Address to the Economic Commission for Africa of the United Nations

by
James D. Wolfensohn
President
The World Bank Group

Addis Ababa, January 27, 1998

Mr. Chairman, Dr. Salim, Your Excellencies, and Friends:

I want to say at the outset how much I appreciate those very generous words of introduction. They are helping me get over the nerves I feel being in this hall where thirty-five years ago, thirty one of the historic leaders of Africa signed the charter of the Organization of African Unity. Ben-Bella, Houphouet-Boigny, Nkrumah, Nyerere, Senghor, and all the towering figures I see on the beautiful mural which adorns this hall. Their images encourage and stimulate me to try and do more for the development of this great continent.

I have much to learn. The continent of Africa is a very difficult place to describe in a few words. It is a place of enormous contrast; a place on which it is very hard to get a handle. A place where any positive statement is likely to be contradicted somewhere on the continent; a place where any negative statement is likely to be contradicted somewhere else.

Last night, as I was getting ready for these remarks, I started to jot down a few thoughts about my impressions after two-and-a-half years working as President of the World Bank and spending time in Africa. When I speak of Africa in the United States, I, of course, say that economic statistics have shown increases in overall GNP growth and in per-capita GNP growth. That civil society is flourishing. That there is a new spirit of optimism which I share.

But, even as I say that, I know that more people are dying on this continent for reasons that could be avoided than anywhere else. I know that some parts of the continent are wracked by chaos and conflict; that in these parts not only is there no growth, but people are dying of malnutrition.

I know of the new leadership, those with passion, with vision, with integrity, of whom we speak with such honor and with such pride. And yet I also know of those of whom we do not speak with honor and pride; in fact, of whom we do not speak at all.

I know of how proud we are that many countries have reached more than 5% growth. But I also know that population is increasing at close to three percent per year and to make the sort of quantum leaps Africa needs remains a daunting challenge and requires growth rates of 8-10 percent.
I know that we have seen improvements in education - a 78 percent primary school enrollment rate, with an increasing enrollment of girls. But I also know of the 30-odd countries that are at the same educational level as 15 years ago where progress has stalled.

And I know of the history and culture of Africa. I have personally been enormously moved as I have traveled around the continent. In villages, slums, middle-class areas, I have seen a reflection of the rich and diverse culture of this continent. I have seen the strength of its family values. I have seen people in absolute poverty who do not want a hand-out, who simply want a chance. They have dignity; they have nobility. These people are the core and the strength of Africa.

And, yet, in other parts of Africa, I have seen chaos and irrational killing that does no credit either to those who participate or to the continent.

And against this background of contradictions and contrasts, I am also struck by the remarkable set of cross-currents in the ways in which people deal with each other when it comes to Africa. In the way we deal with each other. When people speak of the World Bank and the Bretton Woods Institutions, they automatically say "Structural adjustment. Massive debt. Messed up economies. Damaged lives." And even when I go to Kampala to meet with 12 African leaders, the headline in the London press before the press conference has even been called, tells the world that the meeting is a failure, when it was, in fact, an enormous success.

There are so many images that we have of each other; set pieces. Stereotypes that box us in and keep partnership and progress out. The way in which NGOs speak of the World Bank. The way in which many multilateral institutions speak of governments. The way in which some speak of the private sector. Relationships have congealed in a way which affects the entire discussion on Africa.

It is time for a new beginning. It is time to stop laying the blame for past mistakes. It is time to stop claiming credit for past achievements. It is time to focus on the future. Africa's future. Last week in this Hall, the Archbishop of Canterbury talked of the "Chains Around Africa". We should not think of the chains of Africa, we should think of the freedom of Africa; the liberation of Africa; the chance to move forward in Africa.

From the confusing picture that I sketched, one very important notion emerges. There is leadership in this continent. There is strength in the people of this continent. There is a humanity here that can allow Africa to break free from the stereotypes of the past and stand proudly and face the future. I see it here in Ethiopia, one of the poorest countries in Africa. A country that was wracked by chaos and conflict, a country that was driven to its knees. But even in their brief six years in power, its dynamic and committed leaders are making a difference. This remarkable group of people is facing up to a set of economic and social indicators which most people would have found extraordinarily daunting. They are doing it with courage, they are doing it with perseverance, they are
doing it with transparency. And I would just like to say to the ministers here in the audience how much I admire what you are doing and how much we at the Bank appreciate our partnership with you.

