Statement by

Mr. Nhlanhla Musa Nene
Minister of Finance
South Africa

On behalf of the Constituency of Angola, Nigeria and South Africa
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Global Economy

We meet amid a global context that is challenging. Recovery remains fragile and slow-moving. High income countries continue to be constrained by the negative aftermaths of the previous economic and financial crises. While growth in the US has improved significantly, Euro area activity has been weaker than anticipated and emerging markets less dynamic than in the recent past. Over the medium term, we expect moderate global growth - gradual recovery in high income countries and receding domestic headwinds in developing countries. With respect to commodity exporting developing countries, we expect some deteriorating terms of trade as falling commodity prices constitute a dampener to the growth momentum.

Sub-Saharan Africa’s growth continues at a considerable rate, projected at 4.9 percent in 2015 and 5.2 percent in 2016. We expect growth in Nigeria to moderate from 6.3 percent in 2014 to 4.8 percent in 2015, the South African economy is expected to grow at around 2 percent and GDP growth in Angola is expected to increase to 6.6 percent. However, downside risks remain, including fiscal constraints due to lower commodity prices – oil for Angola and Nigeria and non-oil commodities for South Africa. In addition, our three economies have unique domestic factors that constrain our growth potential. Our governments are putting in place measures to mitigate the impact of lower oil prices, to diversify economic structure and to increase the level of shared growth. These downsides risks need to be managed carefully as they potentially pose considerable risks to the achievement of the twin goals.

Plunge in oil prices

The recent plunge in oil prices from mid-2014 was attributable to an interplay of several factors, including unexpected demand weakness in some major economies; boost in supply from various offshore fields and non-conventional sources; as well as the landmark decision of the OPEC to maintain current production levels despite rising outputs from non-OPEC members. Given the considerable uncertainty about the impact of lower prices on future oil supply, the current low prices is a source of concern to oil producing countries in SADC. Current lower oil and commodities’ prices and the impact on terms of trade and real income have invariably tampered the medium term growth forecasts and presents a more subdued outlook. South Africa as an oil importing country has had a small windfall from the lower oil prices which contributed to lower inflation and allowed government the opportunity to increase fuel taxes.

Our responses have been country specific, ranging from spending cuts, tax increases, tightening of monetary policy rates and introduction of greater flexibility in foreign exchange management. The capacity to respond to potential crises is limited in view of the depleted buffers. However, every effort is being made to ensure that fiscal adjustment is achieved without endangering the delivery of critical public
services and boosting inclusive growth. In this regard, we appreciate the efforts of the WBG in assisting our countries to withstand the impact of these shocks. We also call on the WBG to further assist in the ongoing efforts to reform energy taxes and fuel subsidies regimes in our countries’, as well as reinvigorate reforms to further diversify the economies.

**Sustainable Development Goals**

This year, the world will converge to adopt Sustainable Development Goals with targets seeking to emphasize the focus on ending poverty and promoting sustainable development. Following the declaration of the Millennium Development Goals (MDGs) in 2000, countries have made significant progress towards attaining development outcomes albeit in varied degrees. Disparities in growth rates and patterns across regions accounted for these variations. As we transit to the Sustainable Development Goals, there is a need to pay special attention to supporting measures that will making them more impactful. In this regard, we support the Bank’s plans and on-going work to improve country capacity for data collection.

The African Union’s **Agenda 2063** adopted in January 2015 encapsulates the main aspirations of Africa to be ‘a prosperous continent based on inclusive growth and sustainable development, with integrated and well governed economies based on democracy and rule of law’ in the next fifty years. Agenda 2063, which aligns well with the SDGs, will henceforth be the basis of national development planning in the continent. We urge the Bank Group to use this common agenda as a basis for contextualizing its support to our countries.

**Financing for Development**

There is no doubt that financing needs for poverty eradication and sustainable development remain substantial. Equally important is the need for the mobilization of all forms of resources to finance sustainable development. Against this backdrop, we welcome the collective efforts of the World Bank Group and other Multilateral Development Banks and the International Monetary Fund to find new sources while improving leveraging of resources in support of member countries towards financing the ambitious Sustainable Development Goals (SDGs).

As we prepare for the Financing for Development Conference in Addis Ababa in July 2015, we must remind ourselves that achieving the SDGs will require a more strategic development finance mechanism that both unlocks and leverages all flows, including ODA, public and private; domestic and international flows, among others. In this regard, we acknowledge and commend the United Kingdom for meeting 0.7 per cent of GNI ODA commitment and legislating same to into law. We call on other advanced economies to meet their ODA commitments. We acknowledge the role of domestic resource mobilization as an important source of development financing; the scope for improving tax revenues particularly in developing countries; the need for efficiency of public expenditures to enhance inclusive growth; and a congenial environment created by appropriate social policies and strategies aimed at improving the delivery of basic services to the population.

**Illicit Financial Flows**

African leaders have committed to put in place necessary measures and reforms to curb the leakages, following the launch of the report of the AU/ECA High Level Panel on Illicit Financial Flows (IFFs) from Africa led by Former President Mbeki of South Africa. We are pleased with the momentum built by the G20 and OECD on transparency and Base Erosion and Profit Shifting (BEPS) and look forward to continued cooperation on this important issue. While acknowledging the significant revenue gains from BEPS related reforms, we believe illicit financial flows should also be treated as one of the emerging
global issues that need to be addressed through better coordination of regulatory policies across countries. We call on the IMF to continue to support national tax administration and fiscal policy management and for the World Bank Group to mainstream the agenda within its operations, and in governance and financial sector programmes.

MDBs must accept the critical role of creatively working closely and strategically in a collaborative manner with developing countries to enhance public sector capacity and facilitate transparency in commercial deals in the extractive sector which accounts for the bulk of illicit flows. Accordingly, we call for a concerted international action and in particular on the WBG to be more responsive with specific initiatives to work collaboratively with all relevant partners to tackle this scourge.

World Bank Reforms

We note the progress reported on the implementation of the organizational changes and reforms within the WBG. In particular, we also note the outcome of the expenditure review and the projected savings, the attempts at protection of clients’ services and to minimize the impact on staff as enunciated. We urge that close attention be paid to implementation with necessary adjustments made where possible to ensure optimal outcomes.

Future of IDA.

We welcome and support the on-going efforts to use IDA resources creatively to ‘unlock, leverage and catalyze private flows and domestic resources to fund the needs of developing countries. This is vital if we must reach the other remaining extremely poor; the bulk of who are projected to live in Sub-Saharan Africa, FCS and IDA-eligible countries by 2030. However, in all these arrangements, it is vital to keep IDA funding modalities simple and to continue to maintain the concessionality of the core IDA, guard against substitution risks by ensuring additionality of resources. It is equally vital to ensure that allocation to the poorest countries are not negatively impacted or diminished in any way. We also reiterate our call for IBRD lending to IDA countries to enable them finance huge transformational projects.

Infrastructure financing

We welcome the launch of the Global Infrastructure Facility (GIF) to help prepare attractive investments for large infrastructure projects. We acknowledge the role of various partners and look forward to the successful piloting of the model and continuous lesson generation to ease the infrastructure financing bottlenecks in developing countries.