Statement by

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On behalf of the following countries: Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Democratic Republic of the Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinée-Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tome e Principe, Senegal, Togo, and Somalia (informally)
My statement will address each of the points of our agenda.

I. Aid Effectiveness and Financing Modalities

Since Monterrey, the issue of aid effectiveness and financing modalities has been the subject of continuing debate. For our part, we have three main concerns. First, given the huge scope of our needs and desired results, our countries will need substantial and additional aid between now and the year 2015. Second, we want to be sure that our countries receive a flow of aid that is reliable and predictable, capable of facilitating the financing of investment programs, particularly in the area of infrastructure. And third, we hope to have flexible financing mechanisms that will be appropriate to the various situations of the different countries.

We note that this debate has already generated a growing consensus around the idea, which we fully embrace, that concessional financing is one of the most secure ways of expediting achievement of the Millennium Development Goals (MDGs) and of sustainable development. This is particularly true for the least developed countries, since they do not have access to private capital markets.

Available statistics show that the volume of official development assistance (ODA) has declined considerably over the past ten years, falling from 0.34 percent in the early 90s to a record low of 0.22 percent in 2001 and 0.23 percent in 2002. This seems a long way from the 0.7 percent target set in the Monterrey Consensus, a target already adopted by the United Nations over 30 years ago. This being the case, the challenge facing us is to seek the ways and means of coming close to the 0.7 percent target for this century.

A consensus is also emerging around the idea that external aid, however concessional it may be, can only accomplish the desired objectives if it meets a number of effectiveness criteria, including strict ranking of priorities, a greater sense of accountability at management level, and an environment propitious to investment. Over the past few years, a number of our countries have been implementing more appropriate economic policies and action frameworks, resulting from our respective poverty reduction strategies (PRSP). As a result, aid effectiveness has improved considerably in several of those countries. It is true, however, that we will need to step up the pace of those reforms if we want to make more rapid progress toward poverty reduction and achievement of the MDGs. There are some cases where a country faces a structural weakness of its absorptive capacity. This is the case, for example, of post-conflict countries or low-income countries under stress (LICUS). In those cases, priority should be given to the strengthening of their capacities. In our opinion, aid can be made more effective by better aligning aid programs with the development priorities of the recipient countries and by more closely harmonizing the policies and practices of the development partners, since this can result in lower transaction costs.
II. Strengthening the Foundations for Growth and Private Sector Development: Investment Climate and Infrastructure Development

We appreciate the analyses carried out by the World Bank staff on this topic.

Where investment climate is concerned, we believe that a good investment climate is beneficial to society as a whole, since it makes it possible to create a greater number of better-quality jobs, to reduce the price of goods and services, and to increase tax revenues to finance the public services, in particular the social sectors. Thus, a good investment climate determines the contributions that an enterprise makes to society. The public authorities are responsible for promoting market opportunities for all businesses, from microenterprises to the multinationals.

We are happy to note that improvement of the investment climate has become the mainstay of the World Bank’s global development strategy. The Bank has, quite rightly, accumulated several tools with which to carry out diagnostic studies of the investment climate and to identify the strategic bases of the reforms necessary to the establishment of a good investment climate in the developing countries. We encourage the Bank to deepen the scope of these diagnostic studies with best practices in mind, to formulate an appropriate framework of institutional reforms, and to assess the impact of those programs and the scope of the tools used. All this can be carried out in partnership with the other development partners, and we urge the Bank to present a report to our meeting in the spring of 2005.

With respect to infrastructure development, we welcome the report that the World Bank has provided at our Committee’s request. This report shows that progress has been made in terms of the World Bank Group’s re-engagement in the infrastructure sector. The new lending commitments of the Bank and IDA for 2004 exceed those for 2003 by US$1.1 billion. The commitments of the International Finance Corporation (IFC) for the same period have increased by close to US$350 million. Overall, for the entire World Bank Group, commitments are up by around US$1.5 billion. We are happy to learn that those institutions’ commitments are expected to continue to increase in 2005 and that particular attention will be devoted to the renewable energy subsector, for which the Bank has explicitly undertaken to make a supplemental contribution of 20 percent per year over the coming years.

