Statement at Africa Development Forum

By
James D. Wolfensohn
President
Addis Ababa, Ethiopia, October 15, 2004

Mr. Executive Secretary, Your Royal Majesty, Ministers, Excellencies, Ladies and Gentlemen.

It is a great pleasure for me to participate in this truly important meeting, the focus of which is governance. I have to say that I am overwhelmed by the grandeur in this UN room, and I recognize that I made a big mistake 10 years ago in joining the Bank and not the UN.

When I was asked to talk about governance in Africa, I was eager to participate and to participate in a lively interchange of ideas. But I come with a huge sense of nervousness this morning because there are so many things I want to say, and I am a little unsure as to how I can get them all into the 20 minutes or so that has been allotted to me.

Let me start by giving you a sense of how I see the issue of governance and why I regard it as so central to the future of Africa. But first let’s recognize that Africa doesn’t exist in a vacuum. It exists in a world in which growth has been the highest for 30 years-- more than 4% growth around the world, and an average of 6% growth in the developing countries. In Africa we saw positive per capita growth of something over 1%-- numbers that are not great but at least on the positive side. And some African countries -- 13 of them -- show 5% growth over recent years.

But behind the growth figures, there is a cloud over everything we’re working on -- from the UN to the World Bank, to international discussions to the lives of individuals -- and that is the shadow of Iraq, the shadow of terrorism, the shadow of political uncertainty. And this has taken center stage, so that when we come to this meeting to talk about governance in Africa, the rest of the world, of which Africa is part, is concerned with the issues of violence and uncertainty. Indeed, the rest of the world is starting to see the same sorts of worries that have plagued this continent for too long. But the impact of this preoccupation is important because it has diverted the attention of the world to questions of military expenditures -- as distinct from development. Indeed, the simple statistic which tells it all is that in this last year the world spent $900 billion on military expenditures and $68 billion only on development.

So we come now to the recognition of fundamental issues which we all need to face: the issue of equity, and the issue of poverty. If we do not
address these, there is no chance for us to have peace. This is a notion which has been recognized for decades, and is now the question we come to in Africa as we try and participate in and win the fight against poverty. And central to beating poverty is the issue of governance. The core question here is how can African leadership – at all levels – join together and use the resources that they have in the fight against poverty, which if it is won – will remove one of the fundamental bases of injustice, terror and instability.

So we are addressing here the fundamental issue not just for Africa, but indeed for the world. But in Africa – as all of you know – we have the highest density of poverty. As we look at the Millennium Development Goals, we know that Africa is the most vulnerable place in terms of achieving these goals. In fact in the last 20 years, poverty has not gone down in Africa. It has in fact doubled, as measured in the number of people living on $1 a day or less. Today, we now have 314 million people in this level of poverty, against 155-160 million in 1981. We also find that in terms of the share of the global GDP which is now something over $40 trillion, Africa – at just over $400 billion dollars – is little over 1% of the global GDP. And yet, with a population of over 700 million people on this Sub-Saharan Africa, we are 10% of the people. So one has 10% of the people and 1% of the income, and we have the largest aggregate of poverty. It’s not going in the right direction.

So why then do we talk about governance? Here the answer is given to us, I think very well, in the report which K.Y. and his team so ably put together in the synopsis that was given to us. But its not all bleak. There are four really positive trends in Africa: the democratic transition, the political inclusiveness, voice and accountability, and economic management. In all four of these areas, as you will have read in the synopsis of the UNECA report, real progress has been made. Africa is much better positioned at this moment to fight poverty. But as the report points out, there are a couple of areas in which we haven’t done so well. The first is public sector management, and the second relates to investment climate. The report gives us ten priority areas in terms of governance.

But then I started to think – how was it that Africa got in this situation? The tragic thing is that before colonialism, from my reading of history and from rereading the speech that was given to you by his Majesty the Ashantehene earlier this week, it is clear that this continent had a remarkable concept of management. It was not governance in the sense that we know it today, but it embodied much of what we are aiming for today. It was a system of people coming together for a common purpose as I quote from the Outomphuo’s speech. “African societies have been organized on the basis of social contract whereby people come together to form a state or a nation because they believe that through their combined efforts, they will be more able to realize their common aspirations for peace and security which are essential for their physical and spiritual welfare and progress both as individuals and as a community.”

And then the Ashantehene went on to talk about the fact that long before colonialism, a sense of shared values, a sense of community, and a sense
of participation in decision-making has always been a part of African society. Africa was a home of human organization, a home of human governance; and yet, when put on top of this was a colonial system, somehow, Africa and Africans lost their way. So governance is not something that is strange to Africa. It is something that needs to be rediscovered in Africa. And there are indeed a lot that doesn’t have to be imposed by an outside professor because it’s already part of society, particularly in rural Africa. So Africa does not start as a desert. Africa starts as a place that had a good sense of governance that worked very well with moral values, with familial values, with organization of everything from family to the conduct of war-- which in a way was polluted by Western intrusions. And now we have to find our way back.

