The Makings of a New Development Compact for Africa - Led By Africans

by
James D. Wolfensohn
President
The World Bank Group

New York, New York, June 14, 2001

Thank you very much, Henry, and let me say, first of all, how honored I feel to be delivering this year's Elihu Root Lecture after such a distinguished set of predecessors. And I want to thank Les also for allowing this lecture to be given on a subject that in the time of Elihu Root would probably not have been first on his subject agenda, which is the issue of the involvement of Africa in the economies of the future.

In fact, I am delighted that in the period that I've been in Washington, there has been a growing awareness of Africa generally, and that I thought Les was taking a big risk in terms of council attendance at a meeting on the subject of Africa. So I'm heartened to learn both of the research and of the interest of all of you here on the subject, and I'll try and give you some observations of my new-found knowledge of that continent, new-found in that I have had now very deep exposure to Africa in the last six years. My first trip there was in 1961, but somehow I didn't have the access or the understanding that has been put to me in these last years, where, from the point of view of the World Bank, the challenge of Africa is, in fact, the cutting edge of the challenge of poverty and of development.

But probably it's worthwhile to give you a little perspective about the Africa of which I'm speaking, which is Sub-Saharan Africa. I'm omitting for this purpose North Africa. I'm talking of a continent that, in terms of size, is now about 640, 650 million people. That's against a global population of the order of 6 billion. So we're talking roughly 10 percent of the world's population. And it's got a GDP in total, including South Africa, of $360-odd billion. $360-odd billion against a global GDP of a little over $30 trillion. So it is a bit over 1 percent of the global GDP.

It's important, I think, for you to size the issue of Africa in that context so that you can see what it is that we're talking about. If you take Latin America--and I was just up at the Quebec Summit--there you have seven or eight hundred million people, including the United States, 400-plus if you exclude the United States and Canada. And in our hemisphere, we're talking about 10 trillion against 360 million. And if you take out the United States and Canada, for the residual 32, 33
countries, you're still talking at around 2 trillion as against 300 million.

So it's not surprising, when you do the mathematics, that this continent is a continent that has per capita average income of around $315 to $330 per capita per year, that 40 percent of the people live on 65 cents a day, that more than half the people--more than 60 percent, actually, live on less than $2 a day; and more than that, that if you look at the continent, a good half of it is represented by South Africa in terms of GDP. And if you take South Africa and Nigeria, upwards of 60 percent; and then you think that for the rest of the continent, you have 45 other separate countries. We have 47 countries in total. Maurice Tempelsman knows them all. I've been to some of them--most of them.

But you're dealing with a continent which was divided up first by colonial rule, then by independence, and so you have the characteristics of an economy with a large number of people, 600 million plus, very low incomes, and fragmented management because you've got 47-odd countries there. Not wholly dissimilar from the Americas, where you have 35 countries, including the United States and Canada, and where five countries--the U.S., Canada, Brazil, Mexico, and Argentina--account for 95 percent of the GDP. And you've got 30 countries accounting for 5 percent of the GDP of the hemisphere.

So from the point of view of the Bank, what is interesting to me is, as I look at both this hemisphere and as I look at Africa, this profusion of Presidents, Prime Ministers, Foreign Ministers, central bank Governors, treasurers, and many, many administrations, particularly in Africa drawn in lines that were really set by history and in some cases by revolution, it's not surprising that you'd have a bit of a mix-up in terms of how you're dealing with the issues.

In the case of foreign direct investment, if you cut out the oil-generating countries, in ten years the 2.8-odd billion that flowed into the countries, you're left with for the non-oil countries maybe 250 million that they've had to compete for. You've seen a reduction in overseas development assistance in the last ten years from $18 or $19 billion a year down to $10 billion plus. You've seen a reduction from $32 per capita to $19 per capita in that period of time.

