



DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)



**SEVENTY-SECOND MEETING
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Statement by

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Minister of Finance
Nigeria
For the Africa Group 1 Constituency

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1. This meeting takes place at the most auspicious moment in recent history. This is a year in which the world has witnessed a number of major initiatives aimed at accelerating the momentum created at Monterrey towards scaling up of aid and the quality of aid to help poor countries achieve higher rates of economic growth as well as the MDGs. Following the significant increase in resources under the IDA 14 framework, we have welcomed the initiatives under the Commission on Africa Report, the G8 Summit and two weeks ago, world leaders met in New York for the Millennium Summit to review the MDGs. All these events underline the urgency needed to create a fairer world in which all peoples can live in peace and prosperity. The increasing focus on Africa is therefore timely and it reflects the fact that the challenges facing the continent are the most daunting.
2. Africa is at a turning point, both in terms of its improved economic growth prospects and performance as well as an emerging resolve by the current political leadership to adopt homegrown solutions to the political and social challenges the continent is facing. According to the World Economic Outlook, growth in Sub Saharan Africa is expected at 4.6 percent in 2005. While lower than the 5.4 percent expansion in 2004, the economies in the region continue to benefit from strong global recovery.
3. Progress is also under way on many fronts, as countries push on with their national programs aimed at improving governance, public accountability and strengthening their public expenditure management. These initiatives are evidenced across many countries by increasing delivery of basic services, with more children and girls in particular attending school.
4. This recent positive economic performance in Sub Saharan Africa is yet to translate into poverty reduction. The situation is further exacerbated by increased protectionism in developed countries, uncertainty over the Doha development agenda, as well as challenges to contain the spread of diseases such as HIV/AIDS, Malaria and TB.
5. African leaders are committed to continue to improve market competitiveness, foster responsible public spending, increase social service delivery, and strengthen the fight against HIV/AIDS and other communicable diseases. Indeed, as reflected in the GMR, many more countries have improved their CPIA scores. However, strong support of the international community will continue to be critical for Africa's development. In this regard, the recent global initiatives are timely and should make a significant contribution to pushing forward the global development agenda.

The Africa Action Plan

6. For Africa to achieve a higher growth path that is substantial enough to reduce poverty and help many countries attain the MDGs, more needs to be done. Nearly five years have passed since the Millennium Declaration was adopted. Current stocktaking as highlighted by the GMR indicates that without scaling up donor assistance, Sub Saharan Africa will be off track in meeting the MDG targets. We therefore welcome the World Bank's Africa Action plan.

7. We are pleased to see that the plan focuses on four main objectives that can enhance growth in SSA; namely, (i) effective delivery of aid commitments, (ii) strengthened focus on results, (iii) coordinating and leveraging aid and (iv) improving alignment and harmonization. We fully support these objectives but we wish to underline the importance of addressing the infrastructure backlogs currently evident within the continent and tackling trade and private sector development issues.

8. **While we welcome the progress report on the implementation of the Bank's Infrastructure Action Plan, we note with concern that** infrastructure investment in Sub Saharan Africa still lags far behind. In this respect, we note the low private and public sector participation in infrastructure in SSA, and that the share of ODA support for infrastructure has dropped significantly.

9. Africa's huge infrastructure deficit is one of the most critical impediments to accelerating and sustaining high rates of private-sector-led growth as well as to achieving the MDGs. In this connection we welcome the Bank's projected increase in investment lending to SSA for infrastructure of US\$2.4 billion, although total requirements are currently estimated at about US\$20 billion a year. Given such a large financing gap, we very much welcome the proposed venture / catalytic fund, which amongst other things, will finance regional projects. We believe that this fund will complement the existing window under the IDA 14 framework. We call upon our development partners to support the innovative "Catalytic Fund" being proposed, to help the World Bank deliver on the action plan. We further call on the Bank to move with a sense of urgency towards making the creation of this fund a reality.

10. We further hope that the various initiatives that the Bank is engaged in, such as the Africa Infrastructure Consortium and the Africa Partnership Forum, will ensure greater coordination with external partners so as to increase delivery on the ground. In this connection, we call on the World Bank Group to lead by example, by ensuring a better coordination of its agencies in supporting private sector participation in infrastructure investments and in designing appropriate instruments to finance regional programmes and projects to the level required, if Africa is to become competitive in the global trading arena.

