de la mine et de l'infrastructure en Afrique (président de la BAD)**

26 April 2009

WASHINGTON, 26 avril (Xinhua) -- L'actuelle récession financière et économique mondiale a porté un grand coup aux industries de la mine et des infrastructures africaines, a annoncé dimanche le président de la Banque africaine de développement (BAD) , Donald **Kaberuka**.

« Le secteur le plus durement touché est l'industrie de la mine, et le second, chose très malheureuse, est l'infrastructure », a déclaré M. **Kaberuka** lors d'une conférence de presse aux réunions de printemps de la Banque mondiale et du Fonds monétaire international à Washington.

Il a précisé que l'intérêt des partenariats du secteur public- privé au niveau des projets énergétiques et des autres projets d'infrastructure a soudainement reculé.

Les zones les plus touchées sont la Zambie, la République démocratique du Congo, la Namibie et la Guinée, a indiqué M. **Kaberuka**, précisant que les investissements dans un grand projet sur l'aluminium en Guinée et dans un projet sur le fer en Namibie est « réduit quasiment de moitié ».

Il a déclaré que l'Afrique a été touchée plus rapidement par la crise financière que ce que la plupart des gens avait prédit, à savoir que les effets se feraient ressentir sur le continent après environ 18 mois en raison de son intégration plutôt faible dans le système financier mondial.

La crise a frappé plus rapidement, assombrissant les investissements, alors que « les flux de crédit s'étaient presque asséchés », selon M. **Kaberuka**.

Il a précisé que pour l'Afrique, il ne s'agit pas d'une crise financière, ou d'une crise bancaire, mais d'une crise économique.

La BAD est une des banques de développement multilatérales mandatées par le sommet du G20 pour jouer un plus grand rôle, avec des moyens accrus, afin d'aider les pays pauvres à enrayer la crise. Fin



## IMF, World Bank focus on crisis aid for poor countries

Bryan McManus

26 April 2009

The International Monetary Fund and World Bank met Sunday, focusing on aid to developing countries battered by the global financial crisis that is pushing millions more into poverty.

Topping the agenda of a meeting of the joint IMF-World Bank development committee was the fallout from the crisis that began in the advanced economies but which is now hitting the most vulnerable countries.

The crisis means up to 90 million more people will remain trapped in extreme poverty this year while the chronically hungry could top one billion, a World Bank/IMF report warned on Friday.

African countries are among the most vulnerable to the crisis which has slashed investment and credit flows, jeopardizing development gains, especially on poverty reduction.

The International Monetary Fund forecasts growth in Africa to decline to 2.00 percent in 2009 from 5.25 percent in 2008 as exports slump and investment flows shrink.

The head of the African Development Bank, Donald **Kaberuka**, warned on Sunday that Africa was hit more quickly than expected by the crisis and, just as bad, would pick up more slowly when recovery eventually comes.

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On Saturday, the World Bank launched a 55-billion-dollar infrastructure investment program designed specifically to help developing countries weather the worst global slump in decades.

"As developing countries are facing the trials of the global economic crisis, it is vitally important that economic stimulus packages in the developed world are accompanied by support to those that cannot afford multi-billion (dollar) bailouts," World Bank president Robert Zoellick said.

"A decline in infrastructure leaves weaker foundations for long-term economic growth that hits the poorest the hardest," Zoellick added.

"A top priority must also be support for the poorest countries," US Treasury Secretary Timothy Geithner told the IMF/World Bank Development Committee on Sunday.

He said Washington was "on track" to meet a pledge to double development aid to Sub-Saharan Africa by next year and would increase other help "to vulnerable populations ... so that we can give people the tools they need to lift themselves out of poverty."

Chinese Vice Finance Minister Li Yong said the crisis was undercutting efforts to reduce poverty in the developing countries.

"The international community needs to work together to prevent the current crisis from escalating into a development crisis," Li said.

Reforms to give the developing world a greater voice and participation in the 185-nation IMF and World Bank, traditionally dominated by the United States and other major advanced economies, were also on the agenda.

The meeting comes on the second and final day of the spring meetings of the IMF and its sister institution the World Bank, held under tight security at their headquarters just blocks from the White House in Washington.

