

World Bank Group President Jim Yong Kim's Remarks at AGOA Forum

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As Prepared for Delivery

Good morning Excellencies, Secretary Kerry, ladies and gentlemen. I'm happy to be here with you today to launch these important discussions on the US African Growth and Opportunity Act.

I'll make just two points before turning to our keynote speakers today.

The first is to remind ourselves that African countries have enormous potential to expand trade in order to drive growth, reduce poverty and deliver jobs. Countries must now find the right approaches to take advantage of opportunities to greatly expand trade within Africa and throughout the world. One opportunity, for instance, is in the light manufacturing sector, which could help African countries in terms of industrialization, export diversification, and job creation. Recent analysis from the World Bank Group suggests that if this sector grows in Africa at the same speed it did in East Asia, it could create 7 million new jobs on the continent. Exploiting export opportunities in agriculture and agribusiness is also essential to reducing poverty in many countries.

Trade preference schemes such as AGOA – now in its 15th year -- can play an important role in helping Africa realize this opportunity. AGOA helps African countries diversify their exports, and move away from dependence on minerals and commodities to reach more diversified and inclusive sources of export growth.

AGOA has also played a key role in increasing exports and employment in the apparel sector in countries such as Lesotho and Madagascar, attracting foreign investment and generating new jobs in the private sector. In Madagascar, for instance, thanks to AGOA and a set of proactive and targeted policies, apparel now accounts for a larger share of exports than any other industry.

My second point is that in order for African countries to realize their export potential and take full advantage of AGOA, they must address several constraints.

One is an infrastructure challenge. Our studies show that the poor state of infrastructure in Sub-Saharan Africa— including electricity, water, roads, and ICT – cuts countries' economic growth by 2 percentage points every year and reduces business productivity by as much as 40 percent.

A second constraint is the lack of capacity of local firms and workers. There are few industry-specific training institutions dedicated to the apparel industry, and the ones that do exist often don't provide skills that meet the needs of employers.

And a last constraint is that policy reforms are needed to improve trade and competitiveness and support the development of competitive firms across the value chain.

The World Bank Group is helping countries in Africa tackle these constraints. Working closely with our development partners, we are providing financial and technical assistance to help African governments improve their infrastructure, build the skills of local workers and firms, and adopt policies to increase trade and investment across the continent.

We believe it will be critical to first reduce barriers to the regional integration of goods, services and investment. Following trips with the UN Secretary-General Ban Ki-moon last year, for instance, we are building regional economic integration efforts in both the Great Lakes and the Sahel regions of Africa. More intensive regional integration will give African firms the opportunity to exploit nearby markets, gain knowledge and experience, achieve economies of scale, and increase their competitiveness in the U.S. and global markets.

A range of non-tariff and regulatory barriers still raise the transaction costs and limit the movement of goods, services, people, and capital across borders. The end result is that Africa has integrated with the rest of the world faster than with itself.

The costs of these regional trade barriers fall disproportionately on the poor. Building better regional linkages means more than simply removing tariffs. It is about addressing real world constraints that paralyze the daily operations of ordinary producers and traders.

We hope that AGOA will continue beyond 2015. We also hope AGOA is strengthened so that Africa's doors to trade with the world open even more widely. For that to happen, I urge those of you here today to focus your discussions on a few key proposals, including increasing product coverage, relaxing rules of origin for non-apparel products, and recognizing the special needs of fragile states. Progress on these issues will help us not only ensure that AGOA's solid track record continues, but that it helps African economies expand their exports even more rapidly in the future.

We look forward to your discussion today. The World Bank Group is committed to deepening engagement with our African partners on trade and competitiveness. We are committed to helping African firms use AGOA and other trade programs to propel exports in the United States and across the world. And we are deeply committed to helping our African partners end extreme poverty and boost shared prosperity for its people.

It is now my pleasure and honor to welcome Secretary Kerry, who for more than a quarter century has been one of the world's leaders in promoting international trade and in particular trade between Africa and the United States and the rest of the world. Please join me in welcoming Senator Kerry. Thank you.