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PAUL WOLFOWITZ : (In progress.) I thought I knew a lot about Africa, but one of the exciting things in the job I have now is I’ve gotten to deal firsthand in Africa and back in Washington with Africans and with African Americans, African immigrants from all countries, and I must say, it’s exciting. And I think what’s happening in the subcontinent now is exciting, and if there was a time to start to get engaged with Africa, I can’t imagine a better one.

And, Hope Sullivan Masters, I’m pretty sure your father is up there very proud of you and of the way you’re carrying on his work. I had a conversation just last week with the prime minister in Ethiopia, Meles Zenawi. I guess in his early career he was a pretty committed Marxist and he didn’t have much time for anything except fighting civil wars. He said to a group of us, “I don’t object to people making money – like I used to.” And I think both halves of that sentence capture what I understand the Sullivan principles to be about. The second part, that suspicion of business, suggests that business is in it just to make money and not to help people. But the first part speaks of a man who is leader of a country that’s struggling, as I think perhaps the poorest country in sub-Saharan Africa, with a per-capita income of only $150. If you stop and think about that, that’s stunning. He realizes that for his people to escape from poverty, people have to make money; private business has to work. But he also understands what Reverend Sullivan epitomized, which is that business has a responsibility to make money the right way. And I thank you.

As I say, I’ve read a lot about Africa, and I came into this job believing and realizing – not entirely for the right reasons, or for partly right reasons, let me put it that way – that Africa was going to have to be my first priority as the president of the World Bank. But I have to tell you, it was more because of a recognition of the need of the subcontinent than a full appreciation of the opportunity of the subcontinent. Today, I want to talk more about the opportunity than the need. But let me start off where I started just about a year ago this spring.

If you stop and think about it, the last two decades, in many parts of the world, has been one of the most extraordinary success stories in human history in overcoming poverty. In the last 20 years, by our statistics, some 500 million people – just think about that again; half a billion people have escaped extreme poverty.

However, during those same 20 years, the number of people in extreme poverty in Africa doubled – doubled from 150 million to 300 million. Nearly one out of every two people on the subcontinent lives on less than a dollar a day; again, a stunning and disturbing statistic. And that is in spite of some estimates of $200 billion or $300 billion of foreign assistance from institutions like my own and for many governments.

And the poverty is not just reflected in low income; it’s terrible health hazards: the plague of HIV/AIDS, which every country in this part of the world is familiar with; the plague of malaria, which I’ve come to learn is at least as bad. A million children, most of them in sub-Saharan Africa, die every year from malaria. That’s about 3,000 a day. Think about that one. Three-thousand is, of course, the number that was killed on September 11th in the World Trade Center. That’s the number of children dying every day, most of them in Africa, from malaria. And malaria is a preventable disease. Malaria used to be prevalent where I live in Washington, D.C. In fact, I’m told diplomats got hardship pay because of the malaria in Washington. Malaria doesn’t exist anymore there. It has been eradicated, and it can be eradicated in sub-Saharan Africa, and it must be eradicated here.

I’ve been convinced for a long time – mostly from my experience in East Asia – that when you try to explain development failure or development success, there is a universal desire that people have to want their children to escape poverty, if they’re living in poverty, and have a better life. What’s not universal is good government policy, and it makes an enormous difference.
Think about South Korea. It’s now one of the world’s great development success stories. Indeed, it’s the 10th- or 12th-largest economy in the world. But when I had my first government job at the U.S. Bureau of the Budget in 1965, working on the U.S. foreign aid budget, you could read articles about South Korea that said it’s a hopeless basket case, it has no natural resources – of course it had people; that’s the greatest resource – that it was riddled with corruption and burdened, they said, with a culture – a culture that taught that gentlemen don’t work; they wear white clothes and grow long fingernails to demonstrate their contempt for manual labor. That same culture, of course, is now used to explain all the success of South Korea. But of course it’s the same culture north of the demilitarized zone in North Korea, one of the great development failures in the world.

I think that examples like this emphasize that government policy makes all the difference, and it makes a difference in many ways, and I want to talk about some of them. But one of the most important points is that bad policy gets in the way of the private sector and good policy gives the private sector, private business, and private individuals the opportunity to realize the fruits of their own energy, their own creativity, their own intelligence, and in doing so to create jobs and opportunities for other people.

