Statement by

H.E. Nhlanhla Nene
Minister of Finance

South Africa

On behalf of the Constituency of Angola, Nigeria and South Africa
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97th Meeting of the Development Committee
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Washington, D.C.

Context

This Development Committee meeting is taking place at a time of optimism in the economic environment and body politic in our constituency countries.

There is a palpable sense of confidence, driven by several factors, including political transitions within ruling parties in several key countries in Sub Saharan Africa. Furthermore, following a sharp slowdown in economic growth as the primary commodity super-cycle slackened, a recovery is underway, led by Sub Saharan Africa’s largest economies.

Our commitment to ongoing reforms aimed at boosting job creation, economic diversification and growth remains strong, despite challenging global conditions, including historically low levels of demand from traditional trading partners.

Public Debt and Vulnerabilities in Low Income Countries

We welcome the discussion, on public debt and vulnerabilities. The agreement we reached in Addis Ababa in 2015 recognizes the need to assist developing countries in attaining long-term debt sustainability, including through support for appropriate debt financing, debt relief, debt restructuring and sound debt management.

Lower commodity prices have dampened growth and eroded government revenues at a time when there is an increasingly urgent need for improvement in the livelihoods and wellbeing of the poor.

The purpose of our meeting as the Development Committee is to explore how we can align domestic and international policies with sustainable development, and how this might enable the transfer of real resources for investment in development. We believe that the challenge of public indebtedness needs to be tackled urgently on multiple fronts. These include:

- strengthening monitoring and prudent management of assets and liabilities;
- identifying alternative sources of government revenues including through increased domestic resource mobilization and reduced illicit financial flows;
• identifying a **new growth path** to reduce public debt vulnerabilities, including getting the balance right between managing debt and investing in a different future in the larger context of increased global uncertainty.

The IMF and WBG can play a central role in support of countries in all these areas which together can reduce vulnerabilities to shocks and global uncertainty. These are tough challenges that require thoughtful analysis, global cooperation and the insights of long experience. *We look forward to a Progress Report on support in all three of these areas by our next meeting in October.*

**Sustainable Financing for Sustainable Development: World Bank Group**

ODA and public borrowing cannot meet the full financing and investment needs of our region at the level needed to support growth and development and enable transition to upper middle income and high-income status. While the significant and positive changes in our economies have given rise to renewed market and investor optimism and confidence, this does not necessarily translate into immediate increased lending and investment activities.

We expect that continued improvement will boost investment, but we recognize that it will take time, and that some countries and sectors in our region continue to hold too much risk for investors. We must therefore act together, including through the multilateral system, to reverse the low levels of investment and the missed opportunities that these present for all people.

We therefore welcome this historic commitment to development in the Policy and Financing package put forward for our consideration, with its focus on those that most need support.

The **Policy Package of measures** captures strategic decisions that position the WBG within the multilateral development system with a focus on a key set of priorities.

We broadly support the proposal and are especially pleased to note the inclusion of:

• **Creating Markets** which is essential in a context where investors are searching for good investments. We need a financial system that thinks innovatively in structuring transactions and can mitigate risks to deliver results, reducing asset scarcity. We are pleased to note the increased use of blended funding structures and appropriate risk sharing towards a common goal. We welcome the increasingly close cooperation of the entities of the World Bank Group (WBG) that is evident in this package.

• Responding to the multiple challenges to development suggested by **Climate Change**. Development co-operation remains a primary source of support for climate action in developing countries. We need a coordinated effort to finance climate change adaptation and mitigation projects, support policy change and technology transfer, and empower resilience to weather related shocks.

• increasing **Domestic Resource Mobilization** as a source of financing for the SDGs. We are pleased that the Forward Look and this Policy Package are clear on this as a priority and that several operations are underway. In this area, close cooperation and coordination between the IMF and WBG is crucial.
• Leading on global issues including a **Regional Integration** agenda that encompasses cooperation on policy for trade, investment, infrastructure, domestic regulation and other public goods. We look forward to the specific commitment to **Support Africa’s Transformation through Regional Integration and Cooperation Assistance** before the end of June. A clear strategy for Regional Integration in Africa and continued support to pan – African commitments would be vital in that regard.

We welcome continued discussion within the WBG on what more it can and should do to support economic **transformation and job creation**, and going forward, **we expect this to be a more central component of the Forward Look including a detailed strategy for implementation and more routine reporting**. We commend work done to date to support improvements to the Business Climate to support both domestic and foreign investment, and encourage continued improvement as well as sustained support to the G20 Compact with Africa Initiative.

We appreciate the sacrifices to enable agreement and recognize the challenges inherent in striking the right balance between continued relevance of the WBG and measures that will ensure that the Bank’s finances are put on a more sustainable path in **the Financing Package of measures**.

We recognize the limits of internal measures in generating sufficient resources to support the WBG’s Forward Look and appreciate both the global context and WBG commitments to action that underpins this request for the recapitalization of IBRD and IFC.

We welcome the focus on those economies that are the most capital constrained, but encourage the Bank to remain engaged with all clients, particularly as recent development experience can provide useful guidance for economies still to undergo structural transformation.

Support to IFC is vital in the context of the commitments in Addis Ababa to give greater importance to **the role of the private sector in development** and we hope that this package will give a significant boost to current rates of investment. We therefore appreciate the commitment to an approach that considers both IBRD and IFC.

**Report to Governors on Shareholding at the Spring Meetings**

We are pleased to note the agreement to complete the shareholding review, albeit a year later than expected. We recognize that allocation in line with the Dynamic Formula represents the smoothest path of transition to address over and under representation, and we note the additional adjustments, including limits on dilution, to avoid large shifts in voting power over the short run.

It is worth recalling that the objective of voice reform at the IMF and within the WBG is **to enhance the participation of all developing countries** in their decision-making. The purpose of these reforms is to strengthen international dialogue and improve the work of these two key institutions as they address development needs and concerns. We appreciate the necessity for a more balanced distribution of shareholding to meet that objective. At the same time, we also value the recognition that this, and any future Shareholding Review, **should have no negative implications for the progress already made on voice** including the decision of the 2008 Development Committee that there should be a 3rd chair to increase voice and participation by countries in Sub Saharan Africa.
Cooperation and coordination

Globalization has profoundly altered political, economic and social interactions between nation states with benefits and costs.

As our premier global Development Finance Institution, the WBG must continue to strive to be a trusted advisor, a custodian of deep knowledge of our economies and a valuable support to us in expanding the opportunities for all our people to thrive and prosper.

But the WBG cannot address the challenges we face alone.

It must also be inclusive, making full use of existing institutions, mechanisms and platforms in Sub Saharan Africa such as for example, in the area of disaster risk management, the African Risk Capacity (ARC). It is also critical to pay close attention to the views of client countries and ensure stakeholder confidence on the ground. We also encourage you to continue to innovate in the development of products, such as the blend facilities in IDA.

We continue to encourage the WBG to leverage the resources of other development partners including other multilateral development banks. Cooperation and coordination is essential if we are to make efficient use of global public resources to support development. This will contribute to the internal efforts to make the WBG a stronger, more effective and more legitimate organization for all its members.