Confronting the Challenges of Africa, the Corporate Council on Africa: Baltimore, MD

Remarks by President Wolfowitz
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Speaking at The Corporate Council on Africa’s banquet on Thursday, World Bank President Paul Wolfowitz addressed the issue of corruption. “Let’s hold a mirror up to ourselves and remember every corrupt transaction has two parties - a corruptee and a corruptor. And if the African people and their leaders are stepping up to the challenge of dealing with the corruptee, those of us in the developed world have responsibility to address corruptors as well, to help African countries, as the Nigerians are seeking to do now, to recover some of the stolen wealth that is sitting in bank accounts where it doesn’t belong.”

Mr. Fountain, thank you very much; I appreciate that introduction. I think it counts as the most unusual one I have ever had, because you only went about - back about four weeks as I counted and usually they start in grade school and tell you where you went to college; I appreciate that.

Lieutenant Governor Steele, as one of your constituents, a resident of Maryland, and as a former dean of John Hopkins’s University, it’s good to be back in Baltimore. I have to confess it wasn’t that that attracted me, it was the Corporate Council on Africa, but I am glad they showed such good judgment in being here. John Watson, thank you for those remarks and to both of you - you already conveyed in a powerful way what I sense is real excitement about the change that’s taking place in Africa, a real sense of opportunity and I particularly appreciate, Lieutenant Governor Steele, your comments about the historical significance of this against the background of centuries of tragic history.

I was honored to be selected as president of the World Bank, but as they say, the honor lasts five minutes. You make a mistake if you take a job like this for the honor of it. I took it with an enormous sense of responsibility and a special sense of responsibility about Africa, because I knew that the World Bank critically needed in Africa and that the bank as an institution has a unique role to play in Africa.

And I really began in a sense from the reference point of six or seven - I guess it was about six years ago, when we met with then Governor Bush in Austin to discuss the contents of an upcoming foreign policy address he was going to make and I had been reading a lot in preparation about conditions in Africa and statistics that still stick with me are statistics about the number of children who were orphaned by AIDS, and other statistics of tragedy and misery and need. And there is no question that there is an enormous compelling moral urgency to the conditions of Africa and there is no question that there are needs, but what was the pleasant surprise for me - it really was a series of pleasant surprises as I began to prepare for this job and as I assumed the job on June 1st - was to realize that there is a lot more going on than just need, that there really is a sense of change underway. Africa may be on the verge of becoming a continent of hope and that would be a wonderful thing not just for Africa and Africans, but for the whole world because the world can’t afford to have 600 million people left behind as the rest of world moves forward. It’s not only morally wrong, it’s incredibly short sighted.

One of the first things I learned after I was unanimously approved for the job and, since it’s no secret the appointment was slightly controversial, I thought the fact that people could agree unanimously on my appointment must show that people are prepared to agree about difficult issues when it comes to promoting development. I have seen that in just the short time I have been here. And I learned that on July 8th in Scotland and Gleneagles there will be summit of the so-called G8 countries and that the British prime minister - the British government - have put Africa funds on the agenda.

I have to tell you my first reaction to that news was, “Oh, boy, five weeks into the job and I am expected to be delivering at that level,” but then I thought about it some more and I said, “What a fantastic thing to have Tony Blair and Gordon Brown and following their lead, the G8 countries, focusing on my first priority which is Africa.” It couldn’t be better. And I have to say after coming back, we started this trip last week in London at a meeting of the G8 finance ministers where major progress made on a debt relief/debt cancellation package for some of the poorest countries in the world including in Africa. And an agreement that that cancellation would not come at the expense of resources for the World Bank and other development institutions. You have got to realize I like that a lot, but it’s good news for the poor people who benefit from the multilateral institutions that there was agreement on supporting the strong efforts of
the government of Nigeria in fighting corruption and trying to move through the Paris Club to help Nigeria with its debt backlog. So it was a good sign.

There were some other good signs. When the World Bank had its spring meetings here in Washington, I had the privilege of meeting with the 44 African governors of the bank, most of them finance ministers. I was truly impressed by the quality of the discussion, the very high level of the insights presented, and most of all by something that I am quite sure would not have been heard around the table 10 years ago and that was a common concern about corruption and fighting corruption.

Corruption is a disease. I have seen it attack Indonesia where I had the privilege of being ambassador for three years. It's a threat to development everywhere in the world and I think in the past it's done enormous damage to Africa's development prospects, but to see African leaders saying it's a problem and not just saying it's a problem but doing something about it is one of the major reasons for feeling that we are in a new era and at a turning point.

But then I was also enormously heartened to read the report of the Commission for Africa that Prime Minister Blair had commissioned. It's an excellent report and full of a lot of detail and it's a big heavy book. I confess I read the executive summary; that's the honest truth. But what is again to me so heartening is the recognition that Africa's development is going to depend on a lot more than just official development assistance. Yes, official development assistance is important and I'm going to say more about it. It is critical, but in the past sometimes people thought it was the only answer. Today, people realize it's only part of the answer and not even the biggest part of the answer.