On Saturday, the IMF, which underpins global financial stability, said it was time to talk about exit strategies for the crisis since all members now agreed on the need for stimulus measures and cleaning up banks' bad assets.

IMF head Dominique Strauss-Kahn said now the debate had to be about how to prepare for the eventual economic upturn.

Some wanted to discuss the issue later but "our point of view is that (the) exit strategy view has to be taken into account as soon as possible," he said.

The IMF earlier this week sharply downgraded growth forecasts, saying it now sees the global economy contracting by 1.3 percent this year before returning to growth of 1.9 percent in 2010.

# The Observer

Observer Business Pages

**CAN THE IMF NOW FEED THE WORLD?:** The London G20 summit tripled the resources of the International Monetary Fund and made it a major force again, responsible for saving national economies hit by the global crash. But given its recent track record, will its policies do more harm than good?  
**Heather Stewart reports from Washington**

26 April 2009

Dominique Strauss-Kahn, the dapper former French finance minister who runs the International Monetary Fund, is finding it hard to conceal a certain swagger in Washington this weekend. If there is one big winner from the wrenching financial crisis of the past year, and the scramble by shell-shocked governments to tackle the turmoil, it is the IMF.

At the London summit of G20 countries this month, heads of state signed up to an extraordinary tripling of the IMF's resources, handing it the responsibility of acting as a giant economic shock absorber, to prevent a string of countries falling victim to crises. As one Oxfam campaigner said at the time: "The IMF is big, it's bad and it's back".

"I think you can say that the IMF is playing its role - and that is the rationale for the tripling of resources," Strauss-Kahn said this weekend.

Gordon Brown claimed in London that leaders had banished the "Washington consensus" of neo-liberal economics promulgated by the US-dominated IMF and World Bank. Yet the IMF was handed a massive new mandate, and given until 2011 to finish crucial reforms of "quota and voice" - the power each of its member countries have in the IMF's decision-making bodies.

Two years ago, the IMF, set up in the aftermath of the second world war, seemed to have lost its mojo. Before the credit crunch, during the calm years that became known as the "great moderation", the IMF's twin jobs, of emergency lender to hard-pressed countries and guardian of the global system, were both in abeyance. And as lending declined, its key source of income, from interest payments, fell away.

The IMF periodically issued warnings about the risks of the "global imbalances" in the international economy - live-now-pay-later consumption in the US and over-sized trade surpluses and vast foreign

currency reserves in rapidly expanding emerging countries such as China. But plenty of thinktanks offered their own analyses of the world economy without the need for the IMF's considerable staff and resources, and governments - including Britain's - felt free to disregard its advice.

In the past 12 months, as a little local difficulty in the US mortgage markets spiralled into a worldwide recession, and with the global economy now expected to shrink in 2009 for the first time in 60 years, the IMF has been triumphantly reborn. Iceland was the first desperate country to call on it for help - and the first developed country to borrow from it since the UK, in 1976. Several others, including the Ukraine and Latvia, soon joined the club; more, including Turkey, are in fraught negotiations with IMF staff.

Strauss-Kahn arrived at the IMF in the autumn of 2007 determined to rescue it from irrelevance, but it was the credit crunch that really gave it back its job, as what he this weekend called the world's "fire-fighter".

Even the most ardent campaigners for reform agree he has made a number of key reforms. "You have to say things are changing faster than they have before - but it's still at a snail's pace," says Peter Chowla, of the Bretton Woods Project, a UK thinktank that monitors the IMF. "A lot of the credit goes to Strauss-Kahn for pushing changes through."

Nevertheless, there is profound concern about the IMF's new, beefed-up role, especially among those with long memories. During the Asian crisis of the late 1990s, it imposed stringent conditions on many countries that came to it for help, forcing them to target unrealistically low inflation rates and implement what economists call "pro-cyclical" policies - spending cuts and interest rate rises that can exacerbate a downturn, instead of helping. It used its financial leverage to impose the Washington consensus recipe of financial liberalisation, privatisation and tight budgets; in many cases, the results were catastrophic.

