The Parliamentary Network meets at the European Parliament

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The Parliamentary Network on the World Bank & International Monetary Fund (PN) held a meeting with Members of European Parliament (MEPs) and Senior Officials from the World Bank Group (WBG) & International Monetary Fund (IMF) on 17 November 2015 at the European Parliament in Brussels. The purpose was to continue the engagement between development practitioners and legislators in the wake of the agreed-upon SDGs in September. The gathering was an opportunity to discuss the most recent poverty report and regional economic outlook for Sub-Saharan Africa (SSA), featuring Luc Christiaensen (Lead Agricultural Economist at the World Bank Group) and Céline Allard (Head of the Regional Studies Division in the IMF’s African Department). The event was co-hosted by Heidi Hautala (MEP, Finland) and Ana Gomes (MEP, Portugal), and included comments from Vice-Chair of the Parliamentary Network Hon. Alain Destexhe (Senator, Belgium) and Viwanou Gnassounou (Assistant Secretary-General of the ACP Secretariat).

Luc Christiaensen from the WBG gave a telling presentation on the current state of poverty and inequality on the continent of Africa. Real GDP per capita has been on the rise since the late 1990s and the percentage of people living with $1.25 a day has decreased as well during the same time period; however due to the population growth on the continent since 1990, there are actually more people who are living in extreme poverty than in previous periods. Mr. Christiaensen urged the participants to consider a non-monetary perspective, as “many aspects of well-being cannot be monetized.” He clearly detailed challenges going forward and prior successes in SSA, noting that adult literacy rates have gone up since 1995 and age expectancy for those who have been born since 2000 has increased by 7 years.
However, child literacy rates are still quite low, as the quality of education continent-wide has not received the adequate investment when compared to other sectors of the knowledge economy. Further, malnutrition is still an issue continent-wide; 38.6% of children under the age of 5 are stunted in their biological growth. Mr. Christiaensen had a few key takeaways: the threat of conflict has increased since 2010, even though major conflicts have gone down since the 1990s; poverty has come down since the 1990s as a percentage, but more people today live in conditions of $1.25 a day than in the 1990s (due to population growth); female education needs to be improved, as it is an impactful way to empower women and provide education to children in the household; and finally, although non-monetary indicators have improved slightly, there is an expensive gap in data which prevents further analysis to take place for measuring human development indicators on the continent.

Céline Allard from the IMF sought to focus her presentation on how inequality impacts growth in Sub-Saharan Africa, looking at exogenous and endogenous factors which lead to the findings of the Regional Economic Outlook for SSA. Growth in the region has weakened significantly, dropping below levels seen in 2009 amid the global economic crisis. What economic success could be found on the continent in the last decade was primarily due to better policies and institutions, high commodity prices, and capital inflows; global commodity prices have decreased drastically since as early as 2011 and more markedly in Su-Saharan Africa during since 2013. Further, sovereign bond spreads (how much interest will be gained from purchasing a bond from a government) have increased drastically since 2014, signifying the riskiness of investing in SSA countries. Finally, the combination of an increase in public debt, currency depreciation, and a depletion of foreign exchange reserves have led to a growth deceleration and the inherent disincentive to upscale FDI in the region.

Ms. Allard sought to present near and medium-term policy implications, looking at fiscal and monetary policies. In the near-term, governments in SSA must balance the sustainability of debt and development spending initiatives while allowing currency depreciation to take place (as opposed to drawing on foreign currency reserves) so that excessive volatilities are not accumulated. In the medium-term, incentivizing FDI by maintaining a stable political environment, bolstering competitiveness by veering away from commodity-driven economic prospects, and reducing inequality as a means to bolster growth are all priorities which, if undertaken, will lead to a more efficient and inclusive growth model with potential to be the framework for economic success in the years to come. Finally, Ms. Allard pointed towards the demographic transition which will take place in Africa, as the number of new entrants in the working-age population by 2035 is projected to be higher in SSA than the rest of the world combined. Thus, growth is not only a sought-after goal for the region, but an imperative for our future global sustainability and growth.

Mr. Gnassounou of the ACP seconded the opinions of the presentations; he noted that the lack of data in the continent is an issue which hinders the possibility to make proper policy choices. Further, he thanked the presenters for the policy implications. In his calculation, access and quality of health and education are the keys moving forward for the prosperity of SSA. He implored the MEPs to

“Policy implications are very informative, as creating the most billionaires is not impacting the lives of citizens in Africa.”
– Viwanou Gnassounou, ACP
continue supporting policy-makers in the field with funds available through direct partnership between the ACP and EU in order to collaborate more strongly and share knowledge more effectively in the years to come. Mr. Christiaensen agreed, noting that societies can play a role in demanding the collection of data at a governmental level and using it for the benefit of creating better human development outcomes.

Senator Destexhe of Belgium gave a brief overview of the Network and its engagement in Africa, noting that 40% of the Parliamentary Network’s Membership is from SSA. He added that the demographic trend in Africa is currently unsustainable, as the amount of jobs necessary to maintain and increase growth prospects will augment accordingly. Ms. Allard agreed, adding that the need for enhanced skills training for workers would incentivize companies to invest and stay in SSA countries. In her mind, “there is a lot of potential” with regards to growth and demographic swings which will take place in African the coming decades.

“Data and governance go hand in hand: better data equates to better governance.”
– Luc Christiaensen, WBG

Davor Ivo Stier (MEP, Croatia) commented on the need to mitigate conflicts and political instabilities in SSA. Specifically, he encouraged the ACP to have more members from opposition parties present at future EU-ACP gatherings, as there has been decline in the number of effective democratic institutions on the continent in the last few years. Ms. Allard of the IMF seconded MEP Stier’s concerns, adding that public financial management and revenue mobilization are tools which will put the right institutions in place and help guide fragile countries towards a path of stability.

Othmar Karas (MEP, Austria) sought to focus on the exchange of knowledge and rules with EU institutions and international organizations. Further, he wished to ask whether the Senior Officials from the WBG and IMF saw a common EU strategy for Sub-Saharan Africa. Massimiliano Paolucci (Special Representative to the EU, WBG) felt that the coordination among the Commission and other regional organizations in Africa will be the main tool going forward to implement an EU strategy for the continent. Thus, instruments such as the EU-Africa Infrastructure Trust Fund serve as means to realize this strategy, noting the WBG’s projects and activities are intended to compliment official development initiatives undertaken by the EU.
MEP Hautala asked what position the World Bank takes regarding empowering women in SSA. Mr. Christiaensen remarked that, “the best contraceptive is female education. Literacy rates are very low and fertility rates are very high in the Sahel and West Africa.” Further, he ensured the participants that WBG programs must have a demographic focus going forward, as themes such as education and job creation must take into account future population growth trends. Ms. Allard continued by noting the vast legal restrictions which still exist in Sub-Saharan Africa today, including natural resource-extracting countries concerning access to bank accounts and family inheritances. Thus, empowering women is a policy choice in many countries and when taken seriously, has significant results in GDP growth and human development.

“Most of the Elections on the continent of Africa are immediately contested, even though we say they are democracies.” – Davor Ivo Stier, MEP Croatia

MEP Karas concluded by emphasizing that the European Parliament needs to be more active in international development. “Only when dealing with facts can we support these goals and fight poverty,” he continued, citing further the recognition of the EU’s need for a more robust foreign policy in Africa during the coming decades; “We cannot do everything, but we need a very open, strong dialogue to find the right priorities so that coordination between EU Member States and international organizations can take place.”