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-EIGHTH MEETING
BALI, INDONESIA – OCTOBER 13, 2018

DC/S/2018-0051
October 13, 2018

Statement by
H.E. Philip Isdor Mpango
Minister of Finance and Planning
Tanzania
For Africa Group 1 Constituency
Statement by
H.E. Philip Isdor Mpango
Minister of Finance and Planning
Tanzania
For Africa Group 1 Constituency
98th Meeting of the Development Committee
October 13, 2018
Bali, Indonesia

1. The projected growth rate of 3.4 percent for Sub-Saharan Africa (SSA) in 2018, indicates moderate
growth in the region, picking up from the estimated 2.8 percent in 2017. The upswing in the region’s growth
rate, was driven by rising commodity prices and improved agricultural conditions, after periods of drought,
as well as a rebound in consumer spending. These gains may, however, be reversed in the short term by
forecasts of the El Nino phenomenon in Southern Africa. The impact of the El Nino in SSA, depending on
its severity, will affect agricultural productivity significantly, worsen poverty levels and per capita incomes.
On this basis, we urge the WBG to scale up climate mitigation and adaptation through smart operations and
to provide timely response to the countries that will be affected. In the medium and long-term, sustainability
of economic growth will depend on how the region harnesses its human capital potential and creates
sustainable jobs. This will require scaling up of quality investments in education, health and infrastructure,
including nutrition and agri-business.

2. Given the key role that Human Capital plays to end extreme poverty and raise the income of the
poorest, we call for the rigorous implementation of the Human Capital Project (HCP). We note with
concern that, based on the ‘The Changing Wealth of Nations 2018 Report, SSA has the lowest growth rate
in human capital per capita at 1.6 percent, compared to South Asia’s 4.0 percent. We also note the Report’s
findings which demonstrate that quality investments in human capital can generate substantial returns for
both individuals and economies. Quality Investments in human capital should therefore be a priority and
driver for sustained long-term economic transformation in Africa.

3. At the same time, we acknowledge that the SSA region’s infrastructure gap continues to hold back
its progression. Under these circumstances, the challenge for SSA’s policymakers, lies in finding the right
balance between building a skilled workforce that can compete in a changing global environment, where
disruptive technology is reshaping the nature of future jobs, while at the same time providing an enabling
environment that would optimize the productivity of this workforce. We support the efforts of the World
Bank to address the deficit in human capital by commissioning the HCP that seeks to accelerate financing
for quality investment in human capital. We further support the development of its first Human Capital
Index (HCI), as a ranking mechanism to evaluate the existing stock of human capital in client countries, as
well as bench-marking how fast countries are improving their human capital outcomes. For the HCI to be
relevant, we urge the Bank to ensure that it is flexible and takes into account country-specific issues. We
discourage the use of a “one size-fits-all” approach. We encourage the World Bank to continue to examine
possibilities of getting the right mix of indices in the composite measure so that the actual level of human
capital in our countries could be accurately measured. Such an index should effectively capture relevant
factors such as vocational knowledge and institutional memory, which as not currently included. The
success of the HCP will require collaboration and coordination at all levels.
4. We welcome the dialogue on **Harnessing Disruptive Technology**, taking place here in Bali. We view the focus on disruptive technology as appropriate and an imperative for our region that is constantly experiencing vagaries in the weather conditions associated with reduced agricultural productivity and food insecurity. This obviously compounds the situation for member countries trying to rid themselves of challenges related to malnutrition and stunting, which stands at 34.1 percent of children under the age of five in the region, for example. Disruptive technology has the potential to maximize new opportunities through accurately forecasting weather changes and for governments and small holder farmers to respond to and exploit these opportunities.