The IMF's own independent evaluation office admitted that, in the case of Indonesia, for example, "the depth of the collapse makes it difficult to argue that things would have been worse without the IMF".

The 21st-century IMF would argue it has learned its lessons. Strauss-Kahn stressed this weekend that countries receiving its loans today are not required to sign up to a lengthy list of specific policy conditions. He also published a paper saying that the IMF would give countries additional leeway, to ensure they are not forced to cut back on social spending to meet arbitrary macroeconomic targets. "I have insisted that we're focusing on core conditions, not spending too much time on things that may be good for the country, but have nothing to do with the current situation," he said.

But an analysis of the new wave of loans, by Mark Weisbrot and colleagues from the Washington-based

Centre for Economic Policy Research (CEPR), finds that every one contains pro-cyclical policies. While the IMF has led the argument for large-scale fiscal stimulus in the rich world to kick-start economic growth, at the same time, the CEPR argues it is still forcing the countries that come to it for emergency loans to cut back on spending and reduce budget deficits.

For example, Pakistan had to promise to cut its deficit from 7.4% of GDP last year to 4.2% this year. "While this might be a desirable goal, it is questionable whether this reduction should all be done this year, when the economy is suffering from a number of external shocks that are reducing private demand," Weisbrot and his co-authors say.

After examining each new crisis loan, they warn that, "the re-establishment of the IMF as a major power in economic and decision making in low- and middle-income countries, with little or no voice for these countries in the IMF's decision-making, could have long-term implications for growth, development, and social indicators in many countries".

Duncan Green, head of research at Oxfam, says that whatever the message from HQ in Washington, IMF staff on the ground can't help handing out tough medicine: "It's in their DNA."

The IMF's heavy-handed tactics during the Asian crisis arguably played a role in the chain of events that created the credit crunch. It was their determination to avoid being forced into the arms of the IMF again that prompted many Asian countries to pile up huge cushions of foreign currency reserves, deliberately running large trade surpluses.

This "savings glut", as it became known, is one side of the so-called global imbalances that left the world economy dangerously out-of-kilter over recent years. Having all these savings sloshing around encouraged the world's financial system to become increasingly innovative in finding ways of investing it - including in sliced-and-diced sub-prime mortgages and the full range of other toxic assets at the heart of the financial crisis.

It is partly this harsh lesson that has prompted one of the IMF's most important innovations - a new lending arrangement called the Flexible Credit Line (FCL), which can effectively act as an overdraft for countries the IMF believes have generally sound policies.

In the past, borrowing from the IMF under its traditional "stand-by arrangements" has immediately been interpreted by financial markets - and voters - as a sign of deep distress, but the new facility is meant to remove that stigma. Mexico, Poland and Colombia have already signed up and others are soon expected to follow.

Jim O'Neill, chief economist of Goldman Sachs, says the FCL is aimed partly at providing countries with an insurance policy so that they no longer feel they have to accumulate such large foreign currency reserves at home by keeping their currencies cheap and running giant trade surpluses.

"To the extent that the FCL and similar facilities will induce emerging markets to rely less on external demand as the main driver of growth, this should boost consumption and imports in emerging market economies, and help rebalance the global economy," he says.

Marita Hutjes, senior policy adviser at Oxfam, agrees that it's a good thing for governments that qualify, reducing the specific conditions they face on loans. But she argues that it still leaves a large number of the poorest economies out in the cold.

"We do think there are serious issues, and countries need access to funds, but it needs to be broader, or something else needs to be available for the poorer countries," she says. "The IMF constantly says financial stimulus is the right thing to do for those countries that can afford it, so it's never for the poorest countries, because there's the assumption that they can't pay for it."

Donald **Kaberuka**, head of the African Development Bank, who was invited to the London summit, told a press conference at the IMF that efforts to protect the poorest countries from the credit crunch have so far been "timid". He warned: "They're either debt-creating, not adequate, or not likely to be effective within the time frame that's needed. We don't see how an international crisis of this magnitude can be resolved by ignoring 900 million people in Africa."

Sir Bob Geldof, who was in Washington this weekend to press a plan for the IMF to devote more resources from proposed sales of its gold reserves to the poorest countries, let loose a furious outburst about the perils of ignoring the plight of Africa in the credit crunch.

