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Statement by the **HON. GERALD SSENDAULA**,
Governor of the Bank for **UGANDA**,
on behalf of the African Governors
at the Joint Annual Discussion

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Introduction

1. I am greatly honored to address this important gathering on behalf of African Governors of the International Monetary Fund and the World Bank. Let me take this opportunity to pay tribute to both Bretton Woods institutions for the manner in which they have handled the global development issues, especially following the events of September 11, 2001. We African Governors recognize that our continent faces daunting but surmountable economic and social challenges. These require a sustained set of actions by African governments themselves, for which we are currently undertaking a number of painful but necessary reforms. However, given the magnitude of the problems and considering the fact that some of the impediments to our development are caused by exogenous factors, the Bretton Woods Institutions have a legitimate and significant role to play in helping us.

New Partnership for Africa's Development (NEPAD)

2. The commitment by African governments to eradicate poverty and place the continent on a path of sustainable growth and development is reflected in the NEPAD. NEPAD is anchored neither on an appeal for further entrenchment of dependency on aid nor on some marginal trade concession, but on the determination of Africans to extricate themselves and the continent from the malaise of conflicts, underdevelopment and exclusion from trade benefits in a globalized world. The determination by African leaders to apply peer pressure on themselves in the promotion of democracy and good governance, and their concerted efforts to eliminate conflict are some of the unique features of the NEPAD.

Regional integration

3. African Governments are according high priority to regional integration, which in recent years has gained momentum throughout the continent. While regional integration is not a panacea for all our development challenges, it is an important vehicle for improving and strengthening the viability of Africa's economies. We, however, recognize the financial and technical capacity limitations that exist in a number of critical areas. In this regard, we call on the Bretton Woods Institutions (BWIs) to support our efforts in the building of regional institutions to enhance integration. We also urge the BWIs to support the implementation of regional projects and to reflect our regional priorities in the PRSPs and CASs.

Agriculture and Rural Development

4. The realization of the Millennium Development Goals (MDGs) in Africa is a tall order. We believe, however, that it can be achieved with an aggressive implementation of the Monterrey and NEPAD declarations. In Africa, where 75% of the population live in rural areas, poverty is largely a rural phenomenon. Therefore, raising agricultural incomes will be key to halving extreme poverty by 2015. In this connection, we are concerned about statistics that suggest that African governments are spending on average, less than 5% of their development budgets on agriculture and rural development. This low spending on the sector is a reflection of inadequate resources to fully fund our domestic agenda and not a reflection of any lack of interest in agriculture. We would like to assure the BWIs that we are committed to paying this sector the priority it deserves.

5. What is also of great concern to us is that the World Bank's lending to agriculture and rural development has stagnated over the last decade to less than 20% of its total lending. We call on the BWIs to refocus their efforts and resources in this all-important sector. We welcome current efforts aimed at reversing this trend and urge the Bank to increase its lending to agriculture, in line with the World Development Report-2003 findings. We also urge that Fund-supported programs give adequate priority to rural development, allowing for the allocation of more budgetary resources for rural development, and supporting decentralization in line with PRSPs.

Trade and Market Access

6. Many African countries have liberalized their economies and modernized their commercial laws in line with international best practices. In spite of these efforts, access to export markets remains limited. The continuing protection of export markets and recent increase in farm subsidies by some developed nations seriously undermine the contribution of our reforms to economic growth and poverty reduction. This, coupled with the technological divide, has led to a further marginalization of Africa in the globalization process. We strongly believe that Africa's debt sustainability and prospects for growth will be realized through increased fair trade in addition to aid. In order to give developing nations a chance to benefit from globalization, we urgently call upon the industrial nations to strictly adhere to the rule and principles of globalization they themselves advocate. In this regard, we strongly urge the World Trade Organization (WTO), and the BWIs to spearhead discussions with developed nations on securing market access for Africa's exports and the removal of distorting subsidies.