5. We note that failure to take advantage of the opportunities that disruptive technologies offer could be even more costly and could impede progress toward achieving the SDGs. We thus support operationalizing the Build-Boost-Broker value proposition of the WBG to countries, in order to create opportunities and mitigate risks associated with disruptive technologies. As a trusted advisor, the WBG will Build the foundation of the digital economy, Boost human capacity and Broker technology solutions to drive the economic transformation agenda. Recognizing that, with the shift to technology, disruptions in employment will inevitably occur, we also call on the WBG to assist with the re-skilling of workers to adapt into the evolving new dispensation.

6. Finally, technology threatens to increase challenges of taxing the digital economy with increasing activities being carried out on digital platforms. Sub-Saharan Africa already loses a lot of revenue through tax avoidance and illicit financial flows. To adequately address issues around base erosion and profit shifting, we urge the WBG to follow through on its commitments under the Addis Ababa Action Agenda to actively support countries to enhance their domestic resource mobilization strategies and combat illicit financial flows.

7. Similarly, we welcome **The Bali Fintech Agenda** that outlines high-level issues for consideration by individual IMF and WBG member countries as they develop their policy responses to financial technology (fintech). We note the high-level issues for policymakers and the international community which have been distilled into twelve elements. Africa needs to embrace the promise of technology and enable new technology to enhance financial service provision. We also need to foster fintech to promote financial inclusion and develop financial markets; adopt appropriate regulatory frameworks and supervisory practices for the orderly development and stability of our financial systems, including modernizing the legal framework to provide an enabling legal landscape.

8. Fintech is of utmost importance to Sub-Saharan Africa (SSA) where the conventional model of finance has left many un(der)served, making it home to 20 percent of the 1.7 billion adults who remain unbanked globally. Against this backdrop, we call on the Bretton Woods Institutions (BWIs) to advocate for the representation of SSA countries in fintech Standard Setting Boards, since the experience and challenges of these countries may not align with the rest of the world. We urge the BWIs to leverage their universal membership to develop a blueprint with best practices on regulatory sandboxes, which may provide useful insights to member countries on the new emerging regulatory engagement models. Finally, we call for the close alignment of this agenda with the proposed IFC’s Universal Financial Inclusion 2030, as well as the broader WBG agenda on the digital economy.

9. We note the evolving public debt dynamics in some low-income developing countries (LIDCs) that are raising the levels of **Debt Vulnerabilities**. While recognizing that the primary responsibility for reducing these vulnerabilities rests with borrowing countries, we welcome the multi-pronged approach adopted by the BWIs. We welcome the greater focus that will be placed on fiscal risks in their analytical products, and look forward to the rollout of the Risk Assessment Model (PFRAM). We agree that the prevention of a debt crisis will require both international and national interventions to improve public
finance management, strengthen Domestic Resource Mobilization (DRM), and enhance information sharing.

10. We urge the IMF and WBG to accelerate the rollout of other toolkits, such as the Tax Policy Assessment Framework (TPAF), which will be instrumental in strengthening DRM and the debt service capacity of borrowers. We call on the BWIs to strengthen the provision of technical assistance in debt management, as well as for increased public debt transparency for both debtors and creditors, including non-Paris Club bilateral creditors. We support the guidelines of the Debt Sustainability Framework for Low-Income Countries (DSF-LICs), which helps align borrowing decisions with current financing needs and the prospective ability to service debt. We further call on the IMF and the WBG to introduce innovative and sustainable instruments to close the infrastructure financing gap in Africa, estimated at over US$93 billion per year. In this respect, we look forward to the review of the IMF Debt Limits Policy that is scheduled to commence this year. We welcome the commitment to undertake extensive consultations with stakeholders on this Policy.

11. In Conclusion, we are pleased that the BWIs have adopted a consolidated approach to addressing these fundamental agenda topics that are intrinsic to boosting economic transformation. The successful implementation of the Human Capital Project provides an opportunity for the WBG and member nations to demonstrate that quality investments in human capital, targeted at improving education, nutrition and overall average years of schooling, as well as health and life expectancy, can have a positive and significant effect on capital and economic growth.