Well, that’s why I came into the job convinced that Africa had to be my first priority. I got my first pleasant surprise when, in April of last year, after I’d been confirmed as president, but before I was officially installed as president, I met with the African governors of the World Bank – 45 to 48 people – in a large meeting room in the Bank headquarters during the Spring Meetings. What was stunning to me was one presentation after another: thoughtful, focused, to the point, not long-winded, centering around a common theme of the need to improve governance, of the need to fight corruption. I remember Ngozi talking about the efforts that are being made in Nigeria, and efforts that I heard some more about this morning. These efforts have come a long way in just 12 months, including very brave actions that put very senior, powerful people in jail who are guilty of corruption, efforts to publish numbers about government revenues and oil revenues.

I made the point that corruption isn’t just a problem of developing countries; developed countries have a responsibility too. And this gentleman, I don’t remember where he was from, but he said, developed countries should help us recover some of those assets that were stolen. And in this regard I’m happy to say that, through the efforts of the Nigerian Government, some of the funds that were stolen in the past have now been recovered after a lot of hard work and cooperation from Switzerland, where the funds were found.

And $500 million is now back to help the people of Nigeria have a better life – it’s still a fraction of what was stolen but it’s an important, big fraction, and it’s an example. We are hoping that we can extend that example and make it easier for countries to find their money and then not have it tied up in courts for 20 years trying to get it back.

So I realize something’s different here. I asked a colleague, is this a conversation that would have gone around this table 10 years ago? They said, are you kidding? Things have changed in Africa; they’ve changed dramatically.

On my first trip as president of the Bank – I made a point to have my first trip to Africa and I came here right after attending another Sullivan Foundation event in Washington – I visited Nigeria, Rwanda, Burkina Faso, and South Africa. I saw enormous energy and drive, and people willing to work hard, even in some of the most difficult conditions. I saw people with enormous courage working to overcome circumstances that I can’t imagine living with. I remember a woman in the suburb of Abuja who was part of an HIV/AIDS self-help group, and we got the people talking about their experiences. She said “the stigma killed me before the disease. I lost my job, I lost my home, I lost my husband, I lost my family, but this group of people is picking me up.” This group, all of them HIV positive, is helping each other deal with a problem that most of us don’t have to worry about but too many people in Africa do.

When I was here last June, President Obasanjo said to me, “Africa is a continent on the move.” I’m sure you know that in the World Bank we like statistics. Statistics aren’t everything but some statistics are important. Africa last year grew at 5 percent continent-wide. That’s a pretty decent number. More impressively to me, there are some 15 African countries – and I didn’t know this until I came to the Bank – 15 African countries in the last 10 years that have had sustained, positive growth rates of 4 percent or better over a 10-year period. And that sustained 10-year period is important because you can get good growth for a year or two, but it won’t make any difference unless it’s sustained. But the medium and halfway level of that group of 10 countries I think is about 5.3 or 5.4 percent, just in – as I
mentioned, in Tanzania – Tanzania is disappointed; their growth this year is only 5.8 percent. They were shooting for 7. Next year I hope they make it.

But you know, the best performers in that group range somewhere between 8 and 10 percent, and here the measurements need context. For Mozambique and Rwanda, which are performing well, some people say, what do you expect; they started in the cellar. It’s easy to grow when you’re in the cellar. Wrong. They did start in the cellar. Rwanda had been through one of the most terrible genocides – in fact, the most terrible genocide since World War II – 950,000 people slaughtered. Mozambique had been through years of civil war. But through good leadership and the energy of the people, those countries have been growing, and still at a low level but still – you don’t get out of a low level in one giant step; it has to be one step at a time.

And we’ve seen some of those growth rates translated into other numbers that I agree are more meaningful, like the number of children in school. In Tanzania, the primary school enrollments have gone from – don’t push me for the last decimal place here, but I think it was 65 percent just four or five years ago and 97 percent today. Similar results have been achieved in Mozambique, in Ghana, in Uganda. The group that does our independent evaluations notes that they believe we’re not paying enough attention to quality. Well, you’ve got to get them into school before you can improve the quality of education. It is a fair criticism. Just getting them into school isn’t enough, but, boy, it is an important first step – and it’s happened.

You could see it in a very important statistic that just four or five years ago there were 16 wars in this part of the world. That number is down to six. Now, six is still six too many, but it’s 10 countries that now enjoy peace – the kind of peace that President Kikwete’s country has enjoyed throughout its history.

I’ve been in both Burkina Faso and Tanzania. I was struck: Both of these are countries with large Muslim and large Christian populations. Both of these are countries with several dozen ethnic groups. I think in the case of Tanzania I was told 64, and a similar number –

AUDIENCE MEMBER: (Off mike.)