The Bank has lent over $50-billion in Africa since our first loan to Ethiopia in the 1950s. We have had a lot of experience, and we are anxious to build on the past. Have we made mistakes? Certainly. But so have we all. Development is a tough business. It is not a business in which there is a text book in which you can look up how to solve every problem. Development takes courage, it takes daring, it takes the risk of failure, and it takes partnership.

I met, this week in Kampala with 12 leaders from Eastern and Southern Africa, including Prime Minister Meles at a meeting convened by President Museveni. After the niceties of the introduction, we got down to the question of "What are we here for?" This was the first time that a group of leaders had ever sat down with the President of the World Bank to discuss the question of "What are the issues facing Africa? What we can do together?" It was also the first time, with or without the President of the World Bank, that the leaders had sat down for that sort of discussion in an informal setting. And what did they talk about? Let me quote from the press release.

"The leaders identified several constraints to Africa's development: inadequate levels of human development as evidenced in particular by education and health indicators, inadequate physical and social infrastructure, poor prioritization of development needs, bureaucracy and ineptitude, low value-adding capacity and unfavorable terms of trade, small and fragmented markets, an under-developed agricultural sector dominated by subsistence farming, limited access to Western markets, a heavy debt burden, low savings and lack of entrepreneurship, lack of research and application of technology, and lack of meaningful partnership between African leaders and donors leading to identifying the wrong development priorities." These are not my words, these are the words of the 12 presidents.

The message coming out of Kampala was a very simple message. It is a message I would like to align myself with today. The simple, positive, and powerful message said: "Let us not look back at what has happened in the past, let us look forward. Let us take a simple, business-like approach to the future. Let us stand up as equals and face the issues. Let us set an agenda for growth and development over the next five or ten years." We came out of that meeting with an enormous sense of forward motion, shared by President Diouf of Senegal, with whom I will be meeting next June with a group of West African and Central African leaders to review these results, and perhaps add to them and move further forward.

What targets did we set? It is worth outlining them because they constitute our agenda for the next few years. But before doing so, let me set one ground rule, one significant and important ground rule. I said to the African leadership, the buck stops with African leaders, the buck stops with Africa. Without strong African leadership, the World Bank, the International Monetary Fund, the multilateral institutions, the bilateral institutions, the remarkable agencies of the UN, the private sector, NGOs
will all be fairly helpless to bring about meaningful and lasting changes.

I told them that I do not want to come to another meeting where we talk about World Bank projects. I reject "World Bank projects". I do not own "World Bank projects". The projects I want to have are Ivorian projects, Senegalese projects, Ethiopian projects. And unless they are owned by African leadership and African people, we are not going to participate. Africa is not dependent on the World Bank -- this is a continent of 48 proud countries. Recognizing it and acting on it is the basis for moving forward. African leadership was the ground rule for the targets set by the meeting in Kampala, and it must be the ground rule for all our work in Africa.

Let me go briefly through the targets.

First, human resource development, education for all with no gender bias. A highly significant starting point for growth. Not just setting up schools but integrated educational development. Why? Because building schools without textbooks or teachers is not education.

But education without health care is also meaningless. You cannot have 25, 30, or 40 percent of your children being damaged nutritionally and physically before they get to school, and expect that you are going to educate them. I have just come back from Bangladesh, where 25 percent of the children are stunted from malnutrition before they are even enrolled in school.

To have a health-care system that works you need to reach out and move to the field, you need nutrition, you need family planning, you need distributive justice. And in Africa, you need vigorously and straightforwardly to pronounce the word "AIDS" and "AIDS prevention." AIDS can destroy a people and a continent. It needs to be put front and center and we need to emphasize prevention. Even though it is hard to talk about in many societies, and even though it is hard to bring out into the open, it is a fact that we must face.

