

STATEMENT ON THE IDA MEETING IN MAPUTO (MOZAMBIQUE)

AFRODAD, 27 June 2007

Next week, rich countries contributing to the World Bank's International Development Association (IDA) will converge in Mozambique to make financial contribution to enable the instrument continue lending at concessional rates. The meeting will address the debt and aid issues which are key to Africa's development agenda and the attainment of the millennium development goals. Some key issues need to be addressed on debt, aid and conditionalities:

- On debt While large number of African countries have reached the HIPC Completion Point, the cancellation of 100 percent of the foreign debt of these countries have failed to solve the country's debt problem because huge domestic debt problem and the high cost of oil prices. We thus call for total overhaul of the DSF with a view of establishing a framework that not only incorporates the domestic debt factor in its determination, but also one that is transparent and inclusive of African governments who are affected by the framework. IDA should allocate resources to strengthen African domestic institutions responsible for debt management as well as debt policy formulation. Furthermore conditions attached to debt cancellation by IDA make it very difficult for participating HIPC countries attain the MDGs.
- The debt cancellation efforts have mainly focused on a few countries under the HIPC programs, it is important to note that all African countries require debt cancellation if they are to achieve the millennium development goals. Special attention thus needs to be given to fragile states such as Liberia, and Somalia which have protracted arrears. The forthcoming IDA replenishment meeting therefore must discuss modalities of establishing program to accommodate fragile states to enable them raise sufficient resources to address the development challenges.
- On aid architecture it is important to note that contrary to the notion that aid has been on the rise in real terms, African governments continue to experience the scaling down of financial assistance by the International Community even under the IDA framework. It is therefore important that donors respect their commitments at Monterrey as well as those made at the Gleneagles G8 Summit within the IDA framework. This is necessary if African countries are to deepen and strengthen increased public expenditure on basic services and achieve the millennium development goals. IDA replenishment should thus be additional to the MDRI and the replenishment should be used for concessional lending purposes and not to meet the partial or total cost of both the MDRI and the HIPC additional requirements.
- Turning to policy space, even though there is some freedom in policy choice, there is a need to deepen these efforts. IDA must continue to give African countries a room to plan their own development agenda without threat of conditionalities. IDA support should thus strengthen the domestic policy making institutions as opposed to imposing conditionalities and benchmarks that seek to undermine the operations of policy making institutions. Partnership principles as opposed to conditionalities would be the ideal way to strengthen these institutions.