To be effective, it depends on performance by the recipient governments, meaning performance in combating corruption, performance in improving standards of transparency and accountability. It means, perhaps most important of all, and that's one of the reason's why I feel particularly privileged to have a chance to speak to this group, the development of the private sector in African countries, because the record of the last 50 years could not be clearer that the countries that have developed successfully have developed strong private sectors. Not every one and in all the same ways, and certainly the private sector in China, for example, is unrecognizable compared to the private sector here, but anyone who knows the history of China will tell you it was a decisive turn when the Chinese realized they had to have a thriving private sector too. And I am seeing it starting to happen in Africa and I think the activities of the Corporate Council can help.

Of course, the real goal is not just foreign investment in Africa; it's domestic investment in Africa. The real goal is not just foreign corporations operating in Africa; it's African companies growing from small businesses, to medium size businesses, to big businesses. It's something that I believe will happen out of partnership and it's critical to success.

And the fourth thing that the Blair commission report recognized was the need for trade. You could say trade, not aid. Well, a little bit of aid doesn't hurt, I was just in Burkina [Faso] - let's hear it for Burkina. (Applause.) There is clearly a little Burkina claque out there. And if I could digress for a moment, one of - I could digress for a very long time if I took you through all the exciting memories that I have from this trip. One thing that really struck me about Burkina was to learn - (applause) - you have got to let me finish, guys - was to learn there are 64 languages in that small country, there are major populations of both Christians and Muslims and yet the country has, as you can see back here, a strong sense of nationalism somehow over all of those ethnic and religious differences and has preserved real national unity. And President [Blaise] Compaoré explained it to me in terms of Burkina's centuries of history of resisting both Arab conquest and European conquest and I don't know exactly the explanation, but I do know this: that that kind of national unity and peace and harmony among ethnic groups and religious groups is a true national treasure - an undebatable blessing.

Oil, unfortunately, can sometimes be a curse rather than a blessing. I was very encouraged at some of the comments that Mr. Watson made about his hope and my hope that African governments are going to use their oil resources wisely, but it is an incredible blessing to be able to have that kind of national unity they have in Burkina.

So that sense from the Blair Commission that's reflected in the international community, that it - a multi-dimensional approach, if I can use that sort of World Bank term, is required to address these problems. It's not going to be done with just one single line of approach, but in encouraging the private sector, providing good conditions for the private sector, I have been delighted to learn what the World Bank private sector arm, the International Financial Corporation, has been doing, even in very small countries in Africa, to develop particularly credit facilities and particularly for small and medium sized businesses.
So I went on my first trip and I - Mr. Fountain picked out the right point: I wanted to send a message by where I went on my first trip and that was part of the reason for going. Another part of the reason for going was I have a lot to learn about Africa and there is no better way to learn than being there on the spot. And I was hoping to encounter good news, but I came away feeling that I had encountered something much more than good news: real excitement, real movement. As President Obasanjo of Nigeria said to me, Africa is a continent on the move and I sensed that in all four countries that I visited.

Earlier this week, I hope some of you had a chance to watch the film, "Africa: Open for Business," which I believe the World Bank helped to produce or produced, and in there you would see several examples of entrepreneurs who are starting up new ventures and creating jobs. If you would look at the numbers on growth in Africa, you can see signs of hope: since the mid 1950's, 15 countries have seen annual GDP growth in excess of 5 percent. For several of these countries, including Uganda, Mozambique, Tanzania, Ghana and Senegal that higher growth has been accompanied by diversification of their economies and exports. Also, there are a few countries like Botswana and Mauritius that have succeeded in growing rapidly. I love it - succeeded in growing rapidly in periods of excess of three decades to become middle-income countries.

Many of you have seen this growth first hand and your investments are showing that you are putting your money where your mouth is. A report by the U.S. Trade Office last month in fact showed that the Africa Growth and Opportunity Act has been a remarkable success in increasing two-way trade between the U.S. and sub-Saharan Africa and diversifying the range of products being traded. Exports from the 37 African countries eligible in AGOA jumped by a remarkable 88 percent in 2004 to $26.6 billion and at the same time U.S. exports to the region increased 25 percent to $8.6 billion. And African labor costs are highly competitive: a shirt costs 12 cents to manufacture in Ghana less than half of 29 cents it costs in China. Madagascar, Mozambique, Kenya and Lesotho, could all produce the same shirt for under 20 cents. Those numbers are an encouraging story, but the most exciting thing for me are the people who I met on this trip: people from four presidencies, one of them remarkable leaders and I was privileged to have a good deal of private time with him, as well as discussions with our team.

In terms of privilege, by the way, I just have to mention, the most privileged 45 minutes of the trip for me was a chance to meet Nelson Mandela. He is truly an incredible human being, and when you try to tell him how incredible you think he is, he comes back at you in the spirit of this quote that I saw on his house in Soweto that I guess he said in 1970, that there is no limit to what a man can achieve as long as he doesn't give a damn who gets the credit, and you try to give him credit - and he says, anything that's accomplished in public life is accomplished by a collective and you have to remember you are just a spokesman for the collective, but wow what a spokesman.

