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WORLD BANK GROUP
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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. **JEAN BAPTISTE COMPAORE**,
Governor of the Fund for **BURKINA FASO**,
at the Joint Annual Discussion

Statement by Mr. Compaore Jean Baptiste, Minister of Finance and Budget of Burkina Faso and Chairman of the African Caucus
September 24, 2003
Dubai, UAE

Introduction

We, African Governors thank the authorities of The United Arab Emirates for hosting the 2003 Bank/Fund Annual Meetings and for the hospitality extended to us. We commend them for the exellent facilities and the efficiency in the preparations for the meetings.

Global economic outlook, risks and policies

1. We note that there are encouraging signs of an upturn in the global economy, after a prolonged period of sluggish recovery. At the same time, we are mindful of the risks that continue to weigh on the upturn. In particular, the recovery is not broad-based across the major industrial countries, with the USA remaining the major engine of global output growth. The recovery is also associated with major current account and fiscal imbalances that have the potential to spark disorderly adjustment in major currencies and undermine export led recovery. Moreover, the failure of the Cancun WTO Ministerial meeting is a major setback to efforts to enhance growth and reduce poverty in Africa and other developing regions. In addition, structural impediments in major economies, uncertainties in the oil market and geopolitical uncertainties are sources of concern to the nascent recovery.

2. In this context, there is need for a global cooperative approach on policies to strengthen the recovery process and to avoid the disorderly unwinding of global imbalances. Structural reforms need to be accelerated in the labor and product markets in the Euro area while aggressive measures are needed to address deflation in Japan. Emerging market economies need to persevere with strong macroeconomic policies while addressing structural impediments and strengthening financial systems to reduce vulnerabilities.

Enhancing growth prospects and poverty reduction in Africa

3. Growth in Africa, though low compared to potential, has remained resilient, in spite of the global slowdown, reflecting major improvements in our macroeconomic policies and the positive impact of debt relief under the HIPC Initiative. Most countries on the continent have achieved macroeconomic stability and undertaken key structural reforms. Fiscal deficits for Africa have been reduced and annual average inflation is leaning towards the single digits. Notable progress has also been made in reducing current account deficits and in liberalizing trade and exchange systems.

4. Notwithstanding these achievements, economic growth rates remain far lower than needed to halve extreme poverty by 2015. The continent has the highest rates of unemployment in the world; it remains the most afflicted by the HIV/AIDS pandemic, and is

most vulnerable to exogenous shocks, particularly to adverse weather and commodity price fluctuations, and most prone to regional conflicts and civil strife. The current international geopolitical situation and the related security concerns is adversely affecting our tourism sectors and and is also contributing to higher insurance premiums, adding new areas of vulnerability.

5. Against this background, we acknowledge that Africa faces the greatest challenge in meeting the MDGs. With this bleak outlook, we have resolved to redouble our efforts on a number of fronts: addressing conflicts which hinder economic development and undermine the effectiveness of private sector investment, of which our political leadership expressed strong commitment during the recent African Union Summit in Maputo, Mozambique; sustainaing prudent economic policies; intensifying the fight against HIV/AIDS and Malaria; investing in infrastructure and accelerate economic integration in Africa, which offers many opportunities for trade expansion and economic diversification; and, strengthening the role, design, and monitoring of our PRSPs. To complement our efforts, we count on the support of the Bank, Fund and the donor community in mobilizing adequate financial resources and technical assistance to enable Africa and other poor regions

Mobilizing International Support for the MDGs

6. In Monterrey, the international community expressed support for mobilization of financial resources, estimated at $100 billion per year, needed to achieve the MDGs. Since then, a number of commendable initiatives and undertakings have been announced by the US, Canada, the EU and the UN, to raise additional financing and to increase ODA. Also the International Finance Facility proposal by the UK authorities has the potential to raise the extra $50 billion per year needed to achieve the MDGs and deserves the support of the international community. We wish to underscore that failure to urgently address the financing gap could jeopardize the objective of having a critical mass of countries achieve the MDGs.

Fighting HIV/AIDS and Malaria

7. We recognize that important steps have been taken by the Bank and the Fund to help combat the HIV/AIDS pandemic. However, these efforts are currently limited to a few countries. As HIV/AIDS knows no boundaries, such restrictions will hamper region-wide attempts to stop the spread of this disease. Hence, it is imperative that the HIV/AIDS is confronted in both middle-and low-income countries. We urge the international community to pool resources to fight the HIV/AIDS pandemic in a regional context and to make global funds for HIV/AIDS more accessible.

