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On Behalf of Africa Group I Constituency
The Global Context

The continuation of rapid growth in the United States, an impressive recovery in East Asia, stronger growth in Europe and an end to the recession in Japan, are encouraging indications of a booming world economy. Moreover, longer-term trends of rapid global trade integration are expected to continue. Developing countries are projected to grow over the current decade at a rate significantly higher than in the last, the consequence of increased openness and improved macroeconomic stability. Substantial vulnerabilities remain, however, and there are wide differences in performance, with many small, low-income economies experiencing disappointing growth. At the same time, capital flows to developing countries, while showing signs of picking up, have been constrained by rising interest rates, continued volatility in financial markets, cautious investors and depressed terms of trade for non-oil commodity exporting countries. Of particular concern is the potential recessionary impact of high oil prices if sustained at recent levels.

Despite the acceleration of global trade and production and improved prospects for many developing countries, net resource flows to developing countries have only shown a modest increase during the first half of this year. According to World Bank estimates, foreign direct investment (FDI) flows, the largest single source of external financing in developing countries in the 1990s, amounted to roughly $180 billion in 1999. Official development assistance (ODA) flows rose by 5 percent to $56 billion in 1999, representing 0.24 percent of the combined GNP of Development Assistance Committee (DAC) member countries, and reversing the decline in aid flows of much of the 1990s.

Poverty Reduction and Global Public Goods

The unrelenting pace of globalization in recent years, while largely positive, has led to the emergence of a number of developmental challenges that require a global collective approach by the international community if these challenges are to be tackled effectively. Developing countries stand to reap substantial potential benefits from global public goods, and it is incumbent upon the World Bank to examine what role it can meaningfully play in helping them realize these benefits. In defining its role in this area, the Bank must ensure consistency with its development objectives and focus on activities in which it has a comparative advantage, seeking to work through partnerships with other institutions to the extent possible. This will mean the adaptation of Bank instruments and financing modalities to meet the growing global demands for collective action.

One area deserving particular attention, and where the global benefits of effective action are enormous, is the containment of the spread of communicable diseases, such as HIV/AIDS, malaria and tuberculosis. In view of the fact that the impact of these diseases extends well beyond a single sector or a single country, they are emerging as perhaps the foremost development constraints in a growing number of developing countries, particularly in Africa. We would like to express our appreciation for the commendable work done by the Bank and its partner institutions so far in directing global attention to the HIV/AIDS epidemic. We also welcome the commitment made by IDA donors to increase the concessional resources available for tackling this development challenge. We particularly welcome the recently approved Multisectoral AIDS Program for Africa, a collaborative effort of the Bank, UNAIDS, and
members of the International Partnership Against AIDS in Africa. We would like to encourage the Bank and its partners to continue to mobilize support for AIDS prevention, the development of vaccines, the immunization of children against a variety of preventable diseases, and improvements in the treatment of childhood illnesses. We expect to see a significant scaling up of the Bank’s activity in the area of communicable diseases in Africa, in partnership with other relevant bilateral and multilateral institutions.

Another area where the Bank can play an important role is in facilitating the orderly movement of information, capital, trade and labor across borders. In particular, the Bank should make a greater effort, in collaboration with the Fund and other institutions, to address the issue of cross-border financial abuse. Such effort would include helping developing countries to strengthen financial systems, improve corporate governance and build capacity. Other areas of priority for the Bank and its partners include preserving and protecting environmental resources, mitigating the consequences of conflict, creating and sharing knowledge relevant to development, and improving developing country access to information technology so as to bridge the digital divide that threatens to widen the technological gulf between rich and poor countries. There is need to explore other sources of financing for priority global and regional poverty-reducing programs, including international, bilateral, philanthropic and private sources. We look forward to continued activity in this area.

**World Bank Role and Instruments in Low- and Middle-Income Countries.**

Global integration also offers international institutions an opportunity to re-examine current approaches to development at the country level. We, therefore, welcome the Bank’s ongoing efforts to more explicitly define its evolving role in supporting the development efforts of low- and middle-income countries in this dynamic global environment. Such a definition becomes all the more crucial as the Bank increasingly acknowledges the importance of selectivity and enhanced partnership with the other participants in the development process, including the IMF.

The ever-changing challenges of development, together with the recognition that the Bank’s diverse client base varies by size, access to capital, level of development, institutional capacity, etc. call for a coherent strategy that recognizes the commonality of issues shared by the Bank’s clients while also retaining sufficient flexibility to address their differing needs.