"All those arguments the activists and the politicians had for many years about aid, or debt cancellation, we can lay them to rest, because we're all begging for aid, we just call it fiscal stimulus. And we're all begging for debt relief, we just call it disposing of toxic assets," he said.

In the depths of the worst financial and economic crisis for 60 years, rich countries have so many problems to fix at home - and among their crisis-ridden neighbours, in eastern Europe, for example - there is a risk that many millions of others are still unable to make their voices heard.

Brown had hoped to reach a grand bargain on the future of the Washington financial institutions at the

G20 - indeed, in the early planning stages, the London summit was envisaged as a new Bretton Woods, echoing the gathering after the second world war that set up the IMF and the World Bank. Britain was optimistic that emerging economic powers, especially China, with its huge foreign currency reserves, could be persuaded to stump up more cash for development in exchange for more influence in decision-making.

What emerged was a giant sticking plaster. There was little new up-front money: much of the trumpeted trebling of IMF resources is still to be found, and the inevitable arguments about influence at the table in Washington were left to another day. China and Russia said they wanted to see a serious examination of the problems caused by the dominance of the dollar - and by implication the US - over the world economy; everyone else quietly ignored them.

In fact, the G20 gave Brown himself the job of coming up with sealing the next stage in the process. He has promised to "consult widely in an inclusive process and report back to the next meeting with proposals for further reforms to improve the responsiveness and adaptability" of the Bank and the IMF.

Chowla says the IMF's future will be mapped out over the next 12 months, as developing countries battle for control over its decision making, and a new generation of desperate governments are thrown into its clutches. "It's all to play for," he says.

One thing Britain could do to help seal a reform deal is offer to give up its own seat, and some of its voice, at the IMF, along with France, Belgium and others. But the more mischievous among the NGOs say that Brown is just as likely to lay the groundwork for a new posting for himself in Washington should the next general election not go Labour's way.

Strauss-Kahn is clear that he has more plans for radical reform over the next few months. Referring to a recent magazine article that summed up the reforms he has instituted as building "IMF 2.0", he insisted: "We will go further than that: we will have IMF 3.0."

It may be many years before it is clear whether Brown is right and the old Washington consensus has been supplanted by a kinder economic system - or if unleashing the mighty power of a reinvigorated IMF is laying the groundwork for Credit Crunch 2.0.



## La Banque mondiale discute d'un consensus impossible sur le développement

Hugues HONORE

26 April 2009

La Banque mondiale, qui réunissait dimanche son Comité de développement, était à la recherche d'un consensus impossible sur la manière de s'attaquer aux problèmes humains découlant de la crise économique mondiale.

Ce Comité, "un forum de la Banque mondiale et du Fonds monétaire international qui contribue à bâtir le consensus intergouvernemental sur les questions de développement", devait élargir les débats sur la crise financière au sort des habitants les plus pauvres de la planète.

"Alors que les pays en développement sont confrontés aux défis de la crise économique mondiale, il est vital que les plans de relance du monde développé s'accompagnent d'un soutien à ceux qui ne peuvent solliciter des prêts chiffrés en milliards", expliquait samedi le président de la Banque, Robert Zoellick.

Les deux institutions soeurs de Washington avaient en effet dressé vendredi le constat que la récession planétaire menaçait fortement les objectifs de développement, particulièrement en Afrique subsaharienne.

"Je ne pense pas qu'on verra ce week-end des miracles, je ne m'attends pas à ce que des décisions soient prises. Mais j'espère que nous pourrions parvenir à une meilleure compréhension", a affirmé dimanche le président de la Banque africaine de développement, le Rwandais Donald **Kaberuka**.

La Banque mondiale est déjà parvenue à plusieurs résultats à l'orée de ses réunions de printemps. Elle a annoncé ces derniers jours un triplement de ses investissements dans la protection sociale des pays en développement, et une augmentation de moitié de ses investissements dans les projets d'infrastructures et dans l'agriculture.

Mais les montants engagés et la volonté politique pour renforcer le rôle de la Banque n'atteignent pas les moyens massifs placés par les pays riches et émergents du G20 dans le FMI, qui a regagné une légitimité inattendue.