8. As we intensify our efforts at combating HIV/AIDS, we should not lose sight of the devastating impact of Malaria on our human capacity and our economies. It is estimated that Malaria costs Africa more than US $12 billion annually, yet it can be controlled for a very small fraction of that amount. We urge the Bank and the international community to provide adequate financial resources as well as research support aimed at eradicating Malaria.

Education For All by 2015.

9. We reiterate our commitment to give the Education For All (EFA) Initiative every support necessary to make it successful by increasing budgetary support, transparency and efficiency, and strengthening monitoring of outcomes in the education sector. At the same time, we request our development partners to allocate larger and more predictable assistance to our education programs, including long-term financing commitments for recurrent expenditures. We urge the Bank to increase its financial and technical support and to strengthen the advocacy role for the EFA Initiative.

African Economic Integration

10. Promotion of regional trade and economic integration initiatives are gaining currency worldwide and our political leaders have committed themselves to this goal in the context of NEPAD. Africa's economic integration will allow our individual economies access to a bigger market, attract FDI, diversify the productive and export base, and achieve the high and broad based growth rates needed to achieve the MDGs. In this vein, the NEPAD framework should be used as a hub for chanelling assistance for Africa's economic integrastion by the BWIs.

11. To facilitate and accelerate Africa's economic integration, there is a need to develop and modernize regional infrastructure, merge and strengthen capacity of regional institutions, and develop regional capital markets and financial instruments. We commend the work being done by the Bank in these areas. The Bank's Regional Integration Strategies for West Africa and Central Africa are important initiatives which should be extended to other regions, including Eastern, Northern and Southern Africa. Overall, we urge the Bank, Fund and other development partners to support Africa's economic integration and to forge cohesion and build capacity in our regional institutions.

Infrastructure Development

12. A major constraint to economic growth and regional integration in Africa is the lack of modern infrastructure. In particular, the high cost of air, road and sea transportation, electricity, and telecommunications makes it difficult for most African countries to foster private sector-led growth and to attract FDI. Moreover, lack of access of the rural population to roads, telecommunications, railways, ports, water and electricity hinders progress towards achieving the MDGs. To address this key challenge, we are gearing our efforts towards developing efficient domestic and regional financial systems with a view to mobilizing domestic and regional resources in support of infrastructure development. We will also promote partnerships with the private sector in developing infrastructure.

13. We welcome the Bank's commitment to leverage funds for infrastructure services using a blend of IBRD/IDA, IFC and MIGA instruments and products. In addition we urge the donor community to facilitate the pooling of resources for regional infrastructure development in Africa, and the Bank and the Fund to catalyze the pooling of such resources.

Economic Diversification

14. To attain the minimum 7% growth that is needed to meet the MDGs, African economies need to expand and diversify their productive and export base. The need for diversification has long been recognized but very little has been achieved. Deliberate and targeted policy initiatives are also necessary to promote diversification as has been the case in such countries ,as Mauritius and the Asian Tigers. These policies involved identification of the drivers of economic growth and the provision of the necessary support, including temporary access to concessional financing and fiscal incentives. We are eager to engage in a debate with the BWIs and the donor community on these incentives, with a view to drawing lessons from successful cases.

Private Sector Development

15. Promoting private sector initiative is critical to enhancing Africa's growth potential. While some African countries have experienced high growth rates, these were mainly driven by large FDI projects and this growth has not been instrumental in reducing the high rates of unemployment, while broad-based private sector participation remains constrained. Small- and Medium-Scale Enterprises (SMEs) represent a major engine of growth and employment in African countries and can contribute to accelerated progress towards the MDGs. In this context, there is need to address these constraints that hinder private sector activities in general and SMEs in particular. We recognize the World Bank Group's initiative to coordinate support to micro, small- and medium-scale enterprise development in sub-Saharan Africa (SSA) and recommend that these initiatives be strengthened. We urge the World Bank to review the role of MIGA and enhance its effectiveness in facilitating more FDI in Africa. We urge the IMF, in the design of programs, to promote fiscal and monetary frameworks that facilitate access to affordable domestic credit to SMEs.

Trade

16. Industrial countries maintain wide-ranging tariff and non-tariff barriers against exports from developing countries, contrary to WTO rules and the Uruguay and Doha trade rounds. It is estimated that total public support to agriculture in OECD countries is more than $300 billion annually, six times their ODA budgets. Barriers to developing countries' textiles exports cost 27 million jobs. The benefits of full liberalization of world trade in goods are enormous and could lift an additional 300 million people out of poverty by 2015 and it is estimated that income from exports of agricultural products could triple from $10 billion to $30 billion if OECD agricultural subsidies are removed.