In low-income countries, the Poverty Reduction Strategy Paper (PRSP), a comprehensive articulation of a country’s development vision, must be the foundation of a country-led, country-owned policy framework which should in turn underpin the assistance strategy for that country. To this end, we can endorse the principle of mainstreaming the PRSP link to the CAS process. However, we would like to be assured that a measure of flexibility will be retained to accommodate the differences among countries. The modalities of the proposed Poverty Reduction Support Credits (PRSC) Program as an umbrella programmatic lending vehicle in eligible low-income countries will need to be further developed to ensure that it would meet their needs without imposing new obstacles constraining their access to concessional financing.

Greater consideration will need to be given to the most effective way of assisting low-income countries through regional groupings where appropriate, as part of an overall move
toward regional integration. At the same time, the Bank’s instruments should adapt to the
decentralization trends in a growing number of countries, giving greater decision-making
authority to local governments and communities.

In spite of — or perhaps because of — increased access to capital markets, there is still a
need for Bank Group assistance to middle-income countries. The key to the Bank’s continued
relevance in these countries will be a strategy fashioned to enable the private sector to operate
effectively and responsibly, unfettered by bureaucratic obstacles, while also helping these
countries to systematically address structural and social weaknesses. This will call for greater
World Bank Group collaboration in ensuring that the benefits of foreign investment are
maximized, while its adverse effects are minimized. The design of instruments should, once
again, reflect the diversity of country circumstances, which is even greater among middle-
income countries. This will mean addressing the needs of both borrowing and non-borrowing
countries through appropriately priced lending and non-lending instruments.

Heavily Indebted Poor Countries Initiative

We are encouraged by the progress achieved in the implementation of the HIPC Initiative.
We note that our calls for deeper, broader and faster debt relief are being heeded under the
Enhanced Initiative, and that work is being accelerated to meet the target of bringing twenty
countries to decision point by the end of this calendar year. A growing number of countries have
begun to obtain debt relief through the Initiative, with a more transparent link to poverty
reduction. The provision of interim assistance at decision point enables countries to obtain debt
relief while still in the process of preparing a full PRSP. Furthermore, the introduction of a
floating completion point instead of a 3-year interim period is a welcome modification. We urge
the Bank and the Fund to continue their efforts to expedite country cases, provide support to
countries preparing PRSPs, and facilitate multilateral financing in the enhanced HIPC.

Notwithstanding the considerable progress made thus far, we believe that the process could
be speeded up if implementation delays attributable to the requirement of a PRSP as a condition
of debt relief could be reduced. While ownership and civil society participation are very
important principles, limited capacity in many beneficiary countries often leads to costly delays.
As such, conditionality should be reasonable and flexible and take account of implementation
capacity and political and social realities so as to avoid a trade-off between speed of
implementation of debt relief and the quality of countries’ policies.

We would like to take this opportunity to express our gratitude to the bilateral and
multilateral creditors that have made commitments to provide assistance under the enhanced
HIPC, especially those that have pledged debt relief beyond their assistance under HIPC, and
those that have offered debt relief from the decision point. We welcome the recent decision of
the Boards of the Bank and Fund to extend the sunset clause by another two years for HIPCs
which have not yet met the entry requirement for participation in the Initiative.

We would like to urge those creditors that are yet to make any commitments to do so as
soon as possible so that the enhanced HIPC Initiative can be fully financed without
compromising concessional facilities such as IDA. In this connection, we are deeply concerned
about the delays caused by a lack of flexibility in the application of the Paris Club’s
comparability of treatment principle requiring all bilateral creditors to bear the same financial contributions, irrespective of their level of development. Some developing country creditors, several of which are HIPC countries, are finding it difficult to meet their obligations within the HIPC framework. The issue of funding remains a major obstacle as several international financial institutions are unable to deliver their own share to the HIPC Trust Fund without substantial augmentation of their resources by bilateral donors. We would also like to appeal to non-Paris Club creditors to meet their obligations in a timely manner. We urge that all debt – pre- or post-cut-off – be included under the Initiative if meaningful debt-service sustainability is to be achieved.

**Poverty Reduction Strategy Papers**

We note the progress made thus far with respect to the Poverty Reduction Strategy approach endorsed at last year’s Annual Meetings. Developed and applied effectively, PRSPs could be useful instruments for strengthening the link between poverty reduction, HIPC debt relief, and Bank and Fund concessional lending. Developing countries have generally welcomed the country-driven nature of the poverty reduction strategies, which serve as a basis for development assistance in support of sustainable poverty reduction. Their development partners have also found PRSPs useful for their own assistance programs. We welcome the efforts of Bank and Fund staff to enhance internal coordination between the two institutions in the PRSP process.

