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)

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Statement by

H.E. Kemi Adeosun
Minister of Finance

Nigeria

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

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The World Bank Group (WBG) sets out a collective vision of a world free of poverty and shared prosperity. There is a risk that development progress and poverty reduction achieved by countries may reverse if the weak global growth environment persist. This risk is especially high in the Africa Region where primary commodity price shocks, external demand shocks and weather related shocks have put pressure on economic growth and development.

In this context, it is important that discussion by shareholders of the World Bank Group's role and mandate continues, together with changes to governance to underpin the Group's continued modernization towards greater credibility, effectiveness and legitimacy. We appreciate the progress made in this regard since our last meeting, together with the efforts to ensure that the WBG family of institutions is efficient in its service delivery and remains financially sound.

Global and Regional Economy

The broader context of the WBG's work is a global economy where growth continues to be weak and uneven. In Sub Saharan Africa, economic growth is at its lowest level in twenty years, with the three countries in our constituency experiencing particularly sharp deceleration. In addition, our neighboring countries, and parts of our own countries, were impacted by adverse external factors including drought and conflicts, and these have further exacerbated existing domestic pressures.

A number of factors including long term trends in developed economies with lower productivity growth and aging populations, suggest that low global growth will persist. These, together with policy uncertainty in the US and UK, political tensions and conflicts in some regions, and tighter global financial conditions, have led to delays in investment plans and a fall in demand and confidence.

There is a more positive growth outlook for the Africa region over the medium term, but countries still face the reality of ongoing fiscal adjustments. High current account deficits and falling capital inflows has also put pressure on our exchange rates and reserves. Unemployment is at record levels, fiscal fragility is a legacy of the crisis, and capacity utilization remains substantially below pre-crisis levels in many countries. Low interest rates in developed economies should be contributing to finance for investment in developing countries at reasonable rates, however the reality is that a number of countries continue to face high cost of borrowing. It is in this context that we need to reflect on the role of the World Bank Group.

The Role of the WBG

We are very pleased to see that at the core of the WBG's vision is a renewed effort to assess how it can integrate the comparative advantages of its four primary entities to contribute to 'de-risking'. The emerging ideas described as IFC 3.0, promises to make a real contribution to supporting progress in economic development in regions that need it most. We are however concerned that there is a lack of detailed project plans and initiatives.

We believe that the WBG's continuous modernization and development of its vision should include a more detailed consideration of the contribution and role of Middle Income Countries (MICs) in economic development, particularly in the Africa Region. Reaching MIC status is not the end. Most of Africa's MICs need to transition to a pattern of growth that is less cyclical and more pro-poor, while addressing the challenges of structural transformation, employment, physical and human capital deficits. The relative size of some MICs in the Africa Region means that they already make a sizable contribution to economic development through trade and demand effects, presenting strong opportunities for development partnership. Accordingly, we support the G20 Compact with Africa (CWA) initiative.

Inequality and compensatory domestic policies

We welcome the discussion on tackling inequality and the distributional effects of compensatory domestic policies to help reduce it. We need to pay greater attention to overcoming challenges faced by national tax authorities in broadening the tax base and ensuring effective collection to support investment in skills and infrastructure and the provision of social safety nets. We also believe that the WBG can play a vital advocacy role in cooperation with other institutions in tackling illicit financial flows and helping to recover stolen assets. These actions will make a vital contribution to ensuring adequate fiscal space for necessary investments to support the diversification of economic activity.

Ensuring Financial Sustainability for IBRD and IFC

We are concerned that, having agreed the ambitious agenda in the Forward Look, including the commitment to assist all clients, the IBRD and IFC have increasingly limited financing capacity. We note the ongoing efforts by the Bank's management to use existing resources efficiently and increasing its focus on mobilization and we look forward to progress in this regard. We affirm the need for a capital increase for IBRD and IFC to ensure a bigger bank, however we appreciate that this may be difficult over the short run.

We support the call to ensure that the Bank is stronger, and recommend that the Bank's scarce resources be invested in projects where the development impact is likely to be the greatest. We encourage the Bank to sustain its efforts towards greater efficiency and effectiveness.

Modernizing Governance

We welcome the ongoing work on the Shareholding Review. The Dynamic Formula provides a useful tool to assess the scope of adjustment. However, the result suggests a second dilution of a large number of countries and the progressive evolution of shareholding towards members who are larger, and in a position to be generous contributors to future IDA replenishments.

As the world gets increasingly complicated, and solutions to challenges contested, it is vital that the Bank ensures continued diversity in its governance, including not silencing the voice of regionally systemically significant economies. Governance arrangements must be flexible enough to support effective representation by the community of states that we represent here.

We continue to encourage the Bank to ensure that this stage of the modernization process builds on the progress already made since Istanbul. All members make important contribution to global economic stability and prosperity, and the erosion of voice and diversity will undermine the Bank's accountability and ability to achieve its vision through partnership with clients.

IDA 18 Replenishment

We congratulate the Bank on the successful conclusion of the eighteenth replenishment of IDA. The policy package agreed between IDA and its donors involves a number of innovations, including the unprecedented step of debt financing which mobilizes additional resources. We particularly appreciate the material contribution that this replenishment can potentially make in Fragile States and in the Africa Region.

In this respect, **Nigeria** is pleased to join the ranks of coalition of IDA contributing partners with a first ever contribution of US$ 15 million to the current IDA 18 round of replenishment. By committing this initial modest amount, Nigeria wishes to demonstrate its strong solidarity and support for the World Bank Group to enable IDA to expand its work towards poverty elimination and shared prosperity in supporting developing countries in the areas of jobs and economic transformation agenda, climate change, crisis response and displacements, among others. We also welcome the discussion on graduation from IDA. We believe that it is vital that graduates enjoy a smooth transition to prevent them from reverting to IDA status.