We then stressed capacity-building at all levels. Capacity-building is crucial in the government and public sector. But it is also crucial in the private sector, it is crucial in farmers' organizations, it is crucial in NGOs, it is crucial in administrative and technical professions. Let me give you an example from my last 24 hours here in Ethiopia. We signed two programs: one of $300 million for roads, and one of $200 million for power. Reaping the full benefits of these programs will require the sustained participation of Ethiopians from all walks of life -- large and small entrepreneurs, engineers, technicians, local authorities, and village groups.

To avoid the cry of technical assistance which does not build capacity, we must confront the issue of how to get Ethiopian engineers who can build roads when they have not built roads in this country for 50 or 60 years. How to get engineers who will know about pre-stressed concrete technology when there has been none? We have to bring about technical training and capacity building at all levels.
And so, I discussed with members of the cabinet this morning, how you can advance the country by focusing on capacity building. And we have been talking about capacity building on a range of levels, including teaching, distance learning, using new technology, satellite technology, setting up classrooms so that there can be exchange of ideas over thousands of miles. But also low-tech approaches - wind-up radios that need no batteries, for classrooms on-the-air. We have talked about establishing distance learning facilities here in Addis Ababa and the Bank is prepared to finance them with classes not only for advanced subjects but also for training at local levels, for technical skills and manual trades.

This kind of capacity building is crucial and in Kampala, the leaders strongly endorsed the African-designed initiative, that was completed in 1996, called, "Partnership for Capacity Building in Africa," which they are now going to elevate to their level and push further forward.

We also talked about rural development and rural transformation. In a continent where 40 percent of the population live on less than one dollar a day and where 70 percent of the poor are rural, rural development is essential. But we talked not just about agricultural development, about extension services, about increasing yields. We talked about the fact that rural development means rural roads, it means financing, it means microcredit, it means opportunities for women, it means the opportunity to transform agricultural products, be it into clothing or into food products. We have to look at rural development systematically. So that village infrastructure, rural electrification, communication, empowerment of farmers to make their own decisions, and administrative decentralization of the type that is going on here in Ethiopia can become a reality.

The leaders then spoke of private-sector development. This is a requirement which is not unique to Africa. The numbers are staggering. Seven years ago, private sector investment in the developing world was of the order of $30 billion a year, net flows. And the official flows of institutions such as the Bank and multilateral institutions and bilateral institutions were $60 billion a year to developing countries. Today, official development assistance has dropped from $60 billion to $45 billion and private-sector investing has gone from $30 billion to $300 billion. From being half the size seven years ago, private sector external investment is now five or six times the size of public-sector net flows of development assistance. And this changes the dynamics. It means the private sector has to take an ever-increasing role in development. And I do not mean just the foreign private sector, I also mean the domestic private sector.

But what do we see when we look at Africa? We see that Africa is missing out. Of $300 billion in total foreign private capital flows, Sub-Saharan Africa, received about $12 billion. And of that, only $2.6 billion in direct investments -- a trivial number in relation to the size and the potential of this continent. But we also have to face facts. It is not just because the private sector is myopic that less than one percent of direct investment comes to Africa. Africa needs to set itself up to attract private investment and that means a clean regulatory environment,
it means a judicial system that works, it means property rights, corporate law, predictability in taxes and in relationships with governments, it means capacity-building, health care and the infrastructure necessary to go along with it. And it means corruption must be stamped out. Without these, private investors simply will not invest.

Infrastructure was the sixth item on the leaders' agenda in Kampala: rural roads to improve access to remote regions, rural water for its health benefits and the time savings for women, rural electricity and also major roads to facilitate national unity or international road links to speed up regional integration. This latter is vital. With 48 states in Africa, markets are too small and fragmented. African countries need to come together in terms of regional development and that, too, was one of the leaders' important areas for target setting. Progress will require reducing imbalances among countries in infrastructure, harmonizing policies especially on trade matters, and building on SADC, COMESA and the West African Economic and Monetary Union.