I say that not just because my friend the Ashantehene is here but because I actually believe it. And as we now approach the question of governance, one needs to hear the resonance of years past and see what the priorities are. And what are the priorities? Well, first I think we have to recognize that Africa is different today than in earlier times. Because of one very important challenge which I want to put up front, and I know that it has been discussed, and that is AIDS.

There is no sense in having good governance in a country where the people die, and the people that you want to have in positions of governance disappear because of AIDS. I put AIDS first because I can’t think about governance in Africa without thinking about the issue of AIDS. I can’t think about Botswana where there has been a remarkable job done in terms of economic management -- with 7 ½ % growth, with $3000 per year per capita income -- up from the very low levels that they had 25 years ago. But with a rate of AIDS of 37%. There is a disjunction. And now, of course, they are doing a terrific job to try and deal with that question in terms of treatment and in terms of prevention. And I don’t want to make a speech on AIDS to you but just to say that 50 million Africans have contracted AIDS and 22 million have died, and that you have 12 million orphans in this continent. Is not something that you can skip over before you get to the question of governance. You have to deal with this question of AIDS because it is a challenge that can bring down any government and any governance. But of course good governance and good organization will also make a difference in the fight against AIDS.

Now let’s get back to the question of governance here. In the MDGs we set a series of goals agreed to by all the African leadership. There was a consensus that the developing countries should build capacity, should deal with the issues of legal and judicial reforms, should deal with the financial sector reforms, and combat corruption. These four points interestingly were at the base of the NEPAD statements by the African leadership, not imposed by anybody else, as to what should be done in Africa.

The rich countries said, we’ll help build capacity, we will deal with additional aid, and we will deal with the openness to trade. As part of that partnership, and some of the ministers here from Holland, and Norway, and Canada, and others. They are at the forefront of trying to keep the rich countries understanding their commitments. And after the visit here recently of Prime Minister Blair, who also has announced the
UK’s decision to move to 0.7%, there are some notable examples of leaders who are seeking to ensure that those commitments are met. But I have to say that on the side of wealthy countries, while some progress has been made, and while some commitments have been made, many of us feel that it is certainly not sufficient in terms of the quantity of aid and certainly very not sufficient in terms of the current Doha Round.

So what is it that Africa must do? What is it that is needed for good governance in Africa? What is the promise? And interestingly, the first promise that was made was the issue of capacity building. Because how is it that you can govern anything if you don’t have people that are trained to govern? When I say govern, I am including the administration, the ministers, those run a customs service, run a business, or run an NGO. To have the capacity to achieve the objective with the knowledge and experience that can be taught to them and subsequently they can get on with the job. So the first issue is capacity building. It is my hope that out of this meeting, will come a renewed thrust on the issue of capacity building. Almost a year after I came to the Bank, nine years ago, we started an initiative which at that time recognized the rather simple proposition that without dealing with the question of capacity at all levels, there was no way that you could talk about good governance. And we were careful to say that this was not just at the government level, it was at the parliamentary level, it was at the level of civil servants, it was at the level of private sector, and at the level of leadership of civil society.

I had three or four meetings with the whole of African presidential leadership, and we came up with the rather simple proposition that if this was at the core, then we should do something about it. And we came up with a further very simple proposition that the place to start was with African leadership, and that African leadership should country by country say what the needs are. Then we would take a look at how much money and assistance was being provided for capacity-building, and we undertook that we would raise $1 billion as a fund for this and I got my Board to agree to put $150 million towards that, to be spent over 5 years. And we looked forward to a wonderful conclusion to this very obvious proposition. Get the needs, find out what everyone is doing, bring them together and then country by country, and region by region, match the needs with the resources that are available – human and financial – and set ourselves a five-year goal at each of these levels – government, parliamentary, administrators, private sector, and civil society. It was so obvious that I wondered why it did not happen.

There was, I think, lethargy on all sides. I certainly failed. But I have to say that the idea still has merit. And I think that we have billions of dollars being spent in ways that are very short term, a lot of it without any strategy. And I would start with proposing that very simple notion, that we find out what the needs are, find out who’s trying to meet those needs, see what the gaps are, and come up with a plan. Maybe we look at the question of salaries, or look at retaining people in the country. We have good examples of what happened in countries as far apart as Singapore or Mexico.
The second thing I would say is that governance does not exist in a vacuum. Governance exists if you have something to govern for. And so the issue of having a participatory program, in a country that sets forth an understood program looking forward - a comprehensive framework, a national plan, you can call it a poverty reduction strategy - I don’t care what you call it. But some understanding that is not just top down but includes people in society, much as was done in traditional Africa. Set the priorities with the people in the countries. And build the plan which includes the legal and judicial structure, the financial structure, that deals then with the issues of education, of health, of infrastructure, of culture, of environment. Whatever it is that is part of this plan, make sure that when you are talking about governing, you understand what you are governing for. Because governance does not exist in a vacuum. It exists to get something done.

I know from the Chairman of the peer review committee in NEPAD that one of the things that they are looking at are the plans of these countries and how they are being implemented. So it ties in with an already agreed structure you have under the auspices of NEPAD and my understanding is that you now have at least 22 countries and 70% of the people represented.