You saw last year at least flat, some negative growth in many countries. So as you look at the last ten years, although you've seen some positive growth, broadly in the continent, if you take out South Africa, you have had a pretty flat experience, and in many countries a negative experience.

And then to that overlay, you add the issue of AIDS, because AIDS has come upon the continent as an overlying factor of dramatic proportions--dramatic in human terms, dramatic in developmental terms. Of total global HIV/AIDS incidence, of 35 million, 25 million are in Africa, and 10 million orphans and 19 million dead; and in many countries, one in five adults are already suffering from that plague. And you see it now in the press because of concerns about pharmaceutical companies and the pricing and so on. But, of course, the issue is much deeper than that. It is not
just an issue of pricing. It gets to the very fundamental questions of leadership, of the availability of health services, of really the willingness to deal with the questions of prevention. And these become not just adornments to the problems. This becomes now a critical issue.

So why, against this bleak background, am I talking about a future for a continent that 30 years ago in many cases was likened to East Asia, and where some of the economists were asking why is it that, despite its inherent strength and natural resources, it has not gone very far and we've seen Asia expand and explode? Why is that now at the beginning of the 21st century that the Elihu Root Lecture would be about how to bring Africa into the 21st century? We ourselves at the Bank just came out with a publication on Africa in the 21st century.

Well, let me give you my own personal reflections on this.

The first thing is that there are some signs in a number of the countries not only that growth is possible but that it is possible as a result of interventions and good management and improving management by the people in those countries. I came to Africa thinking about it as a place for opportunity, heard all the statistics that I have just given to you, and then wondered how on Earth we could really approach this problem and assist Africa. And what would be the posture that you would take towards Africa? Is it a posture of charity? Is it a posture of these poor people, we've got to help them, they don't have the competence, we should just be trying to nurture them and to help them and to bring them along, it's almost a hopeless case?

I must tell you that my recent experience would answer those three thoughts in the way that they're wrong. Horst Koehler and I have just returned from a trip to Africa in which we saw 22 Presidents, and I think that there is an opportunity now for change in Africa which is not only an opportunity for the Africans, but I would put to you a necessity for us and, indeed, an obligation for us. It is impossible for us as Americans, as citizens of the world, to conceive of 600 million people going nowhere but down, 600 million people that in another 25 years will be a billion one hundred million people, in a world then in another 25 years moving from six billion to eight billion in which the number of Africans increases significantly more than in any other part of the world, and where the OECD countries will not increase at all, or maybe increase by 50 million.

So the balance of the world that we're looking at is a balance in which Africa numerically becomes more important, and it's a globe in which you find interrelationships between developing countries and developed countries becoming far more important, more important to us in so many ways. In terms of natural resources, Africa is abundant, oil being just one of the very important resources which they have.

As an environmental contributor in terms of being a sink for CO2, in terms of contributing to our global environment, Africa is potentially without equal unless it's allowed to destroy itself. That is of great interest to us as well. This is not some fringe issue for something over there.
The issue of health in terms of AIDS and TB and malaria is something that doesn't recognize boundaries. In fact, it is thought that AIDS itself, which is permeating our country, started in Africa, and the prospect of new resistant disease also affecting us is not a pipe dream. It is possible reality.

Crime, violence, drugs, you cannot think now of a global economy in which we are free of some sector of the globe that we just decide we're going to put a wall around it. So that Africa, in terms of a challenge, is not just a challenge of charity. It's a challenge also of self-interest for all of us. And this is a huge shift of mind for my generation, if you like, as I look around the room for contemporaries, and indeed for many in this room. It is a recognition of the fact that you can actually talk about Africa without thinking of that thing as being a five-minute-a-week thought, but being something which is, in fact, going to be elemental in terms of the issue of global security and peace in another 25 years' time.

And what is heartening about it is that the Africans themselves are now bringing to this challenge a sense of commitment and drive and reality that certainly I didn't see six years ago and which I see is developing with great strength and with great passion and with great commitment.

