

Keynote Remarks by World Bank Group President David Malpass to the European Union-African Union Summit on Peace, Security and Governance

February 17, 2022

Thank you, Prime Minister Sanchez, and to the EU and AU for your continued efforts to promote stability and security.

The outlook for people in developing countries around the world remains grim – with indicators of poverty, growth, inequality, nutrition, education, and security all deteriorating.

Rising inflation and interest rates are hitting the world's poorest the hardest. Fiscal and monetary policies in advanced economies favor the rich and are leaving poorer people and countries behind. The global misallocation of capital leaves developing countries with inadequate capital flows and unable to sufficiently respond to the multitude of challenges they face. The number of food-insecure people around the world has doubled, triggering massive flows of refugees.

The World Bank Group has significantly increased our support for fragile states over the last five years, providing \$15.8 billion in FY21 for over 30 fragile and conflict-affected countries, many of them in Africa. World Bank lending to Africa has averaged more than a third of our total portfolio in recent years. It was almost 50% of our total in 2021. IDA, our fund for the poorest countries, was recently replenished with strong and generous support from EU member states, and its ambitious policy commitments specifically include more work in the Sahel, the Lake Chad region, and the Horn of Africa.

We are gravely concerned by the rapid escalation in conflicts in countries such as Burkina Faso and Ethiopia. With five coups since 2020, the Sahel and the Horn of Africa illustrate the tensions and dilemmas facing the global community.

Good governance, transparency, and strengthening the rule of law are critical. Without good governance, Africa will continue to face underinvestment, insufficient access to electricity and clean water, and regulatory barriers. Weak governance is a chronic driver of fragility, conflict, and violence often accompanied by heightened risks of fraud and corruption. And hidden debt may be attractive at first but undercuts the quality of investment and the key goals of increasing investment flows and debt sustainability.

Trade in Africa has lagged other parts of the world in large part due to non-tariff barriers, cumbersome procedures, monopolies, and poor logistics – and so I encourage everyone here toward more trade. Continued persistence of multiple exchange rates and central bank monetization of fiscal deficits sustains arbitrary government power that repels market-based investment flows and distorts the relative prices of goods and services. There are recent examples of massive trade barriers and policies that raise

food prices, reduce supply, and contribute to malnutrition; and border requirements that are causing weeks of transport delays that leave many vulnerable to the rising cost of shipping food globally.

In our operations, we are **working toward better outcomes in terms of reduced poverty and higher** incomes. This means governance that promotes trade facilitation, builds accountability mechanisms, enhances systems for service delivery, and fosters citizen engagement. All of these can contribute to higher living standards. Stronger governance will also be important in improving digitalization and reducing costly subsidies.

Targeted full partnerships and country platforms are key in finding solutions. Good development outcomes cannot be achieved by any one country or institution. Working with partners that have a strong presence on the ground is indispensable in fragile settings. This spans humanitarian, development, peacebuilding, security, and private sector actors to maximize impact.

The Recovery and Peacebuilding Assessment between the EU, UN, and the World Bank helps governments identify their priority needs for recovery, reconstruction, and peacebuilding. This is underway in the Central African Republic, Iraq, and northern Mali.

We also work with the UN Peacekeeping Missions in Democratic Republic of Congo, Mali, and the Central African Republic, where we have been able to provide rapid support once insecure areas are stabilized.

I want to conclude with noting that by 2030, two-thirds of the world's extremely poor people could be living in fragile countries. Together with our development partners, we must continue to ramp up our efforts to support the world's poorest and most fragile states in becoming more resilient, peaceful, just, and economically robust.

Thank you. I look forward to the discussion.