

**WORLD BANK GROUP**

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INTERNATIONAL FINANCE CORPORATION  
INTERNATIONAL DEVELOPMENT ASSOCIATION  
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES  
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Statement by the Hon. **MANUEL CHANG**,  
Governor of the Fund for the **REPUBLIC OF MOZAMBIQUE**,  
on behalf of the African Governors  
at the Joint Annual Discussion



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**Honorable Governors,  
Mr. President of the World Bank Group,  
Mr. Managing Director of the International Monetary Fund,  
Ladies and Gentlemen,**

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 thank the American authorities for their hospitality. I would also like to congratulate Mr. Paul Wolfowitz on his appointment as President of the World Bank and we wish him great success in this challenging task. We look forward to a constructive and mutually beneficial partnership under your leadership. I would also like to acknowledge the continued engagement of Mr. Rodrigo de Rato, Managing Director of the International Monetary Fund with African countries.

This year's annual meetings take place in the context of renewed focus of the international community on achieving the Millennium Development Goals, and the challenges posed by crippling debt and effectiveness of aid, with Africa at the center stage of the international development agenda. Poverty remains widespread in Africa, and based on the current growth rates and actions, it is unlikely that our countries will meet most of the MDGs by year 2015. However, as demonstrated by some of our countries, progress can be accelerated if the international community delivers on its promises of substantial additional resources to support home-grown policies and programs, including in the governance area.

Our countries have made significant progress in macroeconomic stabilization and structural reforms. Moreover, we recognize that poverty can only be reduced through concerted efforts for sustained growth and development. That is why we remain resolute in our commitment to the development agenda, with the focus on strengthening governance, improving the distribution of generated resources, improving investment climate and fighting poverty. To complement and support our efforts, it is crucial that the international community honors its commitment made at Monterrey to provide adequate financing. My remarks will focus on a few areas where action of the international community is urgently for African countries to make towards the MDGs.

**Accelerating growth in African countries.** Putting Africa on the path of high and sustained growth rates which is required to meet the Millennium Development Goals will entail paying more attention than usual to developing infrastructure, promoting trade, enhancing regional integration, and ensuring the development of the private sector. In this

endeavor, it is critical that the Bretton Woods Institutions implement an ambitious action plan. At this juncture and on behalf of fellow African Governors, let me thank the Bank for the commitment shown by preparing the Africa Action Plan. We undertake to work with you, through our Executive Directors, to ensure its effective implementation.

Africa's huge infrastructure deficit requires immediate attention. The World Bank should devise innovative financing mechanisms and instruments, and ensure a better coordination of its agencies in supporting private participation in the development of infrastructure. Fund program design should allow adequate fiscal space to accommodate investment in infrastructure.

Equitable and fair global trade provides the most effective means of unleashing Africa's growth potential than any amount of aid. We wish therefore to call upon the Fund and the Bank to play a vigorous advocacy role to ensure an ambitious outcome from the Doha "Aid for Trade" agenda as rightly documented in the Commission for Africa report. On our part, African countries will continue with efforts to liberalize trade and to make concrete progress towards regional integration in line with the NEPAD action plan.

There is also need to intensify support to ensure competitive production in Africa, enhance our countries' capacity for global trade, addressing constraints at country level and dealing with challenges of unfair trade. We urge the World Bank to design appropriate instruments to support regional institutions and programs. On its part, the Fund should step up its policy advice and technical assistance to promote regional integration and enhance capacity in the areas of negotiation as well as design and management of regional projects.

As regards private sector development, we welcome the IFC's Strategic Initiative for Africa and the sub-Saharan African component of MIGA's strategic directions approved in 2005. However, while we already note increased actions on the Continent, overall performance in supporting private sector development is still far below our expectations. The World Bank Group should set up within the IFC equity funds, to help the private sector further invest in promising sectors; it should also create a concessional non-sovereign window to support small- and medium-sized enterprises. We further urge the Bank to explore mechanisms for providing long-term financing for small and medium enterprises.