We've had within recent times a plan put forward by Presidents Obasanjo, Mbeki, and Bouteflika that Mr. Tempelsman knows very well, the so-called MAP. We've had a plan put forward by President Wade of Senegal, the Omega Plan, and most recently in May, the Economic Commission for Africa under K.Y. Amoako brought this together into what they call a Compact for Africa.

And this is, I think, something which takes a step beyond dreaming to reality. And, in fact, I took out just a few of the headlines from this, and the first page, Chapter 1, says: The foundation of the Compact for Africa recovery is a commitment by African governments to put their houses in order. It's a recognition that no progress is possible unless first up Africans take the responsibility for Africa as it is: Africa in terms of its economics, Africa in terms of its health, Africa in terms of its conflict, which, as you know, affects one in five people in Africa.

First and foremost, it says: This means establishing good governments, peace, and security. These are the foundations for the commitment to tackle poverty and to develop pro-poor policies and strategies aimed at achieving the international development goals. And I have sensed this myself in Africa. There is a new group in Africa that is now saying it's not a time for us to be dependent; it's a time for us to stand up and take the responsibility. And if Africa goes nowhere, it's not the problem of diminished ODA or diminished foreign direct investment. It is our problem.

But they're saying beyond that that if we do our part, then we need a partnership to ensure that this goes forward. And they have said that there are five features in which they can move: sound macro policies, a healthy and well-educated population, a more structurally diversified
economy, lower external dependency, and an economy with low transaction
costs. And that means to try and bring in the benefits of new investment
because of the appalling disinvestment or no investment in power, in
energy, in transportation, in the basic fabrics of the society in which
they operate.

What I find particularly compelling about the approach that they're
taking, which is not only national but moves in the second phase of it to
say we're too small in our individual countries, let's take a look at
regions, let's come together in a West African group, an East African
group, in a South African group. Let's put behind us a lot of these
personal and national rivalries because we're just too damn small to do
it alone.

This is the sort of practical plan which they've come up with, which in
my judgment takes us from the element of wishful thinking to the prospect
of a realistic plan. And there is now available the leadership in enough
of these countries that I believe that a momentum can be created to give
Africa a real prospect of a future. Because for us at the Council and for
us at the Bank, it's important not to dream and not just to talk about
unrealistic prospects, but to try and come up with something that is
practical.

So they're saying let's help strengthen government, let's get the legal
and judicial systems straight so that we can protect property, we can get
equity protected. Let's review and implement changes in the financial
system, and let's take head on the issue of corruption.

You'll be interested to know that in nearly all the countries in Africa
now we're working on anticorruption programs. Six years ago, talking
about corruption in Africa was perceived by most people to be a joke, and
maybe still in many countries trying to confront the issue of corruption
is difficult. But it's now a debatable subject, and we are confronting it
in the newspapers, in the parliaments, in the discussions in a direct
way.

I say these things before I talk anything about putting dollars in the
countries, because unless you strengthen government, unless you deal with
the judicial and legal systems, the financial systems, corruption,
pouring money into countries doesn't really help. That applies to Africa.
It applies to the former Soviet Union. It applies all over the place. And
it is recognized front by the Africans in their Compact.

And they then say let's now deal with the issue of education, the issue
of health, the issues of infrastructure, rural strategy being
compellingly important because of the need to strengthen the output, and
critically important, let's deal with the issue of women--women who have
had very little chance in Africa, either in terms of recognition of their
work or opportunity or funding.

They have come up with a plan which I think really makes a lot of sense,
and I'd like to make two points about it.
First of all, the solution is not overnight. This is an issue of consistent and maturing development that we need to support and we need to think of it as something to which we're committed in the medium to long term. And the second is to recognize the reality that unless we join with Africa in terms of development assistance and in terms of building investments, which would then come based on what they're doing, unless we are assisting them in the amount of probably $10 to $15 billion a year in terms of the predictable gap in investment and assist them on the question of AIDS, there is no way that the Africans in real time can do it alone.

