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)

NINETY-FOURTH MEETING
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Statement by

H.E. Kemi Adeosun
Minister of Finance

Nigeria

On behalf of the Constituency of Angola, Nigeria and South Africa

Statement by

H.E. Kemi Adeosun
Minister of Finance

South Africa

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94th Meeting of the Development Committee

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Global Economy

We meet amid a further deterioration of the global growth outlook and further downside risks. Prospects for growth continue to weaken as the global GDP is revised downwards. Growth in advanced economies is slowing and ongoing adjustments in China have led to reduced growth of consumption of commodities. The prospects for sub Saharan Africa are among those revised downward as many economies in our region face sustained pressure from the fall in commodity prices. We must pursue agreement on policies in response to this outlook including an adequate response to rising protectionist sentiment and risks to regional prosperity. New sources of aggregate demand must be found to support the ambitions of many developing economies, in particular those in sub Saharan Africa to transform their economic structure and improve incomes and wellbeing of their people.

We need to reflect on growth enhancing policies by countries to address cyclical and structural challenges. World Bank support should be calibrated to respond to these. Investment needs to reach the SDGs in power, transport, telecoms, water & sanitation, food security, climate, health and education is estimated to be about 3% annually, until 2030. It should be the priority of our development finance architecture, to which the World Bank is central to lower the cost of capital in doing this and increase the quality of decision-making with respect to which investments to make and why. This should include a more pro-active response by the World Bank to help countries, particularly in Africa, minimize exposure to shocks through support that will catalyse diversification.

The Forward Look

The World Bank Group which takes the lead in the area of economic governance has a huge task to re-examine its role amid a multitude of new players and prevailing challenges in the global landscape. This is vital if we must achieve the ambitious SDGs and the twin goals of the Bank group in a sustainable manner. In this regard, we support the World Bank group operating model of continuing to work across the full range of low, middle and high income countries which allows for an interplay and transfer of knowledge, experience, and resources across its entire membership while remaining firmly focused on the poorest and countries affected by fragility, conflict and violence. We equally support the focus on lower middle income countries and middle income countries who constitute the engines of growth and sources of practical development knowledge, but also constitutes 70 percent of the world’s extreme poor and are affected by fragility, conflict and violence as well. In addition, we also support the plan to reform the country model and address global challenges.

We welcome the plan to scale up engagement with sub-national clients and State-Owned Enterprises. Given the increasing share of cities in global GDP, their growing population as well as the negative externalities in global greenhouse emission, we think IFC and MIGA's engagement with cities in a strategic manner, could help to reduce urban poverty and boost shared prosperity by creating jobs and helping to reduce environmental shocks. In particular, we also welcome the provisions to sub-national clients by IFC and MIGA of long-term financing of essential public infrastructure and credits enhancements respectively without the need for sovereign guarantees. These will enhance efficacy of such support and deepen commitment of the institutions to client countries. Meanwhile, we encourage you to mainstream and scale-up joint World Bank Group solutions to ensure synergy of efforts in leveraging larger investment efforts, crowding in large, more risk averse institutional and other investors while minimizing both project costs and impact on country's lending envelope.

Based on longer term trends, it is projected that WBG institutions are experiencing demand beyond their financing capacity. Accordingly, the balance sheet of all four WBG institutions need to become stronger to be able to support the business model which can serve shareholder ambitions that allows WBG to continue to play its leading role in economic development. In this respect, we look forward to the package of reforms that will bring about a bigger and better Bank that will ensure that all the institutions have the financial strength required to address critical global, regional and national challenges in the years ahead.

2015 Shareholding Review and Dynamic Formula

We note the report on the Dynamic Formula which will provide a useful input in the next stage of the Shareholding Review process and discussion of share allocations. It is vital that we continue on the path that began more than a decade ago to improve the legitimacy, credibility and effectiveness of this vital global public institution, particularly at this time of slowing global growth and uncertainty in the global economy. We continue to urge the World Bank to ensure that outcomes of the shareholding review process supports the original and overarching goal of World Bank reforms as agreed in Istanbul and caution against regressive outcomes that could compromise the gains from previous reforms. We believe that smaller middle income country members and clients are an essential part to global economic stability and prosperity, and erosion of their voice within this institution will not support the global public interest in its work. We therefore encourage detailed consideration of limits on dilution; a principles-based approach to forbearance; and a significant increase in Basic Votes in the next stage of these discussions.

IDA 18 Replenishment

We welcome the on-going IDA18 replenishment negotiation which would bring a paradigm shift in IDA 18 funding framework that is required to meet our ambition to achieve the SDGs. We welcome the first-ever IDA public triple credit rating from S&P and Moody's, an important step to raise money in the capital markets, enabling IDA to significantly scale up support for public investments in the world's poorest countries. We however call on partners to ensure robust replenishment and to avoid substitution risk which could potentially undermine the sustainability of this funding model. We expect that consensus would be reached on the financing scenario to allow timely conclusion of the Replenishment in December 2016.

Poverty and Shared Prosperity Report 2016: Taking on Inequality

We welcome the new World Bank flagship 'Poverty and Shared Prosperity Report 2016' and its main findings that extreme poverty headcount ratio has dropped worldwide. However, we are concerned that Sub-Sahara Africa still houses the largest headcount ratio of 41% and is currently home to some 389 million poor. This is reported to be more than all the poor in other regions combined and there are wide ranging disparities within regions. We call for increased focus on inequality to ensure the sustainability of growth and development efforts. It is in this regard that the renewed focus on equity issues by the Bank in both its global advocacy role, and in its support to national growth and development objectives in client countries is most appropriate. We think the country experiences and lessons of inequality reduction in the six countries studied are extremely useful and should be disseminated widely. We call for sustained efforts by the Bank group to continue to integrate the insights from research into the Systematic Country Diagnostic and the framework for country engagement.

Stemming Illicit Financial Flows

We welcome the stock taking paper on Illicit Financial Flows that seeks to bring together various elements of its existing operations and programs to tackle this challenge in a more comprehensive manner and in collaboration with other players including, the IMF. We reiterate our earlier call to the World Bank and the IMF to encourage Multinational Corporations to ensure responsible tax behavior by paying their fair share of taxes and stop all forms of Illicit Financial Flows out of developing countries which inflicts huge costs on development. Accordingly, we urge the WBG, the IMF and other partners like the OECD and G20 to consider and treat illicit financial flows as a priority that needs to be addressed urgently. We welcome the commitment of the WBG to assist countries build their capacities to combat IFF and help recover stolen assets. In this regard, we call for urgent action by adopting selectivity to help countries most impacted in Africa to tackle this problem.

Diversity and Inclusion

We support efforts to improve staff diversity, as this will broaden the mix of experience and knowledge and also improve the ability to respond to challenges in client countries. We commend the Bank for the progress made in increasing the ratio of African and Caribbean professional staff, and welcome the 12.5% target met by the Bank for the first time in its history this year. We look forward to similar progress in other arms of the World Bank Group.