17. We welcome that a number of African countries are benefiting from special initiatives like AGOA and EBA and others that offer opportunities for expanding exports. At the same time, we caution that these initiatives should not undermine the conclusion of the more comprehensive trade agreement under the Doha round. Against this background we cannot but express our deep disappointment with the failure of the Cancun WTO Ministerial meeting to make progress on the many important issues that were put on the table during the Doha Round, particularly the removal of agricultural subsidies in developed countries. As pointed out in your joint letter prior to the Cancun Meeting, progress on the removal of

agricultural subsidies would strengthen our effort in reaching the MDGs. Accordingly, we urge the Bank and the Fund to intensify their advocacy role for a faster conclusion of the Doha Round in order to create a level playing field in areas of trade where developing countries have an interest and comparative advantage.

Progress in HIPC Initiative Implementation

18. The heavy debt burden remains a key constraint to achieving the MDGs and we are concerned that there are a number of outstanding problems that undermine the effectiveness and credibility of the HIPC Initiative. These include:

- progress in implementation has stalled, as only two countries have reached the completion point since our meeting last year and only eight countries have reached this milestone since the launching of this initiative;

- creditor participation remains problematic as many non-Paris Club bilateral creditors have not agreed to deliver debt relief under HIPC terms;

- a number of creditors have resorted to litigation against HIPCs, forcing our countries to spend scarce resources in legal fees;

- outstanding HIPC-to-HIPC claims continue to pose a financial and moral dilemma for our countries;

- the HIPC Initiative remains under-funded as a number of countries, particularly those in protracted arrears were not included in the initial costings of the Initiative;

- lack of realism in the projection of macroeconomic variables and the impact of exogenous factors, including fluctuations in commodity prices has contributed to the need for continuous topping-up of debt relief at the completion point;

- notwithstanding the delivery of debt relief under the HIPC Initiative, debt sustainability remains illusive for many of our countries that have reached the completion point; and

- the sunset clause should continue to be extended to allow the remaining eligible countries to benefit from the HIPC Initiative.

These have been our major concerns since the launching of the HIPC Initiative and we have raised them every year. It is becoming increasingly evident that addressing these issues entails taking serious measures that may include revisiting the HIPC framework.

19. In addition to the heavy external debt burden, our countries' efforts are crippled by high domestic debt, which limit the scope for increasing budgetary allocations to social sectors and other poverty reducing initiatives. We urge the BWIs and the donor community to assist our countries in alleviating the burden imposed by high domestic debt. Moreover,

there are those low income African countries that are classified as non-HIPC even though their socio-economic characteristics are similar to those of HIPC countries. We urge the Bank and the Fund to consider extending the eligibility criteria so that these countries can benefit from the HIPC Initiative and from the Evian Agreement.

20. Some countries in protracted arrears have come a long way in strengthening their cooperation with the BWIs and the international community, yet the resolution of their arrears situation and their simultaneous access to the HIPC Initiative and other concessional resources remain uncertain. We urge the BWIs to catalyze innovative solutions for this group of countries.

21. Regarding post-conflict countries, it should be recognized that they face enormous challenges in consolidating peace and internal stability and rebuilding physical and institutional infrastructure, while attempting to pursue sound economic policies. Accordingly, we urge the BWIs and the international community to exercise greater flexibility in dealing with these countries and, in particular, to accelerate access of these countries to the HIPC Initiative. The Fund should also continue to mobilize resources to enable access to post conflict emergency assistance on concessional terms. We urge the Fund to revisit the repayment terms under the Emergency Post-Conflict Assistance with a view to aligning them to PRGF or more concessional terms.

Program Content and Design

22. The PRSP is gaining wide acceptance and ownership is deepening. Our goal is to make our PRSPs the springboards of our development efforts, mobilize external support and assess our progress towards meeting the MDGs. The BWIs should complement our own efforts in further enriching the micro- and macroeconomic content of our PRSPs, identifying new sources of economic growth, developing alternative policy scenarios and contingency planning to hedge against exogenous shocks, developing comprehensive statistical databases and conducting poverty and social impact analyses (PSIAs). We will seek to continue catalyzing domestic consensus to further strengthen ownership in the PRSP process. In this regard, we welcome the outreach programs being developed by the Bank and the Fund to enhance communication with National Legislators. In designing the PRGF/PRSC, we urge the Bank and the Fund to continue to be guided by the objectives and priorities in our PRSPs and we urge donors to align their assistance programs to our PRSPs. In addition, we urge the donor community to harmonize the criteria and procedures for disbursement of aid and to synchronize their assistance programs with our PRSPs and domestic budget cycles.

