Statement by

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On behalf of the Group II African Countries
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This written statement, on behalf of the Africa Group II Constituency, covers the topics on the Development Committee’s agenda, namely: (1) Digitalization and Development; and (2) Making Debt Work for Development and Macroeconomic Stability. It also underscores the specific context in which the 2022 Spring Meetings are taking place and issues a call to action to the Bretton Woods institutions.

Call to Action

We are meeting this year against the backdrop of heightened geopolitical tensions around the world, while the socioeconomic effects of the COVID-19 pandemic continue to reverberate. The ongoing war in Ukraine is producing economic consequences globally, including in Africa, as evidenced by higher commodity and fuel prices. The poorest are particularly hard hit by the rising cost of living, which is creating a dire food security situation and dampening our countries’ prospects for economic recovery. Coordinated action is essential. We therefore call on the World Bank Group (WBG) and International Monetary Fund (IMF) to coordinate their interventions so as to provide a global response to counter the economic impact being felt, and to use all the crisis response tools at their disposal to assist the African continent.

Digitalization and Development

We commend the WBG on the appropriate choice of this topic given its great potential for the growth and competitiveness of countries. This discussion is all the more timely as it builds on the momentum created by the WBG and IMF African Caucus, which met in Burundi in August 2021 to discuss this topic. In the Memorandum to the President of the WBG and Managing Director of the IMF, the African Governors expressed their desire to build Africa’s capacity to tap into the potential offered by the digital economy, in keeping with the aspirations set forth in the African Union’s Digital Transformation Strategy for Africa (2020-2030).

We reaffirm the importance of this agenda to the African continent and welcome the work done by the WBG with its implementation, in particular through the Digital Economy Initiative for Africa (DE4A). We are pleased with the progress made in recent years to integrate digital technology into operations, with special emphasis on Africa. We appreciate the institution’s commitment to support our countries by leveraging its knowledge, financial instruments, convening power, and partnerships.

We note that the use of digital solutions on an unprecedented level during the COVID-19 pandemic has highlighted the decisive role of digital technology in effectively mitigating the effects of the crisis. We realize, however, that the pandemic has also exposed the deep digital divide on the African continent, and has underscored the urgent need to bridge this divide if Africa is not to be left behind in the digital transformation process underway globally. We therefore agree that it is in the interest of our countries to build a solid and inclusive digital foundation as quickly as possible, in partnership with the private sector.
For this reason, we support the conceptual framework proposed by the World Bank to allow beneficiary countries to maximize digitalization’s development dividends by focusing on the following four key intervention areas: (i) digital infrastructure, (ii) digital platforms, (iii) digital enablers; and (iv) digital safeguards, as well as two cross-cutting areas: (i) social and gender inclusion, and (ii) regional and global collaboration. Furthermore, we welcome the World Bank’s recommendations to mitigate the risks inherent in digitalization, which require the adoption of policies and legislation aimed at data and worker protection as well as cybersecurity and ecology.

In our view, the national and regional diagnostic tools that support World Bank operations should facilitate, as one of the intervention areas, the identification of the priority actions to be taken to begin the digitalization process in countries. We support the work done by the World Bank to accelerate the pace of execution of these diagnostics and to implement country-specific solutions. However, we stress the digital infrastructure and platform deficit in Africa, which calls for considerable support, especially in fragile, conflict, and violent (FCV) contexts. Furthermore, the World Bank should be able to assist countries with the establishment of proper legal frameworks to address the new situations associated with digital technology. We also underscore the importance of investment in human capital to develop digital skills and contribute to resilience and social inclusion. Digital skills initiatives, especially those that target young people, women, and marginalized groups as change agents, are critical to lend impetus to the transformation process and to connect all social groups to opportunities created by digitalization, in keeping with the principle of leaving no one behind.

We note that limited access to energy in African countries is hampering the use of digital technology and should be viewed by the WBG as a priority in the context of digitalization. In fact, it is imperative for the WBG to scale up its efforts to assist our countries, so as to promote universal access to electricity and thus maximize the impact of digitalization on the development of African economies. Lastly, in the area of regional cooperation, we urge the World Bank Group to take advantage of the African Continental Free Trade Area to assist with the creation of a single and secure African digital market through the cross-border integration of networks and harmonization of the regulatory framework.

Making Debt Work for Development and Macroeconomic Stability

We wish to thank the staffs of the World Bank Group (WBG) and the International Monetary Fund (IMF) for this paper that draws our attention to the rising risk of debt distress in Africa, as countries grapple with a surge in public spending in response to the COVID-19 pandemic and with lower revenues caused by the recession. Heightened geopolitical tensions from the war in Ukraine are exacerbating this situation and could lead to monetary tightening due to inflationary pressures, which would result in higher borrowing costs and increased stress on public finances. We note that 60 percent of the countries eligible for the Debt Service Suspension Initiative (DSSI) have been assessed at high risk of debt distress or are in debt distress.

In light of this situation, we agree that action is urgently needed to respond to the challenges from rapid debt build-up and address the risks to economic development and macroeconomic stability.

To that end, we encourage the WBG and the IMF to step up their efforts to support countries in the effective and transparent management of public debt to make it sustainable. Fragile and conflict-affected states (FCS) and small island developing states (SIDS) that were especially hard hit by the 2020 recession warrant special attention.

We hope that these efforts will complement those made to mobilize financing for development in Africa, as investment needs to offset productivity losses sustained during the pandemic are considerable, and that debt remains a key tool for supporting growth. As fiscal space is limited and growing debt levels lead to higher debt service payments, governments are facing difficult trade-offs between containing public debt and promoting investment in social services, including health and education. The scale of investment needed to make progress toward achievement of the Sustainable Development Goals (SDGs) and support
the climate transition compounds this situation. It will therefore be necessary to help us identify ways and means to ease the debt burden, and ensure the continued prudent use of debt for economic progress, particularly through improved fiscal policy. Policy and institutional reforms to develop domestic debt markets and spur private sector growth are equally critical and must be supported by financial and technical assistance from both the WBG and IMF.

We note as well that, in some cases, the proceeds from debt contracted by developing countries over the last decade have not led to sustained inclusive growth that could have created jobs and generated higher tax revenue to service the debt. Support from the WBG and IMF is therefore critical to ensure that debt is more strategically channeled toward pro-growth investments.

In light of the slow pace of implementation of the G20 Common Framework, we support the proposals put forward by the WBG and IMF to strengthen this framework, namely: (i) a faster and more efficient process using time-bound steps in the implementation of the framework; (ii) the introduction of a debt service suspension to address immediate liquidity needs; (iii) greater clarity on how official bilateral creditors will implement and evaluate the comparability of debt treatment to private creditors; and (iv) the expansion of the Common Framework to non-DSSI eligible countries with debt vulnerabilities.

In addition to these proposals, we recommend more effective integration of the debt sustainability issue into the Common Framework and of the debt forgiveness issue into the sovereign debt restructuring process. We also recommend the development of incentives to increase the participation of private creditors, and enhanced support to build the institutional capacity of borrowing countries. Given that middle-income countries were excluded from the DSSI and the Common Framework despite increasing vulnerabilities linked to their debt levels, we further urge the WBG and the IMF to roll out innovative instruments to help them overcome these challenges.