Infrastructure Development

7. Mobilizing donor assistance and private capital flows is crucial for ensuring the adequate funding of infrastructure and provision of basic services necessary for sustainable growth. In this regard, we urge the Bank and the Fund to support our Governments in maintaining and modernizing existing infrastructure and promoting public-private partnerships in infrastructure development, including at the regional level. On our part, we

commit ourselves to putting in place the necessary regulatory frameworks and to undertaking additional reforms in order to facilitate private participation in infrastructure.

Private Sector Development and Foreign Direct Investment

8. Despite sustained economic reforms over the last two decades, FDI flows to Africa have not been significant. This is in sharp contrast to the impressive macro-economic environment and sustained efforts towards privatization in many African countries. We welcome the World Bank Group's Private Sector Development Strategy which, among other things, emphasizes investment climate surveys in the CAS and PRSP processes. We believe that such surveys will help to establish the missing link in the private sector-led growth equation, and will guide policymakers on the priority actions required to further improve the investment climate. Furthermore, we believe that the development of SMEs is a critical element in poverty reduction because of their high potential to create jobs and develop local entrepreneurship. We urge the Bank to increase assistance to SMEs and to support country efforts in the coordination of donor support for increased aid effectiveness.

Education For All

9. We commend the leading role of the Bank in providing financial support for education, which is key to socio-economic development. We believe for all children to complete primary education by 2015, there is need for increased resource allocation to this sector, better coordination, and strong commitment of both African Governments and the donor community. Specific measures need to be taken to achieve the objective of "Education For All (EFA)" as spelled out at the Dakar World Forum. In this respect, we welcome the Bank's invitation of 23 countries, including 13 from Africa, to join the Education for All Fast Track aimed at helping developing countries meet the MDGs. In the same vein, we urge the Fund in its country programs in Africa to support additional resources allocation to the education sector by national authorities .

HIV/AIDS and other communicable diseases

10. The adverse effects of HIV/AIDS on the socio-economic fabric of African societies cannot be over-emphasized. We appreciate the leading role the Bank continues to play in supporting the various programs aimed at halting the spread of the disease. We also commend the strong leadership of the Fund in assessing the macro-economic impact of this pandemic. We encourage the BWIs to continue to provide technical assistance to countries whose technical and administrative capacity has been severely weakened by HIV/AIDS. However, other communicable diseases, notably malaria and tuberculosis, which continue to have a heavy toll on human life and labor productivity, also deserve concerted efforts. It is in this regard that we commend our development partners, particularly the Bank, WHO, USAID and many NGOs for launching and promoting the Roll Back Malaria initiative.

Capacity Building and Technical Assistance

11. We commend the Bank and other partners for spearheading the establishment of the "Partnership for Capacity Building in Africa (PACT), to complement the activities of the African Capacity Building Foundation (ACBF). In view of the weak human and

institutional capacity in Africa, we strongly urge the Bank, Fund and other partners to re-orient their technical support towards building strong public institutions to support a vibrant private sector. We believe that increased partnerships with local institutions will help build sustainable capacity in our countries, both in the public and private sectors. In this context, we welcome the setting up of two technical assistance centers (AFRITACs) in East and West Africa by the Fund and we urge for the establishment of such additional centers across Africa.

The Poverty Reduction Strategy Paper (PRSP), Poverty Reduction Support Credit (PRSC) and Poverty Reduction and Growth Facility (PRGF)

12. The PRSP process provides a sound framework for recipient governments and donors to agree on the priorities for poverty reduction. To be successfully implemented, however, PRSPs must be underpinned by technical assistance for capacity building, appropriate level of financial assistance, and streamlining procedures for effective coordination in the delivery of donor assistance. We are concerned about the linkage between conditionality and the speed of preparation of PRSPs. For our members, faster preparation can mean quicker access to resources but inordinate speed in the preparation of PRSPs can compromise quality. We therefore urge that this linkage be broken. We believe that there is urgent need to strengthen the linkage between objectives outlined in Bank and Fund supported programs under the PRSC and PRGF with those established by our member countries in our PRSPs, in a manner that reflects country priorities and specificity. As regards strengthening ownership, the Bank and Fund should give greater scope to client countries' own policy scenarios.