So it is a call for partnership. It is a recognition that we're dealing with one of the poorest areas in the world, that we in the developed world are one of the richest areas in the world. Globally, of course, we stand 20 percent of the population of the planet, 80 percent of the GDP. The bottom end is Africa. The bottom end is Africa. Ten percent of the people, 1 percent of the GDP.

Those are the stark realities. It is possible for Africa to have a future. The Africans have said we have to put our house in order first. We are prepared to do that. But if they do that, I'd say to you, ladies and gentlemen, that it's really critical for us to respond.

Colin Powell on his trip to Africa both understood and, in my judgment, stated very clearly the prospects of the United States Government giving continued and growing support. He has been probably the most visible spokesman at that level for Africa, certainly in my time in this job.

But there's a need for opinion makers such as all of us to give this a high priority. Let's not wake up 25 years from now with a billion one hundred million people in a planet of eight billion in shambles, in poverty, in disarray, in conflict. We shouldn't do it from a moral point of view. We shouldn't do it from an ethical point of view. And we shouldn't do it from a self-interest point of view.

There is a chance now for us to grab the medal here and to move forward in a real partnership with good African leadership. Pick the best of them, work with the best of them. In fact, in the document itself, it says there will be two forms of partnership. There will be a wholehearted partnership with the people that buy into it, an there will be a limited partnership with those who don't perform, where you're dealing mainly with humanitarian and health issues.

The Africans, I believe, are at the point of a realistic recognition of how they can move forward. I think it's up to us to meet that challenge and to work with them.

Thank you very much.

Question: How do you apply the principles that you have so eloquently articulated to a public ongoing disaster like Mr. Mugabe in Zimbabwe?

Answer: Well, you apply it with great difficulty. I have seen Mugabe several times in the recent past, and it is unlikely that my opinion is
going to have a big impact on Mr. Mugabe. But I think it is very likely that his brother leaders in Africa can have a big impact. I think if anyone is to influence him, it's going to be Thabo Mbeki and one or two other leaders that know him well. I don't think that the G-7 leadership at this moment carries great sway with him. He has a self-view of the situation that he and his country are victims and they're, therefore, fighting for their rights and that the steps that they have taken have been long overdue, and that they're justified and morally correct. Tony Blair has a somewhat different view of the same conversations and the same discussions. But Mr. Mugabe runs the country. And I would say that is one of those situations that will have to play itself out where there is a clear difference of view, as there are in some other countries in Africa, and I think we just have to recognize that in some cases time will have to take care of it, the natural forces will have to take care of it, but the best chance of resolution and brokering a deal will be with African leadership. I really don't think the Bank or the Fund or historically the British Government has the weight at this moment to have an influence, nor the UN, who tried. So I think Mr. Mugabe will play out the game until politically he no longer has the local support, and then you might bring about a change. But I have no magic answer. Maybe Mr. Tempelsman has one. He doesn't have one, either. That's the real test.

Question: If one looks at the record of the capital flows into Africa over the past ten years--and, for that matter, for all the emerging markets--you will see that the private flows, both portfolio and direct investments, have far exceeded the official flows. As a matter of fact, official flows have gone down. That's a fact. But, also, it's clear that there is a transition period, and you alluded to it in your comments. Right now a lot of these countries need help, for example, to restructure their balance sheets. We talk about the HIPC Initiative which is going on. And the question that I really have is: Do you think that the multilateral organizations and the bilateral organizations are prepared to provide some of the restructuring help basically to the balance sheets and other things that need to take place before capital can flow? Mind you, I recognize what you said about good governance and all, but, still, there are some fundamental things that have to happen to make the countries more attractive, you know, as a credit risk, for example, as a place to make investments. Is there going to be cooperation from the major Western countries to facilitate that?

