Statement by

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Minister of Economy, Planning and Regional Development

Cameroon

On behalf of the Group II African Countries
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We commend the World Bank Group (WBG) on the launch of its new World Development Report (WDR), which focuses on global value chains (GVCs) and new trade issues. We wish to thank the World Bank team for preparing a comprehensive and compelling report on a relevant and timely subject to help us understand if there is still a path to development through GVCs.

We welcome the main message that a country’s GVC participation is not determined solely by its natural endowments, but also by its policy choices. More specifically, while fundamentals such as endowments, geography, market size, and the quality of institutions are important, they do not dictate destiny. National policies and reforms plays a critical role, including by attracting foreign direct investment (FDI), improving connectivity and liberalizing domestic trade, and by promoting bilateral or regional liberalization agreements.

We note as well that GVCs raise productivity and incomes, while creating jobs, increasing women’s employment, and reducing poverty. However, these growth and productivity gains are still not equally shared across and within countries and may be a mixed blessing for the environment. We also welcome the evidence that shows the positive impact of technological change on trade and the serious threats to GVCs posed by the overuse of subsidies and the remaining barriers to trade in services. We are of the view, therefore, that international cooperation is vital to ensure that countries can participate in and leverage GVCs.

We would now like to make the following specific comments:

First, on the relevance of this topic to IDA’s special themes, in particular Jobs and Economic Transformation (JET). Global value chains have been a boon to developing countries because they help these countries diversify away from commodities to manufactures and services. In the past, a country had to master the production process for a whole manufactured product in order to export it. Value chains now
allow a country to specialize in one or several activities in which it has a comparative advantage. And the benefit of manufactures is that it creates large numbers of jobs. China and Vietnam are examples of countries that have embraced this approach. We therefore look forward to seeing how a number of the policy recommendations in this WDR will be incorporated into the JET agenda.

Second, on the World Bank’s position on industrial policies. In the past, industrial policy was equated with interventionism and the Bank naturally objected to this approach. Today, industrial policy is less of an interventionist policy that countries must adopt in order to promote economic nationalism and development. We now need to propose ideas on technological innovation to reduce productivity gaps, industrial upgrading, and economic diversification. The issue, therefore, is not whether governments should implement industrial policies, but rather how these policies can be used judiciously. We therefore need to engage in a frank discussion on this topic at the World Bank.

The third point concerns FDI. We view FDI as the other side of global value chains. Countries that do not have global value chains are not attracting FDI, with the exception of the extractive industries. These are typically IDA African countries. IFC and MIGA have an important role to play in this regard. MIGA’s new strategy should thoroughly explore proactive ways to attract FDI in low-income countries.

The fourth point relates to the African Continental Free Trade Area (AfCFTA) agreement, which was launched on July 7, 2019 in Niamey, Niger. We appreciate the specific reference to this agreement in paragraph 744 of the WDR. However, we were expecting a more detailed analysis of how the agreement could promote the development of value chains in Africa.

Fifth, on the resurgence of protectionism. During the WBG Board discussion of the Concept Note, our chair suggested seizing that opportunity to reaffirm the importance of trade to rich and poor countries alike. We are pleased that this report has addressed this concern by conveying useful messages targeting low-income countries and advanced economies. We are also pleased to note that this concern has also been included in the draft communiqué.

Lastly, we liken globalization to a high-speed train that needs a platform to allow you to disembark at your destination. All the fundamental elements are needed to build the platform: rule of law, infrastructure, education, and health. The World Bank Group plays a key role in this regard and developing countries that have achieved success—even moderately—in this area have experienced impressive growth and a decline in poverty.

We would like to wish everyone much success with the review and publication of this flagship report.

Human Capital Project: An Update

We wish to thank the staff and Senior Management of the World Bank Group (WBG) for this flagship report that provides an update on the progress of the human capital project since the publication of its index in October 2018. We reaffirm our unwavering commitment to the Human Capital Project in Africa and commend the work carried out by the World Bank Group to support our countries.

We note the challenges that African countries continue to face and their ranking on the human capital index (HCI). Countries in Sub-Saharan Africa are the worst affected by the human capital deficit with an average HCI of 0.40. In addition, 28 of the bottom 30 countries are IDA-eligible and are mainly located in Sub-Saharan Africa. This finding has serious implications for jobs and the economic transformation of our countries. To address this shortcoming, we believe that financing in domestic and external resource mobilization and the quality of expenditure both play a crucial role in human capital development. We
therefore call for increased support from the World Bank Group for reform and financing and welcome proposed measures to improve the average HCI from 0.40 to 0.45 by 2023.