A number of significant challenges could compromise the effectiveness of PRSPs as poverty-reducing tools if they are not addressed. One major issue for many developing countries is capacity limitations which prevent them from meeting the onerous institutional and technical demands of PRSP preparation. Another challenge is the difficulty that many countries have in implementing the participatory processes that are a prerequisite for support. Development partners also need to have their roles properly defined. Finally, the Bank and Fund staff have to be specific and transparent in clarifying what constitutes an acceptable PRSP or Interim PRSP. A great deal more research needs to be carried out, especially in areas where there is still a lot of debate, and where there are as yet unresolved issues.

The PRSP should be a blueprint for a broad and effective attack on poverty. As such, it should enable poor countries to quickly access concessional assistance and obtain debt relief. PRSPs should be fully owned by the country. However, such ownership may, in many cases, entail a detrimental delay in implementation. In this regard, the introduction of Interim PRSPs is helpful. The donor community must, however, be mindful of the capacity limitations of many of these countries even in the preparation of Interim PRSPs, and must be prepared to exercise flexibility and patience.

**Comprehensive Development Framework**

We welcome the progress being made in implementing the Comprehensive Development Framework (CDF) in the twelve pilot countries. While it is still too early to arrive at meaningful conclusions from the results of the pilots, a number of lessons are already emerging from the exercise. For many countries, the process of achieving broad-based national consensus is proving to be politically sensitive, for others, conflict has been a major obstacle. Capacity
building is a precondition for true ownership of programs, as is a change in approach among development partners. In the coming months the Bank should more systematically align its operations and instruments with the CDF approach, and continue to incorporate its principles into the PRSP process. Partner organizations will need to better harmonize their policies, practices and procedures, while countries will need support for institution building and enhancing the consultation process.

IBRD Financial Capacity

We are encouraged to learn from the annual review of credit risk management and medium-term outlook for Bank lending that the Bank’s risk-bearing capacity remains adequate. We remain concerned, however, that in the event of a major external crisis, a surge in demand for Bank lending and a deterioration in the quality of the loan portfolio could limit the Bank’s ability to respond effectively. We would, therefore, like to see the subject of the institution’s financial capacity kept under review, to ensure that it remains financially sound.

The Bank’s Role in International Financial Architecture

The globalization process, while capable of delivering important benefits to countries, can also involve huge economic and social costs resulting from shocks emanating from the international financial system. The Bank, as a development institution with a poverty reduction mandate has a role to play in the global effort to strengthen the international financial architecture. In particular, the Bank can help support the development and dissemination of international standards and good practices relevant for developing countries, and strengthen countries’ capacity to benefit from integration with the international financial system. We welcome the progress the Bank has made, in collaboration with the Fund, in developing the Financial Sector Assessment Program, the Reports on Observance of Standards and Codes, and the Public Debt Management Guidelines. We also welcome the Bank’s work in managing the social dimension of economic crises, and supporting social protection to mitigate the social costs of economic shocks. We encourage the Bank to continue its efforts in these areas, and to fully integrate its work related to the international financial architecture into future country assistance strategies.

Africa in the 21st Century

As Africa enters the 21st century, there is much cause for optimism: a more educated workforce, greater political participation, better economic management, and an expanding private sector. However, enormous development challenges persist: low average incomes, limited international trade activity, weak links with the global economy, poor health and life expectancy indicators, the HIV/AIDS epidemic, and a slow start in the global information revolution, among others. The new century provides unique opportunities for Africa to leapfrog several stages of development and close the ever-widening gulf between itself and the rest of the world.

We welcome the recent publication of the report entitled, Can Africa Claim the 21st Century?, the product of a collaborative effort between the Bank’s Africa Region, the African Development Bank and others. We concur with its contention that Africa must direct its
attention towards improving governance and resolving conflict, investing in people, increasing competitiveness and diversifying economies, reducing aid dependence and debt, and strengthening partnerships. Reversing the process of marginalization that has characterized Africa’s recent history will require the implementation of a country-owned, broad-based vision of development and nation-building, supported by Africa’s development partners.

Regional integration also offers African countries an opportunity to expand their markets, making them more attractive to foreign investment and less dependent on aid. It also gives them a larger stake in the resolution of conflict and the containment of epidemics. A committed government and an empowered civil society — including the private sector and local communities must be an integral part of this process. They must be permitted to operate within durable and inclusive political systems and be served by effective governments with enhanced institutional capacities. We are confident that the direction of change is in our favor, and that with a renewed commitment evident in much of the region, and with the help of our development partners, Africa can indeed claim the 21st century.