Answer: Well, not only has there been but there will continue to be. The HIPC Initiative or the Highly Indebted Country Initiative is something that we started four to five years ago, to basically recognize the reality of Africa, which is that 80 percent of the GDP of Africa is in debt. It's reached a level of 80 percent of GDP, which is far too high continentally. And that includes South Africa. For many of the countries, they were getting up above 100 percent, some up to 150 percent. So of the 40-odd countries that we are talking about in the HIPC Initiative, more than two-thirds of them are African. And we are already proceeding very effectively, essentially to say let's reduce the debt of these countries down to a level where they can sustain that debt at a normal level in terms of debt service and in terms of fiscal burden. And that is now working. In the case of Uganda, it's been already completed in terms of the success. In Mozambique, it's moved very fast. And we're now up to 23
countries in which we have brought about this initiative. Many countries bilaterally, the United States included, and now many of the European countries, are doing two things. One is they are forgiving 100 percent of the debt; and, secondly, they're moving to open trade. One of the things that I didn't mention and should have is the fact that bringing about investment or bringing about support without opening your markets is a nonsense. And, in fact, Africa now is only operating at around 2 percent of global trade. It's dropped from 5 to 6 percent, because most of its goods are prohibited from entry. So the trade issue and the debt issue are closely linked, and I personally believe that we have now a very effective program. We have, on average, reduced the debt between 65 and 70 percent in Africa now. That is a very big change in terms of the overall debt situation. And it does bring about viability. The one thing that we need to be certain of, though, is that the savings are used for the constructive purposes that are articulated by the Africans themselves and which are really necessary for building their countries, which means putting it into education, health, social services, and infrastructure so that you can build a base. So I am personally of the belief that we have made a very massive set of strides forward. I also don't think that the overhang of debt has been the thing that has stopped a lot of investors. I think corruption stopped investors. I think lack of legal protection has stopped investors. I think lack of local financing has stopped investors. And I think poor governance and high cost has stopped investors. And you see that in the statistics. And, unfortunately, in Africa--I have to contradict you a bit--I think overseas development assistance as of today is more important annually than is direct flows because direct flows are really very small. And where they're there, they're to the oil-producing countries. So the existence of direct development assistance is going to be extremely important, but I think it is very important that this new partnership which says we Africans will perform and we'll do it ourselves but in partnership with you, and if we don't perform, we don't expect the support, is exactly the sort of pragmatic partnership that is needed and straight talk that is needed. And I think if we get that, then you'll get investment.

Question: I have one question that grows a little bit out of our experience with Russia and other countries. That stems from the section you read of the leaders and the formulation of a program, and especially the development of institutions that were necessary. It's precisely there that I wonder if there isn't a step in the process that needs further examination. Our experience in many countries, including Russia, has been that when it comes to serving as counselors, advisers, guide, and the development institutions, we tend to be deficient for several reasons. One is because of our provincialism and our lack of understanding and feeling for local cultures, and that leads us to assume that our own institutions are a universal norm without a sensitivity to the application to the particular country. And the other is our deficiency in understanding adequately the process of development in the developing countries. Again, we tend to apply lessons of our own institutions. Is there a step in that process that requires the development of the kind of resources in this country that can make us do that job more effectively?