**We welcome the G-8 proposal to cancel the multilateral debt of heavily indebted poor countries.** We would like to stress the need for an urgent implementation of the proposal as expectations in African countries are high. It is also important to step up efforts to help HIPC countries reach the completion point and, therefore, to qualify for debt cancellation. We firmly believe that significant additional resources will be required beyond the HIPC initiative and the proposed debt cancellation, to finance programs for accelerating growth and poverty reduction. In this regard, we urge the Bank to handle issues of growth, debt sustainability and development financing in a comprehensive and holistic manner.

We urge the Bretton Woods Institutions to move quickly to finalize the modalities for implementing the G-8 proposal, while safeguarding their capacity to extend future assistance to low-income countries. Our countries strongly believe that the concerns raised following the G-8 announcement will be answered quickly. First, conditionality should not interfere with the urgent need for debt cancellation. Second, debt cancellation for eligible countries should take place as soon as possible, preferably right after these Annual Meetings. Third, the G-8 proposal is for one-off cancellation and not a piece-meal and gradual operation, which would not generate the same growth impetus nor have the same beneficial impact on progress towards the MDGs. And fourth, the G-8 proposal underlines additionality of resources in the Bretton Woods Institutions' lending capacity. Therefore, a clear process for securing donors' commitments needs to be put in place in order to preserve their lending capacity to low-income countries.

Mr. Chairman, there is need for an expanded debt cancellation initiative. An extension of the G-8 proposal to cover non-HIPC developing countries, many of them with similar income and poverty levels as the HIPC countries, would spur their progress towards the MDGs. Therefore, consideration should be given to a more general approach to debt relief by the G-8 and other donor countries, taking into account poverty and income levels.

**IMF conditionality, domestic program ownership and the IMF's signaling role.** Fund-supported programs have played a critical role in assisting our countries in their move towards economic development. While some progress has been made in recent years to enhance the effectiveness of these programs, more efforts are needed, notably in streamlining conditionality, enhancing domestic program ownership, and closing the gap in the Fund's tool kit for low-income countries.

Progress in streamlining conditionality in Fund-supported programs remains short of expectations. Conditionality should not undermine or hold up donor disbursements for critical projects/programs such as HIV/AIDS programs or for a hospital project.

Concerning the IMF's tool kit, some low-income countries have home-grown programs and do not need Fund resources. For these countries, we hope that the recently approved Policy Support Instrument (PSI) could serve effectively as a "seal of approval" or a signaling mechanism aimed at underscoring the credibility of individual country policy frameworks for the donor community and international financial markets.

**The role of the World Bank and the IMF in capacity building.** The Bretton Woods Institutions must ensure that all their technical assistance programs contribute more efficiently to human and institutional capacity development than has previously been the case. Additional funds need to be raised to extend the African Technical Assistance Centre (AFRITAC) program to other sub-regions in Africa, especially in light of the positive assessment of existing AFRITACs. We also urge the BWIs to scale up their financial support to human and institutional capacity building initiatives in Africa, such

as the African Institute of Science and Technology (AIST), which is an outstanding initiative of the Nelson Mandela Institute. We call on the donor community to support this excellent initiative. On a broader note, we urge the Bretton Woods Institutions to continue to provide technical assistance free of charge as a public good to the membership.

The World Bank and the IMF are also encouraged to scale up their financial support to African capacity building organizations and initiatives such as the African Institute of Science and Technology (AIST), which is an exciting initiative of the Nelson Mandela Institute and the African Diaspora aimed at developing regional universities of science and technology on the African continent. We call on the World Bank, the International Monetary Fund and other development partners to support this excellent initiative.

**My last point relates to a need for much more attention to middle-income countries.** We welcome the progress made by the World Bank in supporting middle-income countries in reversing the decline of lending to these countries in order to enable them to achieve higher growth and meet the MDGs. In this regard, we encourage the World Bank Group to continue scaling up this support and strengthen its role in middle-income countries by providing innovative, flexible and affordable financial products.

**To conclude,** we are encouraged by the renewed focus of the international community on the special needs of Africa, which require special attention. Immediate actions by the international community as well as at country and regional levels are required, as the human and social cost of inaction can only increase. Commitments made in the past and more recently need to be honored by the donor community in order to obtain tangible results in Africa's efforts towards poverty reduction. We strongly urge the donor community at large to find the needed consensus as soon as possible to enable the implementation of the G8 proposal as well as the formulation of broader efforts for debt relief and development financing.

**Thank you.**