MR. WOLFOWITZ: Oh, 120. Who’s counting? (Laughter.) And yet it’s a country at peace with itself. And that is so important. It is a blessing; it’s an unmitigated blessing. Oil – I’m not sure whether oil is a blessing or a curse. You have the oil here in Nigeria, and you’re trying to make it into a blessing and I hope you can succeed. No one would say it’s been a blessing so far. Peace and social harmony is fantastic and more and more African countries have a chance to achieve that goal.

And you can see it in one more statistic, which I must say even after I’d learned a lot, it surprised me. Gallup did a poll at the end of last year, asking people whether they thought 2006 would be better or worse than 2005. And Africans in that poll turned out to be the most optimistic people in the world. Fifty-seven percent of Africans last year expected that this year would be better. That’s amazing. The East Asians are close behind at 54 percent, but that to me says that the people who know what’s going on here, who know it firsthand and not just from reading newspapers, see what President Obasanjo said is true; this is a continent on the move.

I try to think about the reasons why that’s happening, and I would say I can think of at least four in particular. One of them, critically, is that leadership is increasingly aware of its responsibility to its people – leadership by President Mkapa in Tanzania or the president of Benin, who stepped down after peacefully after reaching the end of his term in office.

It’s not just at the top level, though, that you see that accountability; you see that in the energy and commitment of the economic team that Ngozi and the Government of Nigeria have assembled. There are some amazing people doing the anti-corruption work, doing the privatization work, doing the restructuring of Nigeria’s budget and doing the accountability statistics so that Nigerians can know where all that oil money is going finally. I met with them last year and I met with them again this morning. They have the energy and the commitment, and frankly the courage because this can be dangerous work. Not everybody likes what they’re doing, you might imagine.

When I arrived in South Africa last June it was just two days after President Mbeki had dismissed his deputy president. Why? Because the deputy president’s advisor had taken a bribe. To me that’s a real sense of political accountability, but it goes beyond that. I was struck – and I’ve said this many times – by the fact that every corrupt transaction has at least two parties, often three or four, and usually the bribe giver is from a rich country. In the case
of a particular incident in South Africa, in fact, the bribe was given by a company from one of the developed countries. President Mbeki took some action, but as far as I know, no action has yet been taken against the company that gave you the bribe. We need to change that.

The second major factor is a citizenry that is increasingly informed and increasingly demanding. Much of the change is being motivated, I think, not just by good leadership but by a public that is asking for that leadership and responding. The Economic team told me this morning that the reform program has such roots in this country now that everyone who is a candidate or potential candidate or even a remotely dark horse candidate for president says, they support the reform program. That’s a sign of its popular support; I hope it’s also a sign of its forward momentum.

But I do believe that the governments respond to people, and the people in Africa are demanding change. When I was in Tanzania, I had the privilege of listening to one of these fantastic children choirs called the Golden Pride Choir. They’re from four poor villages in a mining area in northern Uganda. And one of their songs had these lyrics, “President, can you help us? Take an iron broom and sweep out the corruption. Clean up corruption.” And I know you’re doing that, and I applaud it.

And this is being done, I’m sure, partly because he hears those voices from the children. The voters of Liberia spoke last year. They conducted their first free election in how many years? Decades? They had a choice between a soccer star – well, that’s the obvious winner, right? – and a woman economist. Can you imagine that? A woman economist that used to work at the World Bank? Bless Ellen Johnson-Sirleaf. She won that election because the Liberian voters have had enough of misgovernment. And I think the Nigerian experience, as I said, is a sign that this change is happening because people are demanding it.

The third factor, a major factor and the constant purpose of this conference, is the dynamism of the private sector. Last year our private sector arm, the International Finance Corporation, opened a trade finance facility. They had about eight months of operation in the last fiscal year, and they estimated in that eight months that they had about $100 million of business and 6 percent or $6 million of that would be here in sub-Saharan Africa. By the time they briefed our board of directors early this year, they doubled their numbers from $100 million to $200 million, and their percentage for Africa had gone from 6 percent to 20 percent. By the time they closed the books at the end of the year, they’ve reached $265 million in trade finance and nearly half of it, $130 million, is financed for sub-Saharan Africa. Those traders know that something’s happening here.

You can see it in the figures on foreign direct investment, which hovered around $6-8 billion in the late 1990s – and were $12 billion, I believe, in 2004, and I just read, I think, in your speech, that it’s $18 billion in 2005. As Ngozi said, that’s still way below Africa’s relative share – what we ought to be seeing – but it’s big progress.