And then you have the question of what is it you need to have this governance work. The first thing that you need is a structure that works, that people can rely on, that protects rights, and includes legal and judicial reform. Sadly in all too many countries around the world, including on this continent, the workings of the legal and judicial system are far from perfect. Unless you have a protection of rights - both human rights and rights to profit - you can’t govern.

The second thing I’d say, which again was covered in the agreements of the MDGs is to have a financial system that is clean and that provides financial services for enterprise, from the big companies down to microcredit operations. I have just come from Madagascar, which is a country that, as you know, has tremendous poverty and is now trying to put together, under the President, a plan to take the country forward. We started with legal and judicial reform. We then talked about how we could have a financial sector in decent shape. So this is not a theoretical point. This is something that every country needs to deal with.

Having covered capacity building, legal and judicial reform, financial sector reform, there is a fourth element that is crucial to governance, and that is the fight against corruption.

Let me be the first to say that corruption was not invented in Africa. It is not the only place in the world that you find corruption. And let me be the first to say that there are corruptors, and there are corruptees. And that there is a lot to be done on both sides of the corruption situation. But the simple fact of that matter is that -- from the accounts of Transparency International, and other bodies, and by our own research in the Bank done by Dani Kaufmann -- all to many of the countries most held back by corruption are to be found in Sub-Saharan Africa. And this is a tragedy.
I have traveled so widely in this continent and I know that it is there. I know from my own personal experience that within 48 hours of arriving in any country, if you go out and talk to your friends, and have a drink, and even read the papers, you have a pretty good idea who the crooks are. And all too frequently, they are at the top or near the top. And it is not a secret. One knows generally in a country, whether the boss is crooked, or his wife is crooked, or the ministers are crooked, or the customs officials are crooked, or the judges are crooked. But the issue is to do something about it. This issue of corruption is the single worst cancer that there is. And it is not cured by me or Kofi Annan or anybody else making speeches about it. It’s cured from within, and there are number of things that one can do that can help a lot. And it gets back again to issues of governance and organization. Transparency. Simplifying the legal system. A strong public commentary in the newspaper and television, a strong civil society and a populace that can express its views. Now I sense over my years in the Bank that there is a huge movement for this in Africa. And the one thing I’d say is that that movement must continue. Because it is almost as important as any other. Because people lose their enthusiasm and lose their sense of hope if they find that the results of the nations’ hard work are being distorted.

We have many examples of how this can be tackled. Just putting on the door of schools the amount of money that has been sent by the central education agency. And I have been to schools like that in Africa. And I think of what is now taking place in Nigeria, where the Finance Minister, backed by the President is trying to introduce transparency in terms of all aspects of Nigerian government – transparency in terms of the budget, in terms of the use of natural resource revenues.

And so in the list Mr. Chairman that you have of your own 10 points, we find that the way we and you approach this are very similar. You have your 10 points about parliaments, about legal and judicial reform, about improving public sector management, delivery of public sector services, removing bottlenecks to private sector investment. Africa in many countries takes 150-160 days to register a business and 15 –16 steps. In countries that are attracting investment, you can open a business in 2 days and there is one step. In Madagascar by the way they just had a one stop shop that cut their time for registering businesses from 140 days to 7. So it can be done. And its crucially important that it can be done because if you are trying to attract investment, people will not come if their rights are not protected and if it takes them forever to try and start or finish their business.

And then another area you get to that is crucial and which again we should not shy away from in the continent is information technology. If you take a country like India which alone is twice the size of Africa. We have been working in states like Andra Pradesh where there are 18 million people, with standards of living are not dissimilar to many African countries. Where the Premier of that state decided in 2 years that he would have fiber optic cables for every village and they have 20 forms of e-government., and they are using the fiber optic cable for health information, for education, for distance learning.
When I was in Madagascar yesterday, we talked about a plan for that country which has only 50,000 telephones for 18 million people. So we said why not put around the country fiber optic cable and put in a spine. It will cost $100 million, but if you do it, you can make this country a modern country in terms of technology. You can train the young people, you can have the training programs for government, and most important of all, you can have transparency. And you can govern. Let us not forget in Africa the use of information technology which should not be shied away from. Young Africans of 4 or 5 years old are just as adept at running a computer as a 4 or 5 year old in India or in the US. This is not something that Africans cannot master and with it you can jump generations.

But there are a couple of other issues before I end that I would like to mention. The issue in Africa of gender. Empowerment of women is the secret weapon of development. I need hardly tell you in Africa the role that women play. As far as I can see, with great respect to the men here, they do most of the work, run the finances, and run the family. Trouble is you beat them up. And there is violence and this is something that just has to be reversed. The issue of violence against women and the need to integrate women in all sectors of society is at the core of development in this continent.

So we have, Mr. Chairman, first of all the centrality of governance. We now have to do it. Africa has a history of governance. Africa has a history of consultation. Of communal agreement to own projects. The methodologies of reaching good governance are well-known. What is needed is the will and commitment to come out of these meetings and deal with these issues, to set a timetable. To the extent that we in the Bank can be helpful, Mr. Chairman - we are certainly committed to be with you. Thank you very much.