We welcome the launch of a WBG program that focuses on the empowerment, enhancement, employment, and education of women and girls in Sub-Saharan Africa. We agree with the conclusions of the Human Capital Project that improving the index, and thus productivity, in our countries can only be achieved through increased mainstreaming of gender in human capital development policies. We also recognize the need to invest in human capital from early childhood and to strive to empower women and girls through access to education and jobs.

We wish to express our support for the Human Capital Project’s next steps as set forth in the report. These include expanded country coverage of the HCI, which will include eight new countries to cover up to 165 countries (compared to 157 previously) and the regional and socioeconomic disaggregation of the HCI components in order to better target disadvantaged groups. We also welcome the multisectoral approach to human capital that will involve IDA, IBRD, IFC, MIGA, and the other World Bank sector units in order to optimize outcomes. We nevertheless call on the World Bank Group to collect data that reflect the entire African continent and its diverse realities. To that end, tackling inequality in all its forms and dimensions is increasingly critical, taking into account the sociocultural dimensions and their impact on peace and security. We therefore encourage the World Bank Group to conduct a detailed analysis of the correlation between horizontal inequalities and informal employment. In developing countries, informal workers (mainly women) face risks associated with informal employment. An evaluation of human capital in Africa would be incomplete if it fails to address this key aspect of the informal sector.

Lastly, we urge IFC and MIGA in particular to play a role in the Human Capital Project by increasing their presence and participation as key partners to help close the financing gaps and secure better human capital development outcomes.

**Jobs and Economic Transformation – Drivers, Policy Implications and World Bank Group Support**

We highly commend the choice of the theme “Jobs and Economic Transformation (JET)” among those featured on the Development Committee agenda. The World Bank Group (WBG) report points out that between 2020 and 2035, the world’s labor force is estimated to grow by 620 million people, with the majority coming from Sub-Saharan Africa. Thus, it is critical that we, the African Governors, ensure that these people will have access to high-quality jobs in the very near future. Social cohesion and security across the African continent, and even worldwide, are at stake.

The JET report is enlightening as it demonstrates that economic transformation is essential for the creation of productive, higher-quality jobs, and it offers policy avenues leading to this economic transformation. We welcome the WBG’s efforts to take our concerns and national priorities into account in all the strategic measures proposed through this agenda. We commend the inclusive approach adopted on this matter, particularly with respect to the development of agricultural value chains, infrastructure, connectivity, youth entrepreneurship, and programs targeting women to generate economic transformation that creates better jobs across all social strata. We support the integrated approach that aims to harness the expertise of all the WBG institutions and implement coordinated interventions at the sector, national, and regional levels. We note the results achieved through IDA with the incorporation of the JET agenda into country programs.

Nevertheless, we would like to urgently point out to the WBG Senior Management that the Jobs and Economic Transformation agenda should go beyond IDA and be more ambitious, because this agenda remains both critical and instrumental to achieving inclusive and sustainable development for people all around the world. Consequently, we view this paper as the first in a two-step process, and we await the
ambitious, strategic JET framework to be developed by Management, which will be presented to us in spring 2020.

In this vein, we hope that practical issues will be addressed relating to the systematic implementation that we would like to achieve across all countries, coordination both within and outside of the institution, and monitoring-evaluation of the implementation of this agenda. We also urge the WBG to take into account the fragility and vulnerability to debt that affect the ability of African countries to deepen their reform efforts, and we call upon the institution to provide technical and financial support to this end.

**IDA Voting Rights Review: Report to Governors**

We welcome this report, which informs us of the IDA voting rights system and its proposal for the review process.

We note our agreement with the IDA voting rights review and the adoption of its six (6) Guiding Principles. We hope that the review thus defined results in a simplified mechanism that improves on the shortcomings of the existing framework. We believe that the Guiding Principles should prevail throughout the review process to ensure significant mobilization of IDA resources, the financial viability of the institution, and the consideration of the interests of all stakeholders, both donors and recipients, through an inclusive approach. We believe that it is also vital to preserve the voting power of IDA beneficiaries, and even strengthen it, during this process.

With respect to the scope of the review, we select option 1, which focuses on targeted adjustments to the current voting framework. However, we request more detailed information on these adjustments as well as on the value added of potential modifications that are yet to be defined.

We recommend the establishment of a reasonable and, above all, realistic timetable for the review of the roadmap. We are in favor of having the IDA Board of Executive Directors lead the review in its capacity as an inclusive, experienced entity. We hope that World Bank staff continue to play a key role in the process in light of the complexity of the issue and their institutional knowledge. Lastly, we agree with the submission of a progress report to the Board of Governors in October 2020.