I also see the dynamism of the private sector in helping government deliver services to the people and helping governments to meet those Millennium Development goals that are so challenging. In Tanzania, in Arusha, we saw what was, to me, a fascinating experiment in how to engage the private sector with large government and World Bank support to get these bed nets – these treated bed nets – to pregnant mothers. Each mother is given a voucher. The voucher is good to take to a drug store to buy a net. And why do I say buy a net? Because she has to put some of her own cash on top of that voucher. For a small-sized net they were paying 500 Tanzanian shillings – and this lady was buying a bednet for her newest child because her other children had all contracted malaria before she was able to get bednets for them. I said, all of them contracted malaria? She said, yes, all of them. I said, did any of them die? She said, no, thank God, but now they won’t get malaria at all because they’ll have these bed nets. It’s certainly worth 500 shillings.

So then I turned to the drug store operator. I said, well, why don’t you charge 1,000 shillings? Would the government stop you? He said no, the government wouldn’t stop me, but all these mothers would go to the other drug stores. That is markets working. And I got a little bit of devilish pleasure because I said to him, well, if that’s the case, if you charge 400 shillings, wouldn’t they all come to you? And he thought about it and he said, I hadn’t thought about that before; maybe I’ll try it. So I’m waiting to hear what happens to the market for bed nets in Arusha.

We have also seen, I think, significant increased commitments by donors. The G-8 summit, the summit of the big eight countries at Gleneagles last July in Scotland – I’ve just come here from the recent one in Russia, in St. Petersburg, and if I fall asleep over my lunch that’s the reason. Last year the big, rich countries made some very significant commitments. They committed to increasing aid to Africa – doubling aid to Africa by the year 2010. I think they said, we’ll cancel all the debts of the heavily indebted poor countries in Africa, and we got that done last year. We approved a $37 billion debt relief package through the World Bank, and similar actions were taken by the IMF.
and the African Development Bank. And then, of course, Nigeria, on its own, with some help from donors, was able to eliminate its foreign debt at a fairly good rate.

We’ve seen progress in the creation of the Global Fund for AIDS, Tuberculosis and Malaria. We’ve seen wonderful new initiatives from the private, philanthropic sector, led of course by the richest man in the world, Bill Gates, who, by the way, says that what got him interested in development was reading some of the reports of the World Bank. And I’m proud that that’s what we do.

And there’s been, as I said, a big change in the area of security. Rwanda and Mozambique have demonstrated what people who’ve been ravaged by war can do when they finally have peace. Tanzania and Burkina demonstrate the great advantages of countries that have enjoyed peace through their history. And Liberia, where I’ll be visiting later this week, is a country that finally does have a chance because it has peace. Peace that’s been brought about through big contributions from the international community, including the United States and the U.N. and leadership of African peacekeeping forces led by Nigeria. Ethiopia, if it can achieve peace – and of course it’s unfortunately been a country that’s had too many civil wars and wars – has a real chance to no longer be the poorest country in the world.

So what else needs to be done to sustain that progress? I know it’s getting hot in here; so let me try to be brief. I would say there are five things that I’d highlight. One is infrastructure, a second one is improving the business environment, third is sustaining the reform efforts, fourth is opening trade, and a fifth is providing post-conflict support.

One of the things I heard that was very striking when I took over this job, again, mostly from African ministers but also many other developing countries, was that the Bank has to get back into the infrastructure business. It was surprising to me to realize that in the 1990s the World Bank had pulled back somewhat from investing in infrastructure, partly out of a disappointed hope that the private sector would take it over; partly, I think, because some of the environmental groups had scared people; and partly because we had made some mistakes in the 1970s and 1980s.

Well, infrastructure is critical; regional infrastructure is particularly critical in this part of the world. We are stepping up our investment. We’ve gone from $600 million in World Bank lending for roads and water supply and electricity just six years ago to $1.5 billion in this past fiscal year, and we’re shooting for $2.4 billion – a fourfold increase over 2000 – in this coming fiscal year. And we’re trying as much as possible to target that more at regional cooperation.

I remember a businesswoman in Rwanda, a woman who told me that she had come back to Rwanda to grow beautiful roses on the ashes of genocide, a powerful statement about commitment to Africa. She said, exporting roses successfully to Holland is very competitive. But she said her biggest problem is that she loses 5 percent of her crop to power outages when the refrigeration goes down. Rwandan business people, and all other African businesses, need reliable power supplies. That’s a big challenge also in Tanzania. And we’re going to work to help the government of Tanzania address that.

