

Remarks by World Bank Group President David Malpass to the Summit of the Heads of State of the Central African Economic and Monetary Community

August 18, 2021

Your Excellencies, Presidents, Distinguished Guests, Ladies and Gentlemen,

I am pleased to participate in today's Summit, which is taking place at a critical juncture for the Central African Economic and Monetary Community (CEMAC). I join with you in expressing my condolences on the death of President Deby to his son and the Chadian people.

COVID-19 is aggravating long-standing challenges of the region. Growth turned negative, and there has been a widespread loss of jobs and economic opportunities. Fiscal and external imbalances have grown wider, reducing the room for governments to respond. In addition, the sharp reduction in oil prices during the pandemic exposed again CEMAC's vulnerability to the volatility in the demand and price for commodities. Deep structural reforms are needed now more than ever to secure social cohesion and put the region on a sustainable and more inclusive development path.

Against this difficult backdrop, the World Bank Group has maintained a long-standing partnership with CEMAC and its individual members, providing a range of support including investment programs, budget support, advisory services, and technical assistance. As of today, the net commitments under our CEMAC-related portfolio are over \$5 billion dollars, covering investments in human capital, infrastructure, energy, forestry and agriculture.

Since the COVID pandemic started, we have ramped up our support, including financing for programs in health, adaptation, social safety nets, education and digital services.

We are providing COVID-19 vaccine financing and we are ready to increase it. In addition, we are partnering with the African Union to support the Africa Vaccine Acquisition Trust (AVAT) with resources to purchase and deploy single-dose vaccines for up to 400 million people across Africa. The funding extends through deployment, and I cannot stress enough the importance of your leadership in rolling out these programs. The Multilateral Leaders Taskforce on COVID-19 Vaccines has called repeatedly for the advanced economies to release their excess doses and options so that developing countries, including many in Africa, can prepare to receive and deploy them.

The pandemic has left many CEMAC member countries with elevated debt levels. Debt transparency and sustainability will be vital to a sustained recovery and attracting new investment. At the outset of the pandemic, I proposed with Kristalina a broad moratorium on debt service. The G20's DSSI – which benefitted Cameroon, the CAR,

Chad, and Congo – provided liquidity support and additional fiscal space to help respond to the health emergency.

Lasting debt relief will be needed to encourage investment and growth, and we are working toward a strong G20 Common Framework for Debt Treatment. Chad was the first country to request participation in the Common Framework. To succeed will require the full participation of commercial creditors in the workout for debt and debt-equivalent instruments, including comparable treatment using consistent discount rates.

I want to also underscore the crucial role of continued and large IDA net positive flows, which provide vital grants and zero-interest loans. In addition to providing current resources, a large replenishment for IDA provides preparedness for future crises in three ways. First, the programs themselves create sustainability and adaptation; second, the deployment of IDA resources can be rapidly accelerated; and third, donor contributions can be leveraged through capital markets. Working with the leaders here today, I am looking forward to a very successful IDA20 replenishment by year-end.

Even so, the region faces multiple challenges, and the resources provided through both debt relief and concessional financing won't be enough. Strong reform efforts within CEMAC countries are needed. The World Bank Group and IMF are working closely with CEMAC countries to shape new policy programs, projects and incentive structures.

Significant progress was made toward macroeconomic stabilization following the consequences of the oil price declines in 2014. Going forward, the stability of the currency and monetary systems will be key ingredients in attracting investment and raising living standards. I've been pleased to see that direct financing from the central bank to the member state's budgets has been largely avoided in the current crisis.

With limited room for fiscal and monetary policy stimulus, the urgency of priority structural reforms is even greater if countries are to achieve stronger growth that is inclusive and sustainable, and that generates more and better jobs for its citizens. Reforms in governance and transparency likely have the biggest potential of boosting private sector growth. Key reform areas include the following:

1. *Strengthening the management of public funds*, such as through improving the preparation of public investment projects and strengthening the financial oversight and transparency of state-owned enterprises.
2. *Enabling business growth*, for example through establishing collateral registries and commercial courts and strengthening digital infrastructure, which can also help with social safety nets, education and governance.
3. As well as *building human capital* through actions such as putting a greater focus on primary health care, building robust social safety nets, and improving education, including the market relevance of professional training.

Concerted actions to increase intra-regional trade should also stand high on the agenda, given that cross-border trade among CEMAC countries is weak. The wealth of

CEMAC countries lies not just in their natural resources or produced capital, but in the interactions of their people: the exchange of skills and creativity and the combined resilience to shocks and health crises. This building of human capital and internal trade is where more investment is needed now. Our estimates show that the average child born today in CEMAC countries will be only 37 percent as productive as she or he could be – but that barrier to advancement can be reduced through better education, health, infrastructure and trade opportunities.

Many of these necessary reforms and policies are well known. What is critical in the period ahead is strengthening the implementation efforts, and the World Bank Group stands ready to support governments in this process. There are a number of suggested paths to help strengthen implementation going forward, but two of the most critical are: (i) building greater consensus and advocacy around challenging reforms among the population, recognizing they are often contentious; and (ii) creating greater awareness from the outset that a narrow group reaps benefit from the current state of affairs and that reforms would enable growth that would benefit all.

Today's summit and its strong political endorsement for the next phase of regional structural reforms is thus critical for the emergence of a more sustainable and more inclusive growth path for CEMAC in the future. Thank you very much.