11. **Trade represents untapped opportunities of economic growth in SSA and a means to accelerate achievement of the MDGs.** We cannot for instance, see how agricultural diversification and the transformation of the rural sector as well as poverty

alleviation will succeed, if Africa continues to face high tariffs for processed agricultural products in the markets of developed countries. Also without the necessary investment in technological transfer, Africa will continue to lose out on the production of high value agricultural products.

12. We therefore support the proposed Bank initiatives to ensure delivery of capacity building and technical assistance necessary to facilitate countries' abilities to mainstream trade into their PRS processes as well as looking at the establishment of a regional or cross country multilateral funding window for trade-related infrastructure projects. We call on the Bank Group to coordinate better, so as to ensure complementarity of efforts and we look forward to concrete details of the proposed multilateral fund in the spring of 2006.

13. **Development of the private sector will need to target those sectors that would produce quick turn-around growth possibilities for the continent.** It is a well known fact that the informal sector in many African economies contributes significantly to many countries' economic growth. Recent diagnostic work from the Doing Business Report 2006 indicates how changes in policies that affect the business environment, can add significantly to the creation of new local businesses that will create jobs. Indeed the turn around time of reforms cannot be underestimated, with some African countries already emerging as fast reformers on the reform path.

14. The results of the doing business 2006 report presents the World Bank Group with a unique opportunity to quickly engage countries in a meaningful dialogue on how to improve the business environment and to develop joint solutions. Linked to that, would be a concerted effort by the Bank to help countries improve domestic resource mobilization, which has the potential to fill the funding gap currently existing for the financing of MSME's in particular.

15. The World Bank Group should consider setting up within the IFC, equity funds to help the private sector further invest in high impact sectors as well as finalize its work on the proposed creation of a concessional non-sovereign window to support small and medium sized enterprise. We further urge the Bank Group to explore mechanisms for providing long-term financing in local currencies for small and medium enterprises in Africa.

16. We welcome the importance that the Africa Action plan puts on developing a results framework, so that we can all assess on an annual basis, whether or not the plan is delivering on its promises.

G8 Debt Cancellation Proposal and Aid Effectiveness and Financing Modalities

17. We would like to express our profound commendations to the G8 for their historic proposal to cancel 100 percent of debt owed by eligible HIPC countries to the Bank, the IMF and the African Development Fund. We very much welcome the political leadership that the G8 countries have demonstrated to scale up aid towards helping countries to meet

the MDGs. We would like to urge other donors to join hands with the G8 and to ensure early implementation of the proposal.

18. As announced by the G8, this debt cancellation will represent additional development resources to the poorest countries while ensuring full compensation to IDA. With guaranteed additionality and irreversibility of debt cancellation, the development impact of the proposal will be substantial as more resources are channeled to pro-poor expenditures in an environment of improved macroeconomic management and good governance in the management of public resources. Thus, the debt cancellation proposal could not have come at a better time in the process of scaling up efforts aimed at helping poor countries achieve higher rates of growth that will enable them to attain the Millennium Development Goals.

19. We wish to underline that for the G8 proposal to achieve its objectives, ensuring additionality of resources and irreversibility of debt cancellation is of paramount importance. In this regard, we would like to note that by netting out debt relief from IDA performance based allocations, the proposal will result in decreased future IDA commitments to eligible countries. We would therefore like to request the Bank to come back a year after implementation of the proposal with a report on IDA's commitments to the eligible countries.

20. Notwithstanding the foregoing, we fully agree with the proposed framework for implementation of the debt relief proposal. In particular, it is important that all outstanding and disbursed debt be covered and that all countries that qualify under the sun-set clause should become eligible for debt relief.

Doha Development Agenda and Aid for Trade

21. The report under discussion highlights, in our opinion, the significance of this Doha round and addresses the disappointing state of play, as countries prepare for the meetings to be held in December in Singapore. We fully identify with its findings and conclusions, that capacity constraints as well as market distortions caused by subsidies and import barriers in developed countries have so far prevented Africa from reaping its due share of trade benefits. We welcome the report's sense of urgency that all parties must be prepared to undertake broad trade liberalization, if the Doha development agenda is to be realized.