Improving the business environment is really crucial. Each year the World Bank publishes a report called the "Doing Business Report" that identifies the regulatory obstacles facing businesses in some 155 countries. It’s not really a guide to foreign investors; a lot of these are the obstacles that confront small businesses, like the $500 it costs in Burkina to register a company. I’m sure if you are here at the Sullivan Conference, $500 wouldn’t sound like a lot of money, but it’s one-and-a-half times per capita income if you’re a poor woman trying to start a sewing factory, let’s say, or a sewing shop in that country. And the result, in fact, is that in Burkina, a country of 12 million people, only 50,000 people work in the formal sector; the rest work outside the law, outside regulation, outside taxes. Women, particularly, are not getting the benefit of labor laws. But Burkina is now doing something about reducing some of those regulations.

And so is Tanzania. I was very happy when President Kikwete was in Washington. I talked to him in about the "Doing Business Report," and I told him that Tanzania ranks 141 out of 155 countries. I was afraid he might get angry with me and say those numbers can’t be right, but instead he went back and told his people, "we have to change those numbers; we have to improve the business climate in our country." And they’re doing it. The purpose of this report is so government officials can know the problems that are out there for business people. And the governments that want to, and there are many of them, can then do something about it.

Sustaining reform is absolutely critical. A lot of interesting innovations are taking place. Again, in Tanzania I was told about a commercial court that pays the judges and the staff four times what they get in a normal court, and as a result they’re expected to work harder and be honest. And the results seem to be coming in. Well, that’s the kind of reform
that needs to be sustained. It’s an island of excellence, as people like to call it, and that excellence needs to be extended. Nigeria is facing a crucial election here next year. It’s very important that whoever is the next president carries on this momentum of reform.

The fourth area is trade. I mentioned some of the good things the G-8 did last year in increasing aid and reducing debt. I have to tell you, I’m very disappointed so far that they haven’t been able to come to a conclusion on a successful Doha trade round. We’re nearing just about the last chance to do it. I am happy that at the summit in St. Petersburg just now, the leaders of the eight countries, prodded in part by leaders from developing countries, have committed themselves to try – I hope they succeed; I’d be happy if they convince themselves to succeed – by the end of one month to conclude the basic principles for the successful round. It is vitally important.

But even with a successful agreement – or I could say perhaps even without an agreement – there’s a lot that can be done between countries, because it’s still too hard to trade between African countries. And our analysis shows that there are very real benefits to opening up trade – roughly 50 percent comes from north-south trade between developing countries and developed countries, but the other 50 percent comes from opening up trade between developing countries. And I think particularly in Africa where the subcontinent is split up into so many different political jurisdictions, we do see that reducing barriers to cross-border trade could open enormous opportunities for business.

And finally, it’s very important to deliver support to countries like Liberia that are suddenly facing an opportunity, after years of devastation, to move forward. And we -- and when I say “we” I mean particularly institutions like the World Bank – have got to figure out a way to get money into the hands of reforming presidents like President Johnson-Sirleaf and stop taking a year and a half to process the projects and programs to help support these opportunities. I am proud to say we got an emergency grant of $50 million to our board for Liberia in record time. That will give them a decent start, but we have to move faster.

I’d like to conclude with a little anecdote, if you don’t mind my being personal about it. My daughter goes to the University of North Carolina, Chapel Hill. Any Chapel Hill Tar Heels here? Okay, there are a couple. I’m not going to ask if anyone is here from Duke. I went down there for parents’ weekend last fall. She explained to me, “Dad, the purpose of parents’ weekend is so you can take me shopping.” So we went to a mall in Durham, North Carolina. She’s in one these stores with no lights and hideous music, so I sat outside on a bench. And a fellow passed by and stopped and stared, and I wasn’t quite sure why he was staring. And then he came up to me and he said, are you Paul Wolfowitz? I said, yes. President of the World Bank? I said, yes. It turned out this man was an immigrant from Kenya. And my daughter came up and joined us, and she was kind of interested and I guess a little bit pleased to find that this Kenyan-American had come and approached me.

And after she left, she said, I’m surprised that he recognized you as the president of the World Bank. And I said, well, you know, you’d be even more surprised there was an immigrant from Senegal working in drugstore in Washington, D.C. who came up to me, and there was a Nigerian American millionaire, who wanted to make sure I understood he made his money in the United States, who came up to me on an airplane. And there have been four or five of these immigrants from Senegal, from Cameroon, from Liberia, and this one from Kenya.

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And I don’t want to take a word of that back by what I’m about to say next, but she said, you know, Dad, in a way that’s sad. And in a way it is sad; she’s right. I really do look forward to the day when the World Bank is trying to keep up with Africa like we’re trying to keep up with China today, and Africa don’t really need us as much as we need Africa. And the reason will be because Africa is a continent on the move, a continent that can bring enormous hope to its nearly 700 million people who really deserve it. So thank you for what you do in the private sector to make this a reality.