Answer: Well, the answer is yes, there is a step. There are several steps. The first thing I would just like to mention as a footnote is that
on July 9, 10, and 11, President Putin will be opening a seminar in Russia, which is a result of some discussions we had together, on legal and judicial reform in Russia. There will be 400 jurists there from around the world, including people from the Supreme Court here, and the Chief Justice of England and many others, because Putin recognizes—and stated it in both his first speech as President and his second speech—that he cannot have development in Russia unless he has the structural reorganization that is necessary and which the country has been operating without. They haven't had it. They've had a crooked legal system. They've had an inadequate financial system. So he's saying if Russia is to move forward, I've got to go back and I've got to build this thing within the context of Russia. So just to amplify and support your observation, I think we have an example now with President Putin that he's, in fact, going to do this, however difficult it is, and I need hardly tell you the complexities of that culture. But the same is true in Africa. There are two things I'd like to say. The first is that there's very little research done in organizations on Africa by opinion leaders in this country. I was just talking to Les before about the prospect of having a chair here. If he has a chair here, I think, if I'm correct, Les, it will be the first such chair in the country in an organization such as this that is devoted to African culture and background. That strikes me as just unbelievable. But it is reality, according to Dr. Gelb, and I'm sure that must be right. So the first thing is that we do need to understand the cultures better. The second thing is that we've got to get our governments to understand that as you approach development, you must be culturally sensitive. I must tell you that I've been attacked lately, significantly, because I dared to say that it's very important for our institution to have as one of the elements in its development programs understanding of and support for local culture. And, funnily enough, I got that ten days after I went to Africa, when I went to Mali, and I discovered that Mali had an empire once that stretched from Mali to Egypt and that Timbuktu was a real place, not just where my father used to send me as a child. In Australia, the phrase was, "Go to Timbuktu," and I thought it was some imaginary creation. And I realized that for young Malians, to build the history—or the future of Mali, to do it without knowing about the history of Mali was an absurdity. And whether it's in French Africa or British Africa or Lusophone Africa or Francophone Africa, it's absolutely critical that we not come with solutions which we impose in terms of our system. But we need to understand it in order to be able to know where to tread and where not to tread. And we're not doing enough in terms of that understanding. But as a principle, we clearly must do it. But what I've also learned is that on the basic principles, the African leadership is really on all fours with us and with Putin and with everybody else, that as a good leader, they're saying very simply if you're going to have equitable development—and the development in Africa has been the most inequitable in terms of the rich and the poor, in terms of the so-called Gini coefficient, meaning that the rich are the richest and the poor are the poorest. If we are to address those questions, then we must have our own form, but an honest form, of governance, of legal and judicial systems, of financial systems that work, and we must confront the issue of corruption.

Those fundamental principles are being articulated now widely in Africa. The implementation of them is going to vary. I had recently one of the
hereditary chiefs of Ghana coming to my office with the parasol in front and the wonderful dress. It made quite a hit as they came in through the lobby of my institution. But it's critically important that we recognize the role of hereditary chiefs in Africa. We shouldn't throw away their influence. We don't want them all to look like we do, nor should they, because the culture in Africa is incredibly rich. So I think we should be a little bit modest as we approach it, and if it's possible for the Council to have a chair that will address itself both to the economics and the culture, I think it would be a great thing.

Question: I'd like to ask you about AIDS and the Global Fund. Do you think that it's vulnerable based on some of the reluctance of some of the donor countries? And what do you think about the World Bank's administrative roles?

Answer: Well, first of all, the issue of AIDS is not just an issue of retroviral drugs and raising money for retroviral. That's Act 5 of a five-act play, important to complete the play but not by any means the whole story in the play. The issue of AIDS is--first of all, as I said earlier, it's probably the critical issue in Africa today. In fact, when they came up with the MAP Program, this program, they said there are two fast-track things: one is AIDS and the other is information and communications technology, which I have not referred to but maybe I'll have a chance. Now, on the AIDS question, the first thing you've got to do is get the government leadership in favor and open and talking about it. Secondly, you've got to get the programs for prevention up and running. And the programs for prevention are not just distribution of condoms and educating and girls and going into the schools. It is a very broad-based opening of discussion, which in many countries is very difficult. My wife and I have been to more sex districts in Africa and discussed this than I never knew existed. I'm happy to say that. But going with Elaine, we've seen, A, the way in which this is spread, and, secondly, the reluctance of leadership to do it.