In the particular case of the African continent, annual public capital expenditure on infrastructure development totals some US$6 billion. According to certain estimates, it will be necessary to invest US$18 billion in infrastructure every year to ensure levels of economic growth that will allow for accomplishment of the MDGs. The $12 billion gap far exceeds IDA’s one and a half billion annual commitment for infrastructure mentioned above. We therefore encourage the Bank to design innovative instruments to step up infrastructure financing in Africa.

In this context, we welcome the Bank’s efforts to combine resources of public origin with those from private sources. Studies show that over 70 percent of infrastructure investment comes from public financing sources and that the private sector contribution represents 20 to 25 percent. Official Development Assistance (ODA) represents around 5 to 10 percent. Furthermore, aware of the dilemma faced by the developing countries in terms of the balance between budget and public investment resource allocation, the IMF and the World Bank, in collaboration with some of our countries, have initiated a pilot program designed to solve the problem of the fiscal space. This important program will also enable public entities operating under sound management to devote the necessary resources to the financing of new investments. Our countries welcome this initiative, which is designed to create the conditions for recovery and economic growth.

Likewise, we note that most of the infrastructure investment programs focus on decentralized entities. The Bank’s assistance to such entities has traditionally been channeled through the central
government. In our countries, there is an unmet demand for infrastructure investment in the decentralized entities because of the lack of budget resources at central government level. Since those entities have practically no access to the financial markets, our countries welcome the initiative of the World Bank, in cooperation with IFC, to provide institutional support that will enable the decentralized entities to have direct access to funding on the financial markets.

Lastly, we note that the demand for funds to finance infrastructure projects has far outpaced the funds allocated under IDA 13. We fervently hope that IDA 14 will make substantial room for allocations for infrastructure programs.

III. Voice and Participation of Developing and Transition Countries

Our position on this issue is a simple one. Since our Spring Meetings, discussions on the strengthening of what is now termed the “voice” of the developing and transition countries in the decision-making process within the World Bank and the International Monetary Fund have been held, mainly within the World Bank Group. The interim report we have received shows that progress has been made in areas where action has been undertaken to strengthen the internalization and ownership of programs in those countries, such as the initiative concerning the Poverty Reduction Strategy Paper (PRSP), Decentralization and Harmonization, as well as action taken to strengthen the capacities of the Executive Directors’ offices.

For issues of a structural nature, the discussions have not resulted in any substantial progress. This is why, to avoid prolonging the debate and above all to avoid a certain weariness concerning this subject, we propose that the Board of Governors itself examine it and then decide on the roadmap and provide clear instructions to the Boards of Directors on the upcoming phases in this process.

IV. Debt and Debt Sustainability

We appreciate the documents prepared by the Bank on this matter. We feel that the pursuit of debt viability is in itself an inherent requirement of any viable development strategy. Hence, we consider the ongoing discussion on this issue to be a very healthy one. However, we do not wish to reduce the debate on the dynamic relationship between debt, on the one hand, and growth and sustainable reduction of poverty, on the other, to a simple question of determining and distributing the potential cost of the debt to the international community in the event of borrower country default. Rather, we wish to emphasize the role of external public debt in the financing of essential investments to expand the bases of production and stimulate the process of wealth creation, particularly in contexts where the private sector is still in a nascent stage and mobilization of domestic savings is inadequate. Such investments are essential if our countries are to bring their debt burden back to a sustainable level and keep it there.

We commend any initiative aimed at further easing the conditions for granting certain of our countries supplementary, even concessional, resources, and giving priority to grants. However, more important for our countries than actually easing conditions, the success of which is hypothetical in the present context of scant development aid flows, is the need to focus on the availability and predictability of concessional financing. To deny countries the possibility of having continued access to concessional borrowing, other than grants, to finance reforms, even when such grants prove unavailable, would constitute a serious step backwards in the global plan to support development.