22. We consider the forthcoming Doha round as offering an unprecedented chance to free up trade and contribute to poverty reduction on a global scale, and that action will be required on all fronts and by all WTO members. We agree with the report that critical to the successful conclusion of the Doha round is an agreement being reached on the three key pillars, namely, (i) improved market access, (ii) domestic support; and (iii) export competition.

23. However, improved market access is by far the most important pillar in the agricultural negotiations. We also believe that for trade to become a strong lever for

growth, good trade policies typically need to be accompanied by complementary reforms, capacity building, technical assistance, and investments in infrastructure. In this area we welcome the continued involvement of the World Bank and IMF in helping countries to mainstream trade into their PRS processes and we would welcome further progress in this regard.

24. We agree that the majority of developing countries will gain more from a successful Doha round that opens markets and reduces subsidies than from the aid for trade package alone. Nonetheless, we cannot under-estimate the economic and financial implications which poor countries suffer, as they adjust to a more open and competitive global trading environment. It is in this spirit, that we very much welcome further discussions on the proposed Aid for Trade initiatives; in particular, we think that the proposed Aid for Trade initiatives should be discussed in the context of enhancing instruments towards assisting countries to deal with the impact of exogenous shocks.

25. We support the proposal to extend the Integrated Framework beyond Least Developed Countries (LDCs) to cover other low income countries. While there is concern that this might lead to a dilution of benefits for LDCs, we believe that this points to the need to mobilize additional resources, if all developing countries are to be assisted.

26. The notion that opening up markets and removing subsidies will not help countries since they do not have the capacity to export goes against the principles of free and fair global trade. We therefore support the Bank's on-going analytical work and engagement on trade policy issues, which has assisted developing countries to have a sense of appreciation of the sometimes technical analysis and providing them with necessary diagnostic tools to address impediments and blockages to enhancing trade opportunities.

Aid Effectiveness and Financing Modalities

27. The report presents in our opinion, a fair coverage of progress to date on aid flows and aid effectiveness. A large proportion of the aid continues to go towards technical cooperation, debt relief and emergency aid. All these initiatives have of course significant value, however, they are not designed to assist countries towards long term development and they are unlikely to help countries meet the MDGs. Nevertheless, we believe that the increased volume of aid is clear evidence that substantial scaling up of aid is possible, provided the necessary political will is harnessed.

28. While aid flows have increased, they still fall far short of the 0.7% of GNI target and what is needed to meet the MDGs. This point highlights the urgent need to mobilize substantial additional resources if aid is to make a significant difference in poor countries. We wish to highly commend the countries that have already committed themselves to a clear timetable for scaling up official aid towards meeting the target of 0.7% of GNI. We support the proposed actions aimed at strengthening mechanisms for monitoring aid flows, including a tracking process that would draw on data reported by recipient

countries. The proposed collaboration between the World Bank and OECD / DAC in this venture is therefore a welcome move.

29. We agree that prospects for additional aid flows call for speeding up progress in building capacity at country level for measuring, monitoring and managing for results. We welcome the proposed actions aimed at supporting country efforts to prioritize, monitor and evaluate development programs, as well as help them build the necessary capacity for doing so.

30. Demand for effective monitoring and evaluation continues to increase at country level in the context of the PRSP process. As we have said many times, there is urgent need to expedite and scale up Bank and donor country support for producing, analyzing and using data better. We therefore concur with the identified priorities and proposed actions to carry forward the results agenda.

31. The second High Level Forum on Aid Effectiveness held in Paris at the beginning of the year, marked in our opinion, a major step in our joint effort to improve the delivery and impact of aid and therefore to help developing countries achieve their development objectives. We continue to hear concerns from our constituencies regarding lack of coordination and too many missions, which inhibits effective delivery. We want to urge development partners to invest their time and effort in outreach work to their officials on the ground, so as to ensure that the Paris declaration becomes a living document, and to also make all concerned accountable to the commitments they made.