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New IMF Africa director doesn't shy from challenge

Mon 2 Jun 2008, 14:30 GMT

By Lesley Wroughton

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WASHINGTON, June 2 (Reuters) - Liberia's Finance Minister Antoinette Sayeh next month becomes the International Monetary Fund's new director for Africa, where untapped resources are attracting growing interest but poverty is still a challenge.

Sayeh is no stranger to challenge. She returned to her native Liberia as finance minister in 2005 at the request of President Ellen Johnson-Sirleaf, Africa's first female head of state, to help rebuild a country devastated by civil war.

Over two and a half years, Sayeh, a 17-year former veteran of the World Bank, has helped Liberia restore stability and regain international recognition after years of economic and political isolation.

In a recent telephone interview, Sayeh said she is heartened by progress so far in the West African country, but acknowledges much more remains to be done.

"We're starting to turn the corner but still have a huge amount left to do," she said.

"We have been able to stabilize public finances by tripling revenues, making it possible for Liberia to do more for itself than it's done since 1990, creating the fiscal space to begin to address the multitude of challenges coming out of the 14-year war," she said.

Her arrival at the IMF will come at a time the institution is wrestling with its relevance in a changing global economic landscape, where emerging powers such as China and India are growing forces, including in Africa.

Sayeh said her decision to leave Liberia was difficult, but adds: "I can still contribute to Liberia (and) also a broader group of African countries by joining an effort to reform the IMF, increase its relevance and responsiveness to our countries."

CHANGING NEEDS

Abundant global liquidity is in part responsible for the surge of private capital flows into Africa, which reached \$50 billion in 2007. Investors are also attracted by the region's improved economic performance, fewer conflicts, and expectations of high returns from surging commodity prices.

While almost 90 percent of that capital went to South Africa, capital inflow is also on the rise in Ghana, Kenya, Tanzania, Uganda, and Zambia. Countries, such as Gabon, Ghana and Seychelles, have also shown greater interest in tapping global capital markets.

Increased portfolio flows into a small group of African countries with more developed financial markets suggest that these countries are transitioning to emerging market status, the IMF says.

Sayeh said the IMF has to adapt to help Africa's further development, both for countries who may still need its loans and the growing number who no longer require IMF funding.

"The fund has to evolve and change and work on different instruments to respond to more mature African reformers, and at the same time reformers like Liberia in post-conflict environments," Sayeh added.

But higher global food and fuel prices threaten to dampen progress made in many African countries, where unhappiness with the rising cost of living has sparked protests in Senegal, Burkina Faso, Mali and Mauritania.

"There are real risks to macroeconomic progress overall but also to political stability," Sayeh said. "For the lowest income African country and food import dependent countries it raises significant risks but also provides opportunities," she added.

Higher prices, she said, offered opportunities to strengthen agricultural sectors and increase food production not only for domestic consumption but also exports, to take advantage of the higher returns.

Sayeh said higher food costs also meant "some reconfiguration" would be needed in the flexibility and speed of IMF assistance to countries to ensure progress is not undone in Africa.

The IMF has already adjusted some of its lending facilities to help countries access more funding to cope with higher prices of key staples such as maize, wheat and rice. (Reporting by Lesley Wroughton; Editing by Chizu Nomiya)

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