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WORLD BANK GROUP
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Statement by the Hon. **OUSMANE KANE,**
Governor of the Fund for the **ISLAMIC REPUBLIC OF MAURITANIA,**
on Behalf of the African Governors,
at the Joint Annual Discussion

Statement by Mr. Ousmane Kane
Governor of the Fund for the Islamic Republic of Mauritania
On Behalf of the African Governors
At the 2009 Annual Meetings
Plenary Session

Mr. Chairman

Honorable Governors

Ladies and Gentlemen

Introduction

The global economy appears to be emerging from a deep financial crisis and economic contraction. We are witnessing and welcoming signs of a recovery in the global economy, anchored on improved financial conditions, accommodative fiscal and monetary policies through coordinated international response. These policies may need to be sustained until recovery is on a firm footing, which will require restoring financial sector health, maintaining supportive macroeconomic policies, and continuing with preventive measures.

The global financial crisis and economic contraction has taken a heavy toll on the remarkable gains African countries made in recent years—achieving stable and robust economic growth, reducing fiscal and external current account deficits, and lowering unemployment and poverty. These gains have been supported by strong macroeconomic policies, a favorable external environment, and financial assistance and debt relief from our development partners. African countries have been taking measures to weather the adverse impact of the global crisis, including tightening nonpriority spending, using available fiscal space for priority investment and poverty reduction, easing monetary policy, letting exchange rates adjust to external realities, and closely monitoring financial vulnerabilities.

Our countries continue to face multiple challenges and constraints. These challenges include:

- Restoring sustainable high economic growth;
- mitigating the adverse impact of the global economic contraction and other external shocks;
- streamlining spending while preserving priority investment and protecting the vulnerable groups in society;
- scaling-up resources for investment;
- timely design and unwinding of stimulus macroeconomic interventions; and
- increasing the voice of African countries in the governance structure of the BWIs.

These challenges are being addressed within the framework of maintaining supportive macroeconomic policies and structural reforms. The main constraints lie in closing Africa's large investment financing gap and improving flexibility of donor conditionalities.

Prospect for global economic recovery

While we welcome signs of rebound in the global economy, the impact of the rebound on Africa has been wide-ranging. Some countries have shown early signs of recovery. But for countries facing unfavorable external conditions such as drought, the pace of recovery has been stalled, and exerting further pressure on the fiscal and external balances. We consider exiting the accommodative fiscal and monetary policies to be too early, not only for our countries but for developed and emerging market economies as well. We welcome commitments made by the G20 members to, inter alia, restore confidence and lending in their financial system, undertake exceptional and coordinated fiscal and monetary actions, and strengthen the national foundation of their financial market regulations. We further recognize the IMF's and the World Bank's efforts in helping member countries weather the crisis and in facilitating the global policy coordination.

On our part, we remain committed to consolidating macroeconomic stability and implementing sound policies, while maintaining sustainable debt levels in pursuit of achieving our development objectives. To this end, we require the International Financial Institutions, particularly the IMF, to support our policy frameworks, provide guidance, and give us the needed policy space, and help in formulating realistic exit strategies.

Closing Africa's large investment financing gap

Africa is lagging behind other continents, despite its abundant human and natural resources as well as sound macroeconomic framework. Africa's investment deficit is estimated to be more than 85 percent of the estimated need, which manifests itself in all key sectors—agriculture, manufacturing, transport, water, energy, and information and communication technology. As a result, our countries are highly vulnerable to economic and climatic shocks resulting in loss of competitiveness. The poor state of infrastructure also undermines progress toward achieving the MDGs. Closing Africa's large investment financing gap is fundamental to both accelerating economic recovery in the short term and establishing high sustained growth over the long term.

In this regard, we welcome the timely response of the IMF to put in place a new architecture of facilities for low income countries and to reform the concessional financing frameworks. Also, we are encouraged by the responses of the WBG to scale up and frontload lending resources, and the commitments by the G20 members to enhance the capital base and liquidity of the BWIs. We are committed to prioritizing investment into key sectors. We solicit support from the international community and in this regard call for:

- adequate funding of the infrastructure multidonor trust fund to help address the infrastructure financing deficit in our countries;
- the IMF to make its policies and conditionality more flexible to accommodate increased investment;
- the WBG to foster its joint intervention of all its members (IBRD/IDA/IFC/MIGA), to increase its own financing in Africa; and
- the BWIs to swiftly revise the debt sustainability framework, particularly the thresholds, so as to accommodate the new financing needs.

We are mindful that closing the financing deficit will not be possible without the important role played by the private sector. To this end we call on the IFC and MIGA to strengthen innovative mechanisms to crowd-in private sector financing.

Given Africa's large investment deficit, we draw the development partners' attention to the importance of meeting their aid commitments, starting with the pledges made at the Gleneagles G8 Summit to double aid to sub-Saharan Africa. In this regard, it is necessary that development partners expeditiously honor pre-crisis aid commitments and pledges, and deliver assistance in a timely manner. Moreover, in light of the adverse impact of the current crisis on Africa, there is an urgent need to strengthen the WBG financing capacity to adequately support the increasing financing needs of Africa.

Improving flexibility of donor conditionalities

Notwithstanding the reforms the IMF has made in overhauling its LIC financing framework, the concessional lending through a trust-fund facility is relatively inflexible whereby baseline conditionality for members accessing these concessional resources are determined by a trust-fund committee that is outside the governance structure of the IMF. This makes operational and access conditionality not responsive to the changing financing needs of LICs. Moreover, the overall concessional envelope is determined by supply factors rather than the financing needs of the LICs. We call on development partners to address these shortcomings by bringing the concessional facilities within the IMF's General Resources Account. This would be the most appropriate route to align these facilities with LIC financing needs.

We also urge development partners to support our call to make lending facilities even more responsive to the evolving financing needs of our countries. We note the positive contribution that the country assistance strategy (CAS) has made, but there is a need for the WBG to further ensure that it is in line with the principles enshrined in the Paris Declaration.

The WBG should give countries more say in choosing financing options for their programs, and shorten the financing procedures and schedules. The WBG should also allow more flexibility in the use of IDA resources by adopting innovative mechanisms for financing regional projects.

Given the complexity of post-conflict LICs, the WBG should put in place a financing instrument tailored to this group of countries' specific circumstances and provide them with budgetary support. Also, since many African middle-income countries are unable to benefit from the IBRD resources to which they are entitled, the WBG should soften its lending terms and introduce more innovative means that better suit the needs of this group of countries.

Voice and representation reform

We welcome the progress made so far on the voice reform agenda in the WBIs. Achieving a significant outcome in the second phase will be critical to truly strengthen the legitimacy of the WBG and the voice of African countries. It is vital that the gains made in the first phase are enhanced rather than reversed. At the IMF, we are committed to completing the ratification of the IMF 2008 reforms on voice and representation to facilitate a meaningful start on the next round of reforms. We call for enhancing the quota and representation of emerging and developing economies at the next general review of quota.

We reaffirm our commitment to work with the IMF, WBG, development partners and the rest of the international community to attain our development objectives.

I thank you for your attention.