



African Forum and Network on Debt and Development

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AFRODAD statement on possible IMF gold sales

AFRODAD welcomes the recent announcement by Mr. Rodrigo Rato (IMF Managing Director) on the proposed sale of 16% of IMF gold stocks to raise about US\$7 billion for debt relief for the world's poorest countries. Although the amount to be raised is inadequate to cover these countries' debts, it is a welcome step as it moves beyond previous initiatives like HIPC which have failed to provide low income countries with a permanent and robust exit from the debt crisis.

The debt crisis remains one of the major obstacles to the development especially of Sub-Saharan Africa which remains the poorest (more than 300 million people living on less than a dollar/day) and most indebted (US\$300 billion debt stock) region in the world. The continent continues to pay US\$15 billion in debt servicing every year at the expense of sectors such as infrastructure, education and health which are critical for the achievement of the MDGs.

The MDGs are a set of noble goals aimed at reducing by half the number of people living in extreme poverty by 2015. They have the potential to reduce poverty but are unlikely to be achieved because of lack of political will and the huge resource gap facing many low income countries.

An estimated US\$65 billion per annum is required to finance MDGs which Africa is unable to raise on its own. International assistance and efforts to raise these resources are therefore critical. 100% debt cancellation will be a major step forward to raise these resources. AFRODAD therefore welcomes the IMF proposal as it will go a long way in reducing the resource gap.

Mr. Rato's proposal still faces resistance from countries like the United States. AFRODAD would like to urge such countries to rally behind Mr. Rato's proposal as this will have a minimum impact on the IMF balance sheet and is not likely to have a negative impact effect on gold prices.

We urge other donors to come up with comprehensive proposals for 100% debt cancellation for the poorest countries to enable them to achieve the MDGs.

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