En témoigne le discours du secrétaire américain au Trésor, Timothy Geithner, devant le Comité de développement dimanche.

Il a appelé la Banque mondiale à "continuer à explorer des approches flexibles, telles que les garanties (sur ses prêts, apportées par des partenaires extérieurs, ndlr), pour démultiplier le capital public et privé afin de répondre aux besoins du développement". Une manière de dire qu'elle ne devait pas compter sur le seul financement par ses Etats membres.

Du côté des pays émergents, les critiques traditionnelles contre la Banque restaient vives.

Les ministres des Finances du G24, un groupe de pays émergents d'Afrique, Amérique latine et Asie, ont ainsi appelé à "faire en sorte que la Banque mondiale ait la capacité de répondre de manière adéquate à la crise, et de maintenir à long terme sa capacité de prêts". Le G24 souhaite aussi "une plus grande décentralisation du processus de décision", étroitement contrôlé par les pays riches.

La représentation des principaux clients de la Banque paraît en effet toujours insatisfaisante, malgré la création en février d'un 25e siège au conseil d'administration, attribué à l'Afrique subsaharienne.

"La crédibilité des réformes des institutions financières internationales repose au final sur la façon dont ces institutions modernisent leurs structures de gouvernement", reconnaissait ainsi devant le Comité la ministre allemande du Développement, Heidemarie Wiecek-Zeul.

Les organisations non gouvernementales considéraient déjà dimanche les réunions de printemps comme "une occasion manquée pour les pays pauvres", selon les termes d'Oxfam.



## L'Afrique sera plus lente à sortir de la crise (Banque africaine de développement)

26 April 2009

L'Afrique a été atteinte de plein fouet par la crise et aura plus de peine que les autres régions à en sortir, a affirmé dimanche à Washington le président de la Banque africaine de développement (BAD) **Donald Kaberuka**.

Selon lui, la plupart des experts s'attendaient à ce que l'Afrique ne soit touchée par la crise que 18 mois après les autres régions en raison de sa plus faible intégration avec le reste de l'économie mondiale.

Mais les effets se sont fait sentir beaucoup plus vite que prévu, les flux d'investissement vers l'Afrique ayant fortement diminué et le financement des échanges commerciaux s'étant pratiquement tari.

"Ma préoccupation est que lorsque la reprise arrivera, les pays africains repartiront beaucoup plus lentement", a-t-il dit lors d'une conférence de presse en marge de la réunion du Comité de développement de la Banque mondiale.

Selon M. **Kaberuka**, l'Afrique était pourtant parvenue à réaliser d'importants progrès économiques sur les dix dernières années et "commençait à réussir".

Le FMI et la Banque mondiale ont averti vendredi que près de 90 millions de personnes de plus pourraient tomber dans la pauvreté en raison de la crise cette année et que le nombre de celles n'ayant pas assez pour se nourrir pourrait dépasser le milliard.

M. **Kaberuka** a d'autre part indiqué qu'il n'attendait "pas de miracles" des réunions du FMI et de la Banque mondiale ce week-end à Washington. "Je ne m'attends pas à ce que des décisions soient prises mais j'espère que nous pourrions parvenir à une meilleure compréhension", a-t-il dit.



## Africa to lag recovery from crisis: African Development Bank

26 April 2009

Africa was hit more quickly than expected by the global financial crisis and will pick up more slowly when the recovery eventually comes, the head of the African Development Bank said Sunday.

Donald **Kaberuka**, head of the AFDB, said most had expected the effects of the crisis to begin showing up in Africa after about 18 months because it was not so tightly integrated into the global financial system.

Instead, the slump had hit much faster, having an immediate impact on investment commitments while "credit flows had almost dried up," **Kaberuka** said.

Against that backdrop, "my concern (is that) once recovery sets in ... African countries will recover much more slowly," he said.

Africa had achieved much over the past 10 years, he said, adding: "We were beginning to succeed."

As the crisis plays out, the AFDB could only press ahead with its policy of supporting economic development and reform pending the upturn, he told a news conference at the regular spring meetings of the International Monetary Fund and World Bank top steering committees.