So the first point I want to make is that it's not just a money issue. It is an issue of will, which I now see coming as a matter of necessity. And then it's not just an issue of dealing with AIDS. It's an issue of dealing with the health care systems. In many of these countries, health care expenditures per annum is under $5 per capita--$5 per capita government expenditure. And you're talking, by the way, for retrovirals, even at the most--just the retroviral part, probably $400 to $500 per capita, even at the lower rates. So you have--before you get to the trust funds, you have to conceive the plan about leadership, about prevention, about education, about health care systems, then distribution of retrovirals and saving of lives, and overlaying it all the issue of culture. Now, I believe that in a number of these countries, two good examples, Uganda and Senegal, they've succeeded in doing this. So it is possible. But if everybody were to come into it, then a billion a year is not nearly enough. And I'm not just talking about retrovirals. I'm talking about the issue of setting up the systems that will work. Now, where we get a billion a year I don't know. We'll have to see what happens at the general meetings and what all the great leaders will say. But I think at the levels that people are talking at the moment, there's not enough money that's being put up. I'd say that's clearly true.
At our institution, I have already said that we're going to put up a billion dollars this year of AIDS funding, and I'm trying to get at least half of that in grant funding. And I'm prepared to go hot and heavy on the $3 to $4 billion a year we're now doing in Africa, because unless I can deal with the question of AIDS, there's not much point. But I think the world needs to wake up on the AIDS issue in Africa and, I might add, elsewhere.

Question: I have the impression that it's not as fashionable on 19th Street as it was a few years ago to talk about conditionality. You've raised, though, the prospect that countries could have two sorts of relationships with the international organizations: kind of a first-class relationship and then a low-grade humanitarian-only relationship. How do you plan to reward good behavior here? Are we going to have basically a new kind of conditionality based on what countries have achieved in terms of the governance objectives that you've laid out? Are you going to be turning the spigot on and off? How can that be handled?

Answer: Well, the idea actually is to become more pragmatic and more predictable in what we're doing. Some of the things that you haven't mentioned is that we're getting into programmatic lending so that it can, in fact, span annual allocations of funding. And let me say at the start that conditionality in its old form may be going out of fashion, but conditions are still in. And they're conditions which, in my experience, countries are not unhappy with. Quite often countries are quite happy to have conditionality in lending, provided that they're negotiated between us and that we have an understanding of what is expected from the country and what's expected from us. And that's here we come to what I call the comprehensive frameworks or the poverty reduction strategies which we're working out with countries, which attempt to take a medium-term view of what are the priorities in the country, what is the plan, a plan that is no longer just set by some single individual leader, but where there is participation by civil society, private sector, the parliamentary body, and the international institution. And we've done 32 of these now. And this is really an attempt to get a sort of five-year medium-term plan for the countries into which our lending fits, and this is an evolving issue. We're doing a study now of how this works, a first real case study with Tanzania, which has done it and which we've had some experience, and now we're going back to see how it can be improved.

But I think where we're coming from is to go into a much greater sense of partnership with the countries than being the professor or the banker who comes in and says unless you do this, this, this, and this, you're not going to get any money. The issue of country ownership is absolutely crucial in my judgment. But that means country ownership also of the conditions. If you impose the conditions and they're not owned, I think we have dozens of examples of things failing. So when you talk about conditionality being less popular on 19th Street, I think we've grown up a bit in terms of what conditionality should be. And in my judgment, conditionality should be a set of agreements that we have with the governments and, if possible, with a broader group of people in a country about what they want to do, and then regular reviews on whether they're getting there. And if they're getting there, then we'll continue.
they're not getting there, we'll assess why to see if we should adjust
the program, and that it should be an interactive relationship. And I
believe that we are now coming to that. We are actually, I think,
relatively more welcome than we were, not because we've gone easier but
because we have simply understood that we're not running the world. We
are a service organization. And maybe I learned that in New York.

Question: You spoke about the problems of Africa, one of them being the
shortage of capital. Yet, interestingly, you didn't speak about war.
There is no shortage of capital for weapons. This is one of the biggest
destroyers of natural, human, and financial resources. Is there anything
that the World Bank can do to prevent this, to expose it, and in some way
divert that capital from destruction to development?

