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-EIGHTH MEETING
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Recent Economic Developments and their Effect on Long-term Growth and Overcoming Poverty – The Role of the World Bank and the IMF

We meet today against the backdrop of the worst financial crisis in decades, which threatens a further slow down in global growth at a time of historically high oil and food prices. Under these circumstances, weaker demand in high income countries could translate into slow export growth and a further deterioration in current account position of low income countries. A sustained decline in commodity prices is likely to have significant adverse effects on economic performance and balance of payment positions of developing countries.

We are concerned that these developments, if not addressed effectively, will push SSA even further away from meeting most of the Millennium Development Goals (MDGs) well beyond the expected deadlines. The current financial crisis therefore, calls for renewed commitment to the 2002 Monterrey Consensus, to build a global partnership, based on solidarity and mutual accountability. In this regard, the forthcoming International Conference on Financing for Development will provide an important opportunity to reinvigorate the Monterrey Consensus.

We therefore urge the international community to honour its commitment to double aid to Africa, and the BWIs to scale up aid for infrastructure, agriculture, trade and regional projects. We also urge the Bank and the Fund to strengthen their work aimed at facilitating a successful conclusion of the Doha Development Round.

High Food and Oil Prices

We note the report on the rising food and oil prices - the twin shocks - and welcome the emphasis on the promotion of safety nets and social protection programs to combat hunger and to forestall further deterioration in the level of poverty. Indeed, the twin shocks pose the greatest challenge to the poorest and most vulnerable groups, reducing real incomes and pushing millions back into poverty. While this is a global crisis, Sub Saharan African countries are among the most affected.

We would like to use this opportunity to commend the Bank and President Zoellick, for the prompt response to the food crisis, through the setting up of the Global Food Response Program and other initiatives. We are pleased to note that the initiatives have already provided assistance to the most affected countries. While we regard this step as an appropriate response in the short term, we believe that a lot more needs to be done in order to achieve a longer-term solution. In this regard, we appreciate the emphasis on the need to increase access to seeds and fertilizers and investment in irrigation infrastructure in order to achieve sustainable long-term agricultural production and food security. We therefore welcome the intention of the World Bank to support the Comprehensive Africa Agriculture Development Programme (CAADP) of the African Union, which we believe is a comprehensive response to the food crisis and to the agricultural development in general, in Africa.

As we make progress in responding to the high food prices, high energy prices complicate the problems in net oil importing developing countries, especially those in Sub Saharan Africa. In this regard, we welcome the *Energy for the Poor Initiative* to help the poorest countries weather the impact of oil price...
shock and address their energy needs in more efficient and sustainable ways and urge the Bank to assist in finalizing the initiative. We see the need to act with urgency and call for a rapid response.

**Enhancing Voice and Participation of Developing and Transition Countries in the World Bank Group**

During the 2008 Spring Meetings, we encouraged the Board of the World Bank to advance work on all aspects of voice and participation, keeping in mind the distinct nature of the Bank’s development mandate, and the importance of enhancing voice and participation for all developing and transition countries (DTCs) in the World Bank Group. We asked the Board to come up with concrete options for our consideration at this meeting, with a view to reaching consensus on a comprehensive package by the 2009 Spring Meetings. We therefore wish to commend the Board and Management for preparing the background paper, which we find to be a good basis for our discussion.

At the outset, we want to acknowledge the efforts made by the Board in coming up with the proposed package of reforms. We regard this package, including the timeline for completing this round of reforms, as a good starting point for Governors to undertake a major reform of our Bretton Woods institutions to make them more suitable to the realities and challenges of the 21st century.

A major reform is necessary because today’s world is far more advanced than in 1945 - major shareholders are no longer borrowers from the Bank, DTCs now account for about half of global output, and advances in principles of good governance have rendered the existing Bank governance structure unsustainable. In our view, therefore, the implementation of the Monterrey Consensus with respect to the participation of DTCs in the Bretton Woods institutions is not an option but, a necessary condition for restoring their global legitimacy and credibility.

In Sub-Saharan Africa (SSA), we look at the Bank as a global institution that champions international best practice in both development lending and institution building. Thus, when the Committee asked the Board to keep in mind the distinct nature of its development mandate in coming up with concrete options, we understood this to mean that, the Bank has to be ambitious in its reforms to enhance voice and representation of DTCs. We believe that the proposed package of reforms has largely lived up to that expectation.

We therefore wish to welcome the President’s recommendations to this Committee for (i) the creation of an additional chair for Sub-Saharan Africa, (ii) the doubling of basic votes, increasing DTCs voting share by 1.4 percent, and for efforts (iii) to bring DTC voting share in IDA to 48 percent. We also welcome ongoing efforts to (a) decentralize decision-making to field offices, (b) strengthen internal governance of the Bank and effectiveness of the Bank Board, and to (c) achieve significant diversity in managerial positions.

The third Board chair for SSA is long overdue and we hope that Governors will today announce the creation of the third chair and give the Board clear directions to immediately start the process of creating the chair. With respect to diversity, we take this opportunity to thank President Zoellick for the efforts he has made.

However, we believe that more can be done to achieve an equitable and inclusive global community. In particular, strengthening the global legitimacy and credibility of the World Bank Group will require undertaking major shareholding realignment, restoring basic votes to their original level, and making a fundamental change in the governance of the Bretton Woods Institutions. We recognize that decisive action in this regard will require strong political leadership nationally and globally. In fact, our view is
that such leadership is needed now to guide the Board in working through the remaining reforms as recommended in the background document.

We therefore urge Governors to endorse the recommended package of concrete actions and to give the Board the necessary approval to conclude this process by the 2010 Spring Meetings.

**Development and Climate Change: A Strategic Framework for the World Bank Group**

We welcome the World Bank Group’s strategic framework on Development and Climate Change. Climate change poses a major development challenge and has the potential to erode and reverse the gains recorded in SSA over the past decade. This would be catastrophic given that SSA is already far from achieving most of the MDGs.

We acknowledge the role of World Bank Group (WBG) in addressing climate change challenges at the global, regional, and country levels. We believe that this role is consistent with the Bank’s primary mandate of supporting growth and poverty reduction. However, it is important that Bank assistance to countries, particularly in Sub-Saharan Africa, continue to be country-driven and results oriented. In this respect, we encourage collaboration between the World Bank Group and other development partners.

We also urge that the issue of adaptation, be strengthened within the climate change agenda to be consistent with adaptation issues as addressed under United Nations Framework Convention on Climate Change (UNFCCC).

Strengthened partnerships in financial markets and technology cooperation remain crucial in the development of an effective climate strategy. In this regard, we believe the Bank has a critical role to play in the development of new technology and in devising institutional arrangements for technology transfer. We would therefore like to see concrete initiatives and action in this area.

In view of the huge resource requirements needed to address the challenges of climate change, we call for continued efforts and coordination between the WBG and the international community to ensure that adequate resources are provided to meet these needs. In this regard, we would like to emphasize the importance of additionality and concessionality of such financing, while ensuring that financing for other critical developmental needs in poor countries, are not undermined. We also call on the Bank Group to ensure that emerging financing instruments give adequate attention to the adaptation needs of poorest countries, particularly in Sub-Saharan Africa.