



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)

EIGHTY-SECOND MEETING
WASHINGTON, D.C. – OCTOBER 9, 2010

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Statement by

Mr. Pravin Gordhan
Minister of Finance
South Africa

For Africa Group 1 Constituency

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**at the 82nd Development Committee Meeting
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Africa's economic resilience during this crisis, underpinned by sound macroeconomic policies, through prudent fiscal measures and institutional reforms, has demonstrated its ability to weather the worst of storms and to be the new pole of growth. Prior to the catastrophic financial crisis, Sub-Saharan Africa registered robust economic growth averaging 5-6% p.a. in the last decade. Our growth continues to contribute to global demand, if given the right support, in particular, infrastructure development, this can be dramatically scaled up, and provide high return investment opportunities.

Prior to the financial crisis, most regions, including Sub-Saharan Africa (SSA) were on track to meet the poverty Millennium Development Goal (MDG) by 2015. The gains have been reversed by the crisis. For example, the cost of the crisis amongst others is an estimated 40 million people added to the list of malnourished while some 64 million, mostly women and children, were pushed into extreme poverty.

In order to realise our growth potential, there is a need to be financing, and the importance of a strong IDA16 replenishment cannot be overemphasized. We are cognizant of the challenges faced by our partners. Nevertheless, to make progress towards our developmental agenda, the increase in the replenishment should not be less than 20% on the current envelope. We therefore urge those who have already committed to an "ambitious replenishment" of IDA 16 to make good on that promise.

We welcome the 3rd chair for Sub-Saharan Africa, effective 1 November 2010, to the Board of the World Bank.

(a) How Resilient Have Developing Countries been during the Global Crisis?

Initially, developing countries were able to withstand the shocks due to a number of underlying reasons: sound pre-crisis macro policies, including strong fiscal and external reserves positions. In addition, the relatively low level of integration of the financial markets of SSA, into the global financial system, also provided an initial buffer to withstand the crisis.

The resilience to the first round effects notwithstanding, the second round effects of the crisis have posed huge challenges, making the recovery slow and uncertain. Consequently, our reserves have been severely depleted, and will take time to replenish, thus leaving our countries vulnerable to shocks. Secondly, our fiscal positions have weakened and cannot support the huge public investments spending to build resilience. In light of this, our countries will require substantial and continued assistance to enable them sustain and deepen sound economic policies and institutional reforms. Learning from lessons that have come out of the crisis, we therefore see a need to immediately put in place strong measures, for addressing future crises and deepening our resilience to what could be a set of second round effects.

To this end, we commend the World Bank Group and the International Monetary Fund for the extraordinary measures that were put in place to help countries at the peak of the crisis. However, given

the enormity of the challenges and the fact that the crisis will not be over for many of our countries for years to come, we believe that there is need to do more and that these two institutions are well placed to assist us to reduce vulnerability and strengthen our resilience. We therefore call for increased development financing and quality support, for the poor and most affected developing countries.

On our part, we remain committed to working with our partners to continue implementing policies that will promote sustained and shared growth and the attainment of the millennium development goals. To this end, we strongly believe that there is no better time than now, for the BWIs to bring to bear their capacities, knowledge and experience in partnership with us to advance our economic growth and development agenda.

(b) Delivering on Results and Improving Lives: The International Development Association (IDA)

We commend the support of IDA to our countries, in the past and particularly during the crisis. However, the failure to deliver on the promise to double ODA to Africa by 2010, as committed by the Gleneagles Declaration, as well as the frontloading of IDA15 resources for crisis response, make the case for a robust replenishment of IDA 16.

With only five years remaining before the 2015 MDGs deadline, the replenishment negotiation comes at a critical time. With the global economic and financial crisis stretching the challenges faced by IDA countries, particularly fragile states, restoring economic growth to pre-crisis levels, bridging infrastructure gaps, pursuing regional integration, investing in climate change adaptation and mitigation, and achieving the MDGs, the needs are enormous.

Even though IDA 16 is taking place against the backdrop of a difficult fiscal situation for donor countries, there has never been a greater documented need to increase IDA or a better time to support IDA than now. IDA has potential to be more effective if stepped-up now, when the pace and depth of reforms in IDA countries have shown promising potential for higher returns on ODA investment than ever before. We believe the Association is a critical vehicle in providing that support through its results-oriented technical and financial assistance. We therefore call development partners to translate the commitments renewed at the UN MDGs summit into a robust IDA 16 replenishment. We call for renewed focus on key infrastructure development, agriculture, food security and safety nets for the poorest. We also call for increased attention and support for women, children, health and education – our link to future prosperity.

(c) World Bank Group Reforms

We welcome the update on the on-going World Bank Group reforms aimed at strengthening the institution's development effectiveness by improving its efficiency and accountability, as well as enhancing the quality of the relationship with its clients. We commend the steps taken thus far and the proposed improvements of lending instruments and operations for better service delivery, including greater decentralization of staff. However, for the decentralization to be effective we urge that staff in the field be empowered to take decisions. We hope to see a more synchronized pace of reforms across the WBG including improving the diversity of staff across all levels of management. Effective implementation of the reform agenda, will determine to a large extent, the success or otherwise, of the reforms in achieving aid and development effectiveness. We also welcome the reform of the Annual and Spring Meetings to enhance our interactions.

We note the report and on-going work on Governance and Accountability and welcome the progress made and look forward to its timely completion.