And then we talked about conflict prevention and resolution. What the OAU is doing in this area, under the leadership of its Secretary General, Dr. Salim, is remarkable. But you cannot have growth in Africa if people are killing one another. You cannot have growth in Africa if societies are crumbling. You cannot have growth in Africa if people are living frightened, fragile lives. What we have got to do is stop the fighting. And when the fighting stops, we must replace it with economic development, with opportunity, with hope, so that it does not start again. That is as true in Africa, as it is in Bosnia, in Gaza, in Guatemala or across the world. So what we need to do is to develop that sense of justice and expectation on the part of the people of this continent.

And then we talked about public sector reform and good governance. Training, accountability, living wages for the people who work in government.

Two other themes cut across all our discussions: gender and environment. For each priority set in Kampala, the specific needs and contributions of women must be identified and addressed: be it their transport needs, their access to credit or their legal standing to own assets; be it their reproductive health and old age problems, or their education and literacy. And economic statistics need to record and to monitor the progress of both genders.

And Africa's precious environmental resources must be nurtured. Water must be carefully managed and the soil preserved, especially in fragile ecological areas. The rich biodiversity of the continent must be preserved by working in collaboration with the local populations who depend on their environment.

How then to achieve all this? This much we know. We will not succeed unless we put the congealed relationships of the past behind us, and move to a new relationship. In this critical endeavor, four partners are key.
The first and most obvious partner are the governments of the countries that are developing. What can we expect of them? Rigorous, predictable and sustained good economic management; transparency; accountability; and measures to fight corruption -- not just in Africa, but among external partners as well. In those countries where "extraordinary expenditures"-- bribes and enticements-- are tax deductible, we also need to follow on the OECD Convention against corruption with early action.

But the issue goes beyond that. My experiences in Africa and in other places have convinced me that corruption is a tough thing to talk about. People will say the boss is not corrupt, but the people around him are. Or, sometimes they will say the boss is corrupt and the people around him wish that he was not. Sometimes they will say they are all corrupt.

We have to be able to talk about corruption. We have to be able to recognize that the biggest obstacle to social equity is corruption, the biggest obstacle to the inclusion of the majority of the people in the benefits of growth, is corruption. Corruption, by definition, is exclusive. It promotes the interests of the few over the many. We have to talk about it, we have to bring it to light, and we have to fight it.

The second of the four partners is the donor community. Not just in terms of giving money, but sharing knowledge and expertise. We all have to do a better job of working together. We cannot fight over whose flag should fly on each and every project. We cannot all send large teams to study every subject. We cannot operate in a manner which is less than cooperative and which does not add value. I am sure that in the past the Bank has not adhered to such rules in every case. I just tell you now that this will not be the case in the future. We will lead when it is appropriate for us to lead. We will follow when it is appropriate to follow, and we will not participate when it is better done by others. I give you a commitment that from hereon this is the way we will operate.

The third partner is, of course, the private sector. They clearly need to participate fully and we have to establish an environment that attracts private investment. But even when such an environment is in place, there is still an enormous selling job to do. Why? Because Africa's image among investors is still much worse than the risks entailed by its economic fundamentals. Let me give you a statistic which stunned me last night when I was reading. I looked at how much money Africans hold abroad as compared with how much money Latin Americans hold abroad or Asians hold abroad as a reflection of what Africans think about the investment climate in their own Continent. You will be staggered to know, as I was, that 37 percent of African private wealth is held outside Africa; whereas in Asia, 3 percent is held outside; and in Latin America, 17 percent is held outside. Africans have to show confidence in Africa if we are going to have foreign investment in this continent.

And finally and most important perhaps, as the fourth partner we have NGOs and the organizations of civil society. NGOs represent an important and critical force. Not all NGOs are created equal. There are good NGOs and, I am hesitant to say it, but there are bad NGOs. But where we can establish partnerships the potential is enormous. Let me give you a striking example from West Africa where we have worked with governments
and NGOs in eradicating river blindness. This program is an excellent example of the type of four-way partnership I have in mind: the Governments have been committed; international institutions--WHO, UNDP, FAO, the World Bank--have collaborated on the basis of what each had to offer; the private sector has donated the drug; and NGOs have played an essential role in delivering it. Their involvement is helping to enlarge the program to the rest of the infected parts of Africa.

