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INTERVIEW WITH ANTOINETTE SAYEH

# Africa Strives to Preserve Recent Economic Gains

Facing high food and fuel prices, some African countries are in danger of seeing the progress achieved in recent years slip away, Antoinette Sayeh tells the *IMF Survey*.

But if African governments pursue appropriate policies, they can limit the impact of the price shocks on the poor and, at the same time, tackle their long-run structural problems, says Sayeh, who recently assumed the post of Director of the IMF's African Department after serving as Liberia's Finance Minister. The IMF can help by providing policy advice, technical assistance, and concessional financing to the continent, Sayeh adds.

***IMF Survey:*** For the past five years, Africa's economies have been making good progress. What is the Fund's view of the immediate economic outlook for Africa?

***Sayeh:*** Africa is coming out of a very strong period of performance. From 1995 to 2007, we saw growth at an average of 5 percent in Africa underpinned by good policies in most countries. Africa

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IMF photo

Antoinette Sayeh, the IMF's newly appointed African Department Director.

# IMF Clarifies Surveillance Process

The IMF has published new procedures on how it will monitor member countries' economic policies, clarifying in particular how it will discuss with countries exchange rate issues and their impact on the global economy.


Pornchai Kittiwongsakul/AFP

The IMF has put in place procedures designed to reinforce the effectiveness of surveillance.

The new procedures are designed to facilitate the implementation of a landmark decision adopted by the Executive Board last year. This decision strengthened the IMF's surveillance of the economic policies of its member countries by placing external stability at the heart of IMF surveillance, and promoting greater focus and candor in its operations (see box).

These additional steps reinforce the effectiveness of surveillance at a time of increasing strains in the global economy, with high commodity prices, slowing world growth, and continuing global imbalances.

The IMF has made good progress in implementing the 2007 decision. Discussions between mission teams and

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# IMF Approves $750 Million Loan for Georgia

The IMF and Georgia have agreed on a $750 million loan package to mitigate the adverse economic and financial impact of the country's recent conflict (see page 148).

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# Blanchard Appointed IMF Chief Economist

Courtesy of O. Blanchard

Olivier Blanchard

Olivier Blanchard, Professor of Economics at the Massachusetts Institute of Technology (MIT), became Director of the IMF's Research Department on September 1. Blanchard spoke to the *IMF Survey* about the global economy and the IMF's evolving role.

***IMF Survey:*** What are the current challenges facing the global economy?

***Blanchard:*** Behind the current crisis are two major shocks: The oil and commodity shock and the financial shock. The effects of the first have been much smaller than one would have feared based on similar shocks in the 1970s. The effects of the second have been much bigger than most of us expected when the crisis started.

In retrospect, we should not have been so surprised. Workers are much weaker than they were in the 1970s, and have no choice but to accept the real wage cuts implied by higher oil prices: this explains why the effects of the first have been so limited. In the financial sector, leverage is much higher than it used to be: this explains why the bad subprime loans have led to such enormous financial effects.

What makes the crisis so complex is the combination of these two shocks. I believe we have a good sense of how to handle each one separately. But the combination is tougher. The lower interest rates which would help fight the financial crisis run against the risk of inflation triggered by the oil shock. And one can think of many bad scenarios where low activity makes the financial crisis worse, and macroeconomic policy has little room for maneuver.

At the same time, one can easily think of more optimistic scenarios, and I actually see them as more likely. If the price of oil stabilizes, I believe we can weather the financial crisis at limited cost in terms of real activity. And if, for example, the price of oil returned toward $100—not a crazy scenario, as few of us understand how it got much above $100 in the first place—then inflation pressure would rapidly subside, and I would be even more optimistic.

***IMF Survey:*** How do you see the role of the IMF evolving?

***Blanchard:*** The IMF can and must play at least three roles. First, provide advice to countries, or groups of countries, about appropriate macroeconomic policies. The rich countries may not need it very much, although it is often useful to remind them politely of basic economic principles. But, even for them, the current crisis shows the complexity of the issues and of the optimal policies.

Second, make it easier for countries in macroeconomic trouble to borrow by providing them with commitment devices, namely adjustment plans. While this role has waned recently, I am afraid some countries will get in trouble again, and the need will not go away.

Third, help policymakers coordinate policies, if only through better exchange of information and better understanding of policy intentions. There is no magic number—7, 8, 24, or any other—for the right-size G-group meeting; it all depends on the issue at hand. The Fund seems to provide a natural environment for such flexible-sized, multilateral discussions, virtual or physical.

***IMF Survey:*** What is your background?

***Blanchard:*** I came from France in 1973 to start a Ph.D. in economics at MIT. I intended to specialize in development but, soon after I arrived, I realized development economics, as a field, was barely alive, and the action was in macroeconomics. I have been working in macroeconomics ever since, at Harvard from 1977 to 1982, and at MIT since then. I look forward to engaging with the issues faced by the low-income members of the IMF. ■