Answer: Well, let me say first and foremost I actually mentioned it. It
was also in the first lines of the Compact led by the African leaders,
and I did, I think, mention that one of the tragedies is that one in five
people in Africa today is affected by war, and that it is a huge
diversion of resources. So I should have done more of it, but time was
limited. But I would put war up there with AIDS as a central issue, as do
all the African leaders. The question is how do you get them to stop
fighting and use that money for other things. Now, one of the things that
we do is that, if they're fighting, we don't give them any more money.
And that creates some difficulties often. I was deeply involved in the
Ethiopia-Eritrea situation which, in my judgment, was the most idiotic
war that I have ever--I don't know a lot about lots of wars, but I can
tell you that one was not very sensible. And we tried to intermediate
that thing, along with the excellent work done by the State Department,
and it was difficult to resolve. But, of course, it had catastrophic
consequences because it just held up the development of both countries.
If you look now at conflicts in the Congo, in Sierra Leone, in--I need
hardly go through the list of countries. What we're trying to do is to
work, again, with African leadership on conflict resolution. Kofi Annan
and the UN are trying to intermediate and trying to stop it. And the only
thing that the Bank can do there is to be ready in due time and in good
time to help on the reconstruction process, which I believe we're doing.
We have a Post-Conflict Fund and a very devoted team of people to do it.

But my belief is that if we could arrest the causes of conflict, that
would be the biggest contribution that we can make, and that the issue of
poverty alleviation is at the core of that. Most of the academic
literature now would lead you to think that it is not tribal conflict
which is at the core of most of the wars in Africa, it's economics. It's
poverty, it's assets, it's claims on assets. If that is true, then
clearly it certainly doesn't hurt to deal with the poverty questions, and
it surely doesn't hurt to do the sort of things that we're talking about
in terms of governance. So what I was describing is a program which I
hope over time would alleviate the cause of war, and I think that's
probably the best thing we can do. In terms of resolving conflict, I have
found that it's quite difficult, but the economic battering ram to a lot
of leaders doesn't make a lot of difference, but that African leadership
is the one way that you can hope to intervene. Even that has not been
dramatically successful, but it is the best that we can do.
Question: Your emphasis on the qualitative change and self-criticism by Africans and the emphasis on values has affected perception. The other thing that's affected perception of Africa is Nigeria and South Africa. Their leadership has given MAP a recognition that it probably wouldn't have had before. If those two countries don't succeed, then the perception then is so negatively impacted on, as is the success of MAP. How do you think the leadership in both those countries are doing to deal with their problems nationally before they take on the continental leadership?

Answer: I think it's very important that South Africa and Nigeria succeed. I think they each have different problems and very difficult problems. But I do believe that the future of Africa is heavily dependent on the success of those two countries. And I think we have to do everything we can to help them. It's a long discussion about each that I probably don't have the time to enter, but let me simply say that I agree with you that that is crucial. But I would make one other observation on this MAP, which I remind you is this plan by three countries' leaders—now extended to seven, by the way—from Obasanjo, Mbeki, and Bouteflika, which is that if the three of them were to push it alone, then it won't be a plan of Africa. What is going to be crucial is to engage all the African leadership in it, and we've already seen the first fragmentation in President Wade of Senegal who is pushing his own plan. But I think that the thing that we should be putting our money on is Amayoko and the Economic Commission for Africa and the new group of Presidents which they're putting together so that you'll get a pan-African plan that is agreeable. Africa is a very competitive place, and while people recognize that South Africa and Nigeria are critical to the future of the continent, they're not yet ready to cede leadership to Mbeki or to Obasanjo in terms of designing a plan for the whole of the continent. At least that's my read on it. And so I would agree with you that it's very important that they succeed, but I would put the footnote on it that their success alone is not going to create an African plan. You're going to have to bring them all together if you're going to be successful.