Other such partnerships are under way. Last night we announced a 20-year program with SmithKline Beecham and with WHO on elephantiasis, which is another disease which affects the continent. And in 20 years we want to eradicate that disease too. SmithKline is giving us a drug--you take one pill once a year much like the drug that we have in river blindness. Here too, the four-way partnership will be the key to success.

That is the dream and the vision -- to bring the four groups together to tackle issues in the context of long term, nationwide programs that reach the greatest number of people.

To make this vision a reality, we must face other issues. None perhaps as important as debt. His Grace, the Archbishop of Canterbury, when he was here, talked about the chains of debt and colonialism. Yes, debt is a heavy burden indeed and we should be grateful to the Archbishop for his efforts. But we should deal with it not with rhetoric, we should deal with it with strategy, with precision, and with practicality within the framework of the initiative for highly-indebted poor countries (HIPC).

I have seen His Holiness the Pope and members of the Pontifical Council three times in the last year. In February 1998 the Bank is meeting with religious leaders in London. We are talking with NGOs. We now have a chance of resolving the debt problem in Africa. The HIPC initiative is not, perhaps, the total answer, but it is an intelligent and appropriate approach to try to deal with the issue. HIPC's long-term debt is around $167 billion in net present value terms (with Africa accounting for about $120 billion). Of that, the World Bank - that is the IBRD and IDA - constitutes 10 percent. So, the problem is not just the Bank and IDA. The major problem lies with the creditor governments. They must be mobilized to do much more.

The Bank is an institution that has $150 billion of assets, we have $25 billion of capital, we have borrowed another $125 billion. So the most that we can forgive is $25 billion because we have to pay back the $125 billion. We can forgive $25 billion of African debt but if we do that there is no Bank left, we can stop business. Clearly there is a limit to what we can do.

And the same is true of IDA. We have $70 billion for IDA and we are relying for half of IDA's replenishment on what we receive from repayments. If we forgive the debt, we do not get repaid and then we have to halve the size of the program on IDA. If you like that, we will do that and we can close IDA. Again there is a clear, practical limit to what we can do.
The real question does not relate to the World Bank. We are intermediaries. The real question gets back to the governments that own us, the major creditors that make up the other 90 percent. And I think the way to gain their support is not with rhetoric, it is by trying to mobilize and build momentum for the debt-relief program so that they can build on the very constructive steps already taken.

Let me also underline that HIPC is the newest and most innovative, but by no means the only instrument we have to reduce Africa's debt burden. We are using IDA reflows to cover the IBRD debt of IDA countries -- the so-called Fifth Dimension. Over one billion of relief has been provided since we started using this instrument in 1988. We have a debt facility for buying back commercial debt. We helped countries buy back $4.4 billion of their debt in the 1990s -- which is equivalent to 11% of the GDP of the concerned countries. Recently we have approved a significant package that should help Cote d'Ivoire cancel about $5 billion of its commercial debt, which is equivalent to 45% of its GDP.

Debt is a problem. I am committed to doing something about it and so is Michel Camdessus, at the International Monetary Fund. You have my promise to do everything humanly possible to solve this issue.

So my message is simple: Let us stop taking pre-ordained positions about each other. Let us look forward. Let us analyze the problems and let us adopt the game plan for the future. Let us set ourselves targets of how we, the four partners: governments, multilateral institutions, private sector and civil society, can work together. And let us judge ourselves on our results. When we get things right, let us congratulate ourselves and move forward. When we get things wrong, let us not react with recriminations and anger, let us try and see what went wrong so we do not do it again.

Unless we are united, unless we forget a lot of the pre-set positions, Africa will not move forward. This moment, which should be Africa's, will be lost.

Yesterday, at the museum, I saw a painting by Afework Tekele, who made the beautiful stain glass window outside Africa Hall. It was a wonderful painting. It was a painting with a perimeter about Africa, about Africa's troubles. Out there at the edge, it had a UN symbol. But in the center, it had a sunrise, the sunrise of Africa. Your sunrise. This is Africa's moment. A moment Africa richly deserves. A moment to seize. A moment to build a sunrise that will bathe us all in light.