Statement by

Mr. Pravin J. Gordhan
Minister of Finance
South Africa

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

Mr. Pravin J. Gordhan
Minister of Finance

South Africa

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

89th Meeting of the Development Committee

April 12, 2014
Washington, D.C.

Global Economy

We welcome the improvement of economic prospects and growth in high-income countries. The increase in growth in these countries would assist in facilitating the growth momentum in the developing countries and emerging market economies, whose macroeconomic fundamentals remain strong. Sub-Saharan Africa’s growth is projected to continue on a robust trajectory, mainly as a result of increased investments in the natural resources sector. While we continue to have a positive outlook on the global economy, downside risks remain. Sustained growth in developing countries could be undermined by the near term risks associated with the exit strategies from unconventional monetary policies by Advanced Economies. Tightening financial conditions could lead to a slow down in emerging markets, especially those with integrated linkages to the global markets. This could further lead to a slowdown in external demand for developing markets and low-income countries’ exports.

To avoid these negative consequences, we call for continued and improved communication on monetary policy actions from developed countries. Developing countries need to have sufficient access to multilateral sources of financing to assist in navigating difficult situations that may arise from negative spill-over effects. In the interim, macroeconomic buffers need to be strengthened and structural transformation augmented to boost productivity. The World Bank Group (WBG) can play an important role in this regard through the provision of knowledge, advisory services and financing, to ensure sustainable long-term inclusive growth.

World Bank Group Institutional Reform Process

We note the progress made to date in aligning the institution to achieve the goals endorsed by Governors at the last Spring Meetings. The Bank is positioning itself to assist client countries in eliminating extreme poverty and reducing inequality in the long-term, and in meeting the challenges of the post-crisis growth in the medium-term, should the economic environment deteriorate. In this regard, we note the measures put in place to grow the revenue of the Bank and strengthen its balance sheet. We however request the Bank to remain vigilant to ensure that they mitigate any unintended consequences of these measures in order to increase revenue and improve the Bank’s margins for manoeuvre in the medium-term.

We acknowledge that at present, the Bank’s capacity is constrained and that the steps needed to make the Bank more effective and efficient may entail difficult trade-offs. Strengthening the Bank’s business capacity and financial sustainability will also require both improved revenue flows and greater institutional efficiencies. To this end, we welcome the Bank’s Expenditure Review process, which has
been the objective of realizing significant savings. While these savings may have far reaching consequences in improving the way the Bank operates in the medium-term, we hope that a reduction in the cost base in the short-term would not negatively impact the quality of service delivery to clients. We therefore call on the Bank to appropriately communicate with all stakeholders and to be transparent, while providing as much information as possible on the outcomes of decisions made.

We welcome the focus and priority being placed on the complex and acute development challenges of Fragile and Conflict-Affected Situation (FCS) as well as Sub-Saharan Africa (SSA) and South Asia, as the regions with the highest incidence of poverty. Keeping Africa on the centre stage will help deepen and further consolidate the progress being recorded, at this moment to prevent a slowdown in growth. Africa will need significant investments in infrastructure to realize its full growth potential. We look forward to further engagement with the Bank on the use of additional sources of financing, such as the Global Infrastructure Facility, to supplement current resources in supporting transformational infrastructure projects at national and regional levels.

We also look forward to the operationalization of the Bank’s new country engagement model (CEM), which includes the Systematic Country Diagnostic (SCD) and Country Partnership Framework. A strong statistical database is vital to any successful SCD in our countries. In this regard, we are encouraged by the priorities accorded to strengthening the statistical capacity of client countries, by the WBG. We hope that the CEM will result in a more focused and strategic engagement with countries. We note that the drive to become countries’ development partner of choice and a “solutions Bank” will be informed by a new organizational structure, the Global Practices and Cross Cutting Solutions Areas, which will be where the talent and knowledge of the Bank resides. While appreciating the progress made in defining the organizational architecture, we call on the WB to strive harder in achieving diversity goals, especially in respect of underrepresented regions. The WB can be assured of our full support towards operationalizing the strategy at the country-level, while taking full ownership of our development process. We look forward to keeping track of the WB’s performance and progress through the new Group Corporate Scorecard.

**IDA-17 Replenishment**

We welcome the record replenishment of USD $52 billion and commend IBRD and IFC for their continued support to IDA. We also welcome the participation of new donors in this replenishment and the introduction of concessional partner loans, as a way for partners to increase their contributions to IDA. We are encouraged by IDA’s increased focus on FCS and urge that this be strongly complemented by increased mobilization of private sector funding through IFC and MIGA. In addition, we view IDA’s strong and more targeted investments in regional transformational projects in SSA as an important component to shaping the future of sustainable growth on the continent. We look forward to the work of the internal task force to assist some of our countries navigate the difficult process/period of graduation from IDA.

**Progress Report on Mainstreaming Disaster Risks Management (DRM) in WBG Operations**

We welcome the progress report on the implementation of the recommendations of *The Sendai Report* and commend the increased integration of DRM into policy and investment operations, as well as in Country Partnership Strategies across the Bank Group. The efforts of the IFC and MIGA in supporting investments that incorporate climate resilience should be extended to SSA countries especially, those in the Sahel, which have persistently experienced extreme weather conditions over the years. Capacity building at national, sub-national, local and cross-border levels will also ensure effective results outcome. We urge the Bank to provide, more broadly, improved information on hazard exposure to enable the relevant country authorities to take pro-active measures to safeguard human lives and assets. Furthermore,
disasters do not respect national boundaries, a regional solution through effective liaison with regional bodies to disaster risk management is essential to any efforts in tackling this problem. Lastly, we welcome the establishment of the Tokyo Hub to serve as a global centre for mainstreaming DRM into both WBG operations and national development planning and investment programs.