Statement by

M. Bohoun Bouabre,
Minister of Planning and Development
Republic of Côte d’Ivoire

on behalf of the following countries: Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Republic of Congo, Côte d’Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé e Príncipe, Senegal, Togo, and Somalia (informally)
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My statement will focus on all the topics appearing on the agenda of our meeting.

1. Review of IBRD and IFC Financial Capacities

The Report on IBRD and IFC financial capacities provides a clear analysis of the challenges facing the World Bank Group and member countries. In addition, it proposes measures to respond to the crisis and to maintain the financial commitment capacities of the IBRD and IFC in the post-crisis period. Consequently, on behalf of my Group, I would like to commend the management of the World Bank for the quality of the work submitted to us.

I endorse the assessment that the crisis has had a profound impact on the global economy and on IBRD and IFC finances. For this reason, the countries of our Group in no way underestimate the joint proactive measures taken by the IBRD and IFC with a view to strengthening and managing prudently their finances prior to and during the crisis.

I note that the analyses done by the World Bank’s management team indicate that the IBRD and IFC will face capital shortfalls, regardless of the scenario projected. The Reports notes, in particular, that under the “prolonged recession” scenario, the countercyclical role of the IBRD and IFC as well as the development agenda could be impeded. In this regard, our Group supports the principle of reassessing the role and financial capacities of the World Bank Group. To this end, it will have to be determined, through this exercise, whether a capital increase in the context of the reforms underway on voice and participation will be enough to cover this capital shortfall.

Our Group urges senior management of the World Bank to take into account the needs of low-income countries in the financial situation of the IBRD and IFC. Indeed, we hold the view that the support policies of the two institutions for IDA must be systematic in order to make the transfer of resources predictable.

For this reason, our Group supports the 20-basis-point increase in the interest rates on IBRD loans. From our vantage point, this measure is in line with management efforts to ensure the financial viability of the IBRD. However, the countries of our Group call on the management team to maintain a flexible stance toward rate management and other conditions related to IBRD long maturity loans, and encourage them to accelerate use of national currency paid-in capital.

Furthermore, the financial crisis erupted at a time when the region was slowly recovering from the negative effects of the food and energy crises. The main challenge facing the countries of our Group is to manage the current crisis in such way that it does not undermine the progress achieved over the past two decades, which called for tremendous sacrifice. In this regard, our Group appreciates the fact that appropriate strategic decisions were made by the IBRD and IFC to help this group of clients cope with the crisis and look toward the future with confidence.
In the same vein, we must ensure that the measures and policies adopted to respond to the crisis do not reduce current social protection available to the most vulnerable citizens. Our Group is appealing for an increase in IBRD capital to facilitate financing of “enclave projects,” as well as direct access to the IBRD’s window for high-performing IDA countries. We also support all viable solutions that prevent the economic and financial crisis from morphing into a humanitarian crisis. In this regard, the countries of our Group welcome the declaration of the recent G-20 summit to increase financing for low-income economies and support the establishment of a new crisis facility within IDA to help these countries protect themselves from and, if necessary, cope with future crises.

In view of the heightened demand for private sector financing and owing to the projected limits in IFC capital beginning in FY2012, the member countries of our Group support the two-phased approach to meet financing needs. In light of this urgent need, we support the option proposed by IFC management to leverage hybrid capital.

2. Enhancing Voice and Participation of Developing and Transition Countries: Update and Proposals for Discussion

We would like to begin by thanking the World Bank staff for this well-prepared summary report that sheds light on the areas of consensus as well as the points of divergence.

The first phase of voice reforms is well under way and we think that the World Bank should now shift its focus to the second phase of reforms. African Governors are fully committed to the effective establishment of the third seat granted to Sub-Saharan Africa by the 2010 Annual Meetings.

With regard to the study on the redistribution of IBRD shares, our Group has always maintained that steps should begin to be taken to indicate a percentage increase in the votes to be transferred to developing countries as a whole. Consequently, the G-20 proposal to increase the voting power of developing and transition countries by at least 3 percent represents a step in the right direction, all the more so since this increase is over and above the 1.46 percent obtained during the first phase.

Substantial gains were made during the first phase. It is important to avoid setbacks. From our vantage point, this means that the current voting power of Africa should, at a minimum, be maintained and that this power should be preserved during the share realignment process. Any outcome to the contrary would be viewed as jeopardizing the outcome of the first phase and would send the wrong signal regarding the degree of genuine commitment of the World Bank Group to strengthen the voice of low-income countries.

We underscore the fact that low-income countries do not have the financial resources to subscribe to the shares that may be allocated to them owing to a general or selective capital increase. In our view, an increase in basic votes is the best way to protect the voting power of low-income countries. However, we remain open to any other proposal that is not onerous and could allow for the same outcome.

With regard to IDA, we welcome the decision of management to present options to strengthen the participation of borrower countries in the upcoming discussions on IDA-16 replenishment. We are also appreciative of the establishment of a trust fund to help IDA countries take up their IDA allocated subscriptions and call on the other donor countries to join France, Spain, and Norway in covering the US$3.2 million shortfall.

Lastly, we welcome the voice reform in the International Finance Corporation (IFC) and recommend that the work schedule be aligned with the IBRD’s schedule.

We are pleased to see the note on the review of some aspects of the low-income debt sustainability framework. We think that this review is taking place at just the right time.

In our view, the debt analysis framework is more than an analytical instrument. It serves as an indicator that helps guide the decisions of donors and the volume of funds made available to low-income countries.

Consequently, we think that the real solution to the debt problem lies in greater availability of concessional resources. The sheer magnitude of development needs will continue to pose a challenge to any debt monitoring mechanism for poor countries. However, the debt analysis framework, beyond its use by donors, is undeniably a useful instrument for the countries themselves in monitoring their debt levels and implementing the measures necessary to maintain sustainable debt levels. For this reason, the involvement of national authorities in the drafting and implementation of this analysis framework is critical.

We wish to underscore the spirit of the Nouakchott Declaration on Financing for Development in Africa which, since that time, encouraged the community of donors to make their debt concessionality analysis mechanisms more flexible, in order to take into account the specific case of the financing needs of African countries, particularly in the area of infrastructure. This declaration also encouraged consideration of the profitability of each project and the beneficial effects of infrastructure investments on economic growth, exports, and fiscal revenue.

Of the points discussed in the note, we note that from an analytical standpoint, remittances of migrant workers can be treated as exports in the context of the debt sustainability analysis. However, given the unreliable nature of these data, we favor a case-by-case approach depending on the share of these remittances in economies. We also favor greater flexibility in the inclusion of public enterprise debt and the application of regulatory provisions leading to the lowering of discount rates used to calculate the net present value of debt.