On Friday, a joint IMF/World Bank report had warned that up to 90 million more people would remain trapped in extreme poverty this year while the chronically hungry could top one billion.

African representatives have repeatedly said that their countries are among the most vulnerable to the crisis, with development gains made over the past 10 years, especially in poverty reduction, at risk.

Guardian Financial Pages

## **Geldof seeks \$5bn gold windfall for Africa: IMF urged to set aside cash from sale of reserves Credit crunch is leading to crisis in developing world**

Heather Stewart Washington

24 April 2009

The International Monetary Fund is facing intense pressure from a coalition led by Bob Geldof to set aside more of the proceeds of a planned sale of its gold reserves to help Africa.

Speaking at a press conference inside the IMF's headquarters in Washington, Geldof said Africa had been left out of the G20 agreement at the London summit this month, and urged the IMF to find ways of devoting more resources to protecting the poor from the credit crunch.

"All those arguments the activists and the politicians had for many years about aid, or debt cancellation, we can lay them to rest, because we're all begging for aid," he said. "We just call it fiscal stimulus - and we're all begging for debt relief; we just call it disposing of toxic assets."

He contrasted the \$5bn (pounds 3.4bn) campaigners are asking the IMF to devote to low-income countries with the trillions of dollars of government spending in the developed world.

Plans to sell off part of the IMF's gold reserves were first proposed in 2007, as a way of improving the finances of the Washington-based lender, with the proceeds going to paying for administration. Since then, the price of gold has risen sharply, and campaigners say the IMF will be left with a windfall of at least \$5bn. At the G20 summit, leaders promised to set aside \$1bn from gold sales to help fund cheap loans for the poorest countries, but Geldof, together with Oxfam and US charities, is calling on the IMF to set aside at least \$5bn.

"This is a win-win," said Hetty Kovach, of Oxfam. "The fund will get what it needed, but it should not be greedy, and ask for more." Finance ministers from the IMF's member countries will discuss the gold sales proposals this weekend.

African countries have become concerned about the impact of the credit crunch on their economies. Mustafa Mkulo, the finance minister of Tanzania, warned that his economy was facing a downturn in exports and foreign investment and plunging tourism revenues as developed countries use their resources to prop up their own financial systems.

Donald **Kaberuka**, the head of the African Development Bank, said that despite not being directly affected by the sub-prime crisis, Africa has begun to suffer badly from the credit crunch.

"For us, this is not a financial crisis: we're not having a banking crisis, we're having an economic crisis. It's affecting countries through exports, through remittances and through neighbourhood effects," he said.

The US congressman Gregory Meeks, who chairs the house subcommittee on international monetary policy and trade, said decades of progress on the continent risked being wiped out by a crisis not of Africa's making: "Allowing the poorest nations, with burgeoning democracies, to bear the brunt of the economic crisis is putting at risk all the progress that was made in the last 10 to 15 years."

As a major shareholder of the IMF, Congress will have to approve the plans for gold sales.

Business Day (South Africa)

News

## **Bank boosts lending to aid African states**

MATHABO LE ROUX

23 April 2009

*African Development Bank will provide trade finance to inject liquidity into markets*

THE African Development Bank (AfDB) will double lending to member countries reeling from the global economic crisis.

In a bid to stem some of the bleeding, the bank has pushed its lending ceiling up from \$5bn to \$11bn, and for the first time it will also provide trade finance to inject liquidity into the market to support trade flows.

The global financial crisis has resulted in a sudden and severe liquidity drought, hitting exporters and importers. To help lubricate trade flows, the bank's board of directors has approved a \$1bn trade finance initiative, of which a first tranche of \$500m will be made available through continuing and new trade lines of credit in collaboration with several African banks.

A second tranche of \$500m will be made available as multipurpose lines of credit — which could also be used for trade finance — and would take the form of guarantee-type products.

The trade finance initiative is over and above a \$1,5bn emergency liquidity facility announced last month in response to the financial crisis.

Apart from a lack of trade finance, many foreign investors have also pulled the plug or scaled back on infrastructure project finance on the continent because of the crisis.