23. While recognizing the traditional role of the Fund in providing temporary balance of payments assistance, we are of the view that program design in low-income countries should be better adapted to take into account the necessity to provide technical and financial assistance over a longer time period and on more concessional terms. We are pleased to note that the IMF Board shares our views as was reflected in the recent Board discussion on the Role of the Fund in Low-Income Countries. Indeed, these are the countries which are the most vulnerable to exogenous shocks, to natural calamities as well as epidemic and pandemic diseases. In this regard, we urge the Fund to move speedily to develop modalities for timely assistance in response to shocks experienced by PRGF-eligible countries. This should include augmentation of PRGF arrangements and other options that are necessary to boost medium-term growth prospects. In addition, for countries that are graduating from use of IMF resources, there is need for the donor community to begin de-linking their assistance from Bank/Fund programs and to rely more on our PRSPs.

Assistance to Middle-Income Countries

24. A number of countries in Africa are classified as middle-income, yet they are among those with the highest income inequality in the world as reflected by high Gini Coefficients, the implication being that a large segment of their populations live in absolute poverty. The HIV/AIDS pandemic has imposed an additional and severe burden on some of these countries. Also, some have heavy external and domestic debt burdens and many depend on export of a single commodity. We urge the Bank, including IDA Deputies, the Fund and the international community to provide concessional resources needed to reduce poverty and to fight the HIV/AIDS in these countries.

Capacity Building in Africa

25. Institutional and human capacity building is critical for sustainable development and poverty reduction. It is a long-term process which requires strong political will as well as adequate and predictable funding. The African Union passed a resolution declaring 2002-2011 as the capacity building decade for Africa. We commend the Bank for its continued commitment to help our countries achieve this objective and welcome the proposed secondment of professionals from our countries to the World Bank. We urge the Bank to implement this program immediately. We also welcome the full membership of the IMF in the ACBF and we urge the recently established AFRITACs to work closely with our regional institutions, including on issues of staffing. We urge the BWIs to further increase their financial support to, and advocacy for capacity building in Africa.

Voice and Participation of Developing Countries In The BWIs

26. As declared in Monterrey Consensus and later affirmed in the spring 2003 Development Committee Communiqué, enhancing the voice and effective participation of developing and transition countries in the work and decision-making of the BWIs can significantly contribute to enhancing the effectiveness of reform programs as well as promoting international cooperation.. In this regard, we remain concerned that as many as 47 countries of Sub-Saharan Africa are represented by only two chairs on each of the BWIs Executive Boards. Furthermore, the quota share and voting right of Africa continue to decline, further undermining our voice and effective participation in the two institutions.

27. Against this background, and while welcoming the recent increase in staff for our Executive Directors' offices, we urge the BWIs to support and undertake further reforms aimed at strengthening the capacity and voice of African countries. In particular, we recommend the provision of additional chairs for Africa. Regarding the continuous decline of our countries' quotas in the IMF we strongly urge that in the context of the 13th Review of

Quotas, this trend be reversed. Furthermore, we urge the two institutions to reestablish relative size of the basic vote to its original level. These would be important steps in restoring the voting power of African countries to allow them to fully participate in the decisions that affect them in the BWIs.

28. Regarding IDA, our key concern is the limited involvement of our countries in the decisions taken by IDA Deputies. We acknowledge the progress made in the IDA replenishment process by involving borrower country representatives, albeit in a limited way. That said, we feel that more progress in this regard is needed, particularly by reasserting the role and mandate of IDA's Board in setting and approving the policies of IDA. This is more so given that all developing member countries are represented in the IDA Board. This action will be consistent with the appropriate governance structure of IDA under its Articles of Agreement.

African staffing issues in the Bretton Woods Institutions

29. African staff in the IMF and the World Bank are part of the strong assets of these institutions as much as for the development of Africa. However, their ability to contribute their fullest potential is still constrained by a number of visible and other invisible barriers. We welcome progress being made to address this issue but urge the management of the two institutions to do more to ensure that African nationals are accorded level playing field and equal opportunity to give their best and acquire rounded experience and expertise in the two institutions.