Streamlining Conditionality

13. In spite of efforts to streamline operational policies, procedures and practices, many borrowing countries still face a large number of donor conditionalities and cross-conditionalities. We urge the BWIs to provide leadership in applying new guidelines on conditionality in a manner that avoids micro-management of our countries but instead promotes ownership. This will allow for the utilization of the limited technical and administrative capacities on the implementation of priority programs of African governments.

HIPC Implementation

14. We commend the two institutions for the implementation of the HIPC Debt Initiative. However, the slow progress in reaching completion points, primarily because of the conditionalities imposed on countries with limited technical capacity calls for urgent redress. Like the Bank, we urge the Fund not to suspend interim assistance, since such action prompts all other creditors to suspend assistance, some of which is used in critical areas such as HIV/AIDS. We urge donors to allow greater flexibility in the application of HIPC related conditionalities in post-conflict countries because they lack the capacities to fully comply with the PRSP process. Progress in the implementation of the HIPC debt initiative has also been slowed by some bilateral and commercial creditors who have resorted to litigation to recoup as a means to recover debt covered by the HIPC Initiative. We, therefore, propose that equitable participation should be made binding for all creditors. On the other hand, we

wish to highlight the financial and moral dilemma of the HIPC framework – that of requiring HIPC-to-HIPC debt relief. In our view, the provision of grants by donors to pay off these claims is the ideal solution and the BWIs should help mobilize resources for this option.

Countries in Protracted Arrears Status

15. We are concerned about some of our countries in protracted arrears status have been implementing tough programs monitored by the IMF staff for lengthy periods, but without external assistance. We urge the Fund to find innovative solutions to the protracted arrears problems of these countries, particularly in helping them mobilize resources in order to allow these countries to move quickly to PRGF and HIPC.

Post-Conflict Countries

16. Post-conflict countries that are eligible for HIPC assistance face enormous challenges as they strive to consolidate peace, internal stability and pursue sound economic policies. Moreover, the acute lack of technical and administrative capacity compounds the difficulty of developing a fully participatory PRSP. We therefore urge the international community to show greater flexibility in their efforts to provide assistance to enable these countries to move quickly to PRGF, PRSC, IDA and HIPC. Similarly, countries hosting refugees face considerable obstacles and challenges associated with the financial and social cost of resettlement as well as the long-term effect on the host even long after the refugees return to their home countries. Countries hosting refugees, therefore, require considerable support to carry this burden.

IDA-13 Negotiations

17. We welcome the conclusion of IDA-13 Negotiations despite the long delay in reaching a final agreement. We are pleased to note that the thirteenth replenishment provides for IDA SDR 18 billion over the next three years, including SDR 10 billion in new donor contributions. We followed with keen interest the issue of grants. While we acknowledge the importance of grants for meeting some of our critical requirements, we underscore the need for IDA resource sustainability in the long run. We therefore welcome the compromise reached by donors to provide 18-21% of IDA's overall resources in the form of grants, and to maintain the principle of IDA resource sustainability. We firmly support grant funding for areas such as communicable diseases, disasters, post-conflict situations and education where no immediate financial returns are expected.

Financial Sector Reform, Money Laundering and Financing of Terrorism

18. We commend the Fund and the Bank for the technical and financial support in the implementation of financial sector reform, including the strengthening of surveillance systems. However, while we support the work on standards and codes undertaken in the context of FSAPs, we believe that priority for African countries should be devoted to capacity building for the development of indigenous markets and viable financial institutions to support small- and medium-sized enterprises.

Africa's Voting Power and Voice

19 The continuous decline of Africa's voting power and voice in the Bretton Woods Institutions runs counter to current endeavors to strengthen ownership in the development of Africa and is not consistent with the recent Monterrey Consensus. This trend also reflects a democratic deficit, within the Fund and the Bank, given the comparatively enormous amount of discussions and decisions taken on Africa in Both institutions. We urge the two institutions to address this problem.