“Many infrastructure projects have not lost their purpose but have lost credit. It is the donors who have retreated and are licking their wounds,” AfDB group treasurer Pierre van Peteghem said, adding that Africa was at risk of unravelling all the gains made over the past decade.

Its decision to increase lending aggressively will put pressure on the bank's resources. AfDB president Donald **Kaberuka**, in an interview in Tunis last week, said the bank's board would need to consider a

capital injection when the bank holds its annual general meeting in Dakar next month.

“Without the crisis the bank would not have needed a general capital increase until 2013, but now we will need that much earlier. We are consuming risk capital much faster and need to increase our capitalisation,” **Kaberuka** said.

He painted a grim picture of the effect the crisis is having on the continent. Real gross domestic product growth has been cut by half to 3,5%. With population growth at between 2% and 3%, this meant there was no real per capita growth. The crisis had hit the large economic engines of the continent, such as Nigeria, SA and Kenya, particularly hard, which automatically “slowed down the neighbourhood”.

**Kaberuka** intimated that applications for funding were at unprecedented levels.

While the amount dedicated for trade finance was relatively modest, Van Peteghem said the bank’s involvement would have a catalytic effect, encouraging other lenders to provide finance, which it was estimated could multiply lending twenty-fold. The bank is also considering participating in a global trade facility initiative mooted by the Group of 20 at a London meeting earlier this month.

According to Van Peteghem, the pipeline of transactions was already exceeding what has been made available by the bank, while the emergency liquidity facility pipeline was already at half the available funding.

The bank will next month also ask its governors to approve more instruments geared specifically at addressing the crisis. This could include raising the maximum lending levels and temporarily making available debt finance for poorer countries which can currently only access grants and soft loans.

“We are now looking at instruments suited for the crisis. The sustainable lending levels, for example, do not exceed \$1bn. But this is a crisis and we need to consider whether we should bust that level. I think we should,” **Kaberuka** said.

Despite the pain Africa is feeling from the global crunch, **Kaberuka** was emphatic that the continent should not veer off the path it was on: “We should not draw the wrong lessons from this crisis. We should not abandon market reforms or globalisation. There is no alternative.”



## Geldof urges IMF to use gold profits to aid Africa

By Alister Bull

23 April 2009

WASHINGTON, April 23 (Reuters) - Bob Geldof on Thursday urged the IMF to use bumper gold sale profits to help Africa survive the global financial crisis, and criticised the rich world for lavishing aid on its banks while the poor world starved.

"We're all begging for aid. We just call it fiscal stimulus these days," the anti-poverty activist and rock music celebrity told a press conference after meeting International Monetary Fund Managing Director Dominique Strauss-Kahn.

"You cannot simply ignore an entire continent...The figures we're talking about for one billion people are a fraction of the money we're dumping into our own system," he said.

Geldof described his meeting with Strauss-Kahn as good, and said that he understood there would be structural problems in having to rework already approved gold sales, which are linked to other agreements to boost the resources of the IMF.

Advocates do not want the IMF to sell more of its gold, just make better use of profits from the sale of 403 tonnes of gold from its stockpile of 3,217 tonnes that have been agreed.

"What is being asked for is not very much," African Development Bank President Donald **Kaberuka** told the press conference, held under the banner of the ONE campaign group.

The IMF last year approved the gold sales and invest the profits in an endowment to put its finances on a more stable footing.

The Group of 20 advanced and emerging economies agreed at a summit on April 2 in London to use some of the gold sale money to support an additional \$6 billion of concessional and flexible finance to the world's poorest countries.

Anti-poverty advocates says this only employs \$1 billion of what they say is a \$5.2 billion unexpected profit from the gold sales, and Africa should get it all.

"The IMF can't be greedy with its gold. The Fund's member countries can't hold on to the profits created by the recent gold price hike" said Oxfam advocacy director Bernice Romero.

IMF gold sales have been approved by the IMF's executive board of directors, but still needs the agreement of some countries lawmakers, including the U.S. Congress.

"There is an opportunity here because of the increase in (gold) value...to help countries in sub-Saharan Africa, Congressman Gregory Meeks, Democrat from New York, told the press conference. Failure to act will put at risk "all the progress made in the last 10 to 15 years," he said.