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)

SEVENTY-NINTH MEETING
WASHINGTON, DC – APRIL 26, 2009

DC/S/2009-0026

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Statement by

Mr. Mansur Muhtar
Minister of Finance
Nigeria
For the Africa Group 1 Constituency

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1. Coming on the heels of the food and fuel crises, the financial crisis poses one of the greatest challenges of our time. Existing systems and capacities are overstretched due to the combined impacts of these crises. Compounding the worsening situation, Africa now faces a real risk of a human catastrophe as a direct result of the crisis, for which it is not responsible. With GDP decelerating from 5.7 percent in 2008 to a projected 2.8 percent this year, the sub-continent risks drifting even farther away from achieving the Millennium Development Goals (MDGs), as millions of people are being pushed back into poverty, and millions of children projected to die from malnutrition as well as preventable diseases. Low-income and fragile countries will be hardest hit.

2. While countries in the sub-continent are undertaking measures to counter the economic slowdown and minimize the impacts of the crisis on the most vulnerable, the situation still remains critical, as they are hamstrung by lack of resources to effectively respond to the magnitude of the challenges. The international community, especially the *Joint Committee on the Transfer of Real Resources to Developing Countries*, is therefore urged to take unprecedented and urgent actions to assist African countries in their efforts towards protecting the poor as well as restoring the growth momentum, prior to the crisis.

3. Low integration of Africa into the international capital markets appeared to have shielded the continent from the first round effects of the financial crisis. However, the situation is changing at a rapid pace, and threatens to reverse the positive trends of the past decade. The macroeconomic imbalances have accentuated, with many countries facing widening current account and budget deficits. Foreign exchange reserves are depleting fast - a situation which is jeopardizing the capacity to provide adequate import cover, as well as undermining currency stabilities and fueling inflationary pressures. The poor and most vulnerable are already being deprived of their meager livelihoods, and this deprivation will become worse if the global recession is protracted. The prospect of such a human catastrophe cannot and should not be acceptable in this globalized world of the 21st century.

4. Africa's current account surplus, which was hitherto estimated at 2.7 percent during 2009-10, will be wiped out to a deficit of 4.3 percent of GDP. The region's exports are projected to plummet by nearly 40 percent during the period 2009-10. The oil exporting countries and those whose economies rely heavily on commodity exports are expected to take the biggest hit. Capital flows are already declining sharply. Across the continent, major capital projects have been or will be cancelled, and bond issuances are being put on hold. Tourism is on the decline while remittances have fallen sharply. We therefore emphasize the need to undertake an early review of the Bank's capital adequacy with a view to enhancing its lending capacity

5. Against this backdrop, delays by the donor community to honor the promises made at the Gleneagles G8 Summit, and the lack of progress on the Doha Development Round, have had the combined effect, in consonance with the financial and economic crises, of increasing the resource gap and rendering the attainment of the MDGs by Africa, a pipedream.

6. Although a provisional estimate, African Ministers are looking at a financing gap of $50 billion in 2009, rising to $56 billion next year, just to restore the pre-crisis growth momentum. To accelerate growth and increase the chances for achieving the MDGs, the African continent requires $117 billion in 2009 and $130 billion in 2010, to bridge the investment gap. We estimate the infrastructure-financing gap to be about $75.5 billion a year for the next decade.

7. We therefore call on our development partners to marshal the political will necessary to honor their promises as an important first step. Further, additional assistance is required to restore the momentum of growth that Africa had already achieved. We therefore welcome the G20 decisions to augment the resources of the IMF, the World Bank and other multilateral actors. We urge that deployment of these resources should be carried out with speed, flexibility, devoid of constraining conditionalities, and be available to all countries. In particular, we call for fast tracking the disbursement of IDA 15 resources and the need to move towards early IDA 16. We also welcome the World Bank's Vulnerability Framework (VF) and call on developed nations to support the Facility.

8. These extraordinary times demand unusual speed in responding to the crisis in order to save lives and restore credibility in the process of globalization. Our combined efforts should therefore be focused on results rather than on conditionalities. While we need to continue with on-going efforts to strengthen country institutions and capacities, it is important to recognize that the emergency we are facing demands pragmatism and agility to deliver social services. In this respect, we note the progress being made by the World Bank Group to streamline internal procedures, but more needs to be done to make a lasting difference.

9. We urge that trade financing and trade facilitation must be part of the short-term and long-term packages of responses. We also call on countries to resist taking protectionist measures, and any of such measures that have been put in place must be reversed. At the same time, efforts must be made to commit to an early conclusion of an ambitious and development oriented Doha Round.

10. We remain committed to taking actions to improve our institutional capacities, and business environments, as well as to developing sound revenue base and providing basic services to our citizens. However, to complement these efforts, we encourage enhanced international cooperation, including transparency in financial transactions in national and international financial institutions. We therefore look forward to the full implementation of the decisions of the G20 in this regard, including the establishment of a transparent monitoring mechanism.

11. The crisis reinforces the importance of improving global governance for more transparency, accountability, and equitable representation. In this regard we welcome the progress made towards implementing the first phase of the voice reform package at the World Bank, and remain committed to its timely implementation. We similarly, note the other aspects of the reform that are on-going and commend the progress so far. We urge the Bank to proceed with the second phase of the reforms in a timely manner that reflects the importance and urgency of the situation.

12. The present financial crisis adds to the increasing burden in Africa of coping with the changes brought about by global warming; again an external shock not of Africa's own making. The increasing frequency of dry spells and changes in rainfall patterns have resulted in serious agricultural losses and food insecurity in many of our countries. These developments have put undue pressure on national budgets at the expense of social programs thereby slowing down our development efforts. We call on the developed countries to act decisively and with dispatch to ensure the transfer of new resources and technology needed to address climate change.