And it's interesting that if you think about individuals who individually change the course of history, there aren't very many and here is the one and he did it because he recognized that you don't do it all alone. It's a kind of paradox of leadership, but the man is a real leader and I think a real symbol that Africans and those of us who care about Africa need to keep in mind as we face the challenges ahead. But not just a great statesmen, not just presidents, not just ministers, although we met some very impressive ministers, one that we are particularly proud of at the World Bank because she is one of our alumni, Minister Ngozi, the finance minister in Nigeria is leading a very dynamic - she is amazing and I guess there are people here who already know that. She is leading a very dynamic economic team that is not only implementing an ambitious program of economic reform, but perhaps even more ambitiously tackling some really tough cases of corruption and very senior officials in the Nigerian government, including a chief of police, are facing criminal charges over corruption. It takes both political and physical courage to do that kind of thing, but I take it all the way down to poor farmers, and school children I met whose parents were sacrificing a large fraction of their meager income so that these kids could have the benefit of a good school that was half public refunded but half private.

There are so many stories, if I am not careful I will just over use my time, but let me just mention one, that impressed me very much. It was in Rwanda. I think the reason there aren't more of them back there is because so many people have gone back to Rwanda to rebuild that country, including this woman - that I am about to tell you about. She also, by the way, is a graduate of the World Bank. Many years ago she left the bank and she has become a very successful private businesswoman, and she could have stayed in the United States quite obviously and had a very comfortable life, and instead she went back to start a flower farm, a rose farm that is producing very high quality roses that fetch a good price on the European market. They are hard to get to market because of Rwanda's remoteness. She faces a lot of challenges because the electricity goes out periodically and she loses water or she loses refrigeration and loses 5 percent of her production, but in spite of all of that her farm is progressing. It's an impressive place. The quality of the labor force is impressive. Their enthusiasm for their work is impressive, but she herself most of all is impressive.
And I asked her why she started the business and she said well a reporter asked me that, couple of weeks ago and I will say this same thing to you I said to him. I came here to grow beautiful flowers on the ashes of genocide. It is amazing what the Rwandans are doing on the ashes of genocide: truly amazing. (Applause.) That's the kind of perseverance, hope, and determination that I saw throughout my visit.

The more I traveled through Africa in those six days the more I felt that sense of opportunity and what I would call, using American slang, a can-do attitude. You all have longer experience in Africa than I do, so you know that Africa is an exceptionally diverse continent, but the theme that unites these four very different countries is a sense of self-reliance, of people who are taking charge of their future, of people who feel that - today is a little better than yesterday and therefore tomorrow can be a little better than today. And that kind of realistic optimism builds confidence, builds self-reliance, and I think it is one of the critical keys to progress.

As I said, the private sector I think is the most important engine of this development, but it's also clear the private sector can't do it on its own. There are critical things that have to be done by the public sector and that's the principal area where the World Bank interacts. I have visited, as you can figure, two landlocked countries, Burkina and Rwanda, where the challenges of infrastructure aren't just national, they are regional. The difficulty of getting products to market is enormous, and also the challenges of energy - reliable energy for those hopeful textile factories in competitive African countries. If we manage to bring energy costs in Africa down to the level of China's, wage (bills?) in Kenya would drop by 35 percent, in Zambia by 23 and Nigeria by 22. As entrepreneurs, you know how significant that is. So governments and donors need to increase their efforts to include the business community in policymaking decisions and to use your expertise and experience in making the right policy choices for a good business environment.

One last thing I would like to touch on and that is the challenge of trade. "Trade, not aid" is a pretty solid slogan and unfortunately in too many cases the products that Africans are producing or could produce face enormous obstacles in the international markets, including the challenge presented by highly subsidized agricultural products from the United States and Canada and Europe. I think if we are going to tackle this problem, and we must tackle this problem, we have got to tackle it on a global basis, and there is an opportunity in the Doha trade round - a challenging opportunity, but one I hope we will seize - to begin substantial reductions in subsidies worldwide and reduction of the obstacles that prevent African products from getting to market. Speaking for the World Bank, we stand ready to help Africa with our advice, lending, technical know how, and support. We currently are funding 334 projects in Africa worth a total of $16.6 billion. And they are (no big ?) investments. I am happy to say that today I had a meeting with President [Teodoro] Obiang [Nguema Mbasago] of Equatorial Guinea. Those of you who know what's happened on the oil front in Equatorial Guinea might wonder why he is coming to the World Bank. He doesn't need our money anymore. I am happy to say, he came asking for our technical assistance, so they can manage their newfound wealth, manage it according to the standards of transparency and accountability that will ensure that wealth goes to benefit the people of Equatorial Guinea and, as I said to him, I hope we can help you to set a gold standard of how a country manages its oil revenues and lets its people know what's happening to them. I think it's a terrific opportunity and I was very impressed at his leadership and his government's leadership.

We concluded our trip in South Africa and arrived there just a couple of days after. I wish I had visited 44 countries to see - but I would never had made it back on time for tonight, so - President Mbeki, as most of you know, had dismissed his deputy president not because the deputy president had been convicted of corruption but because his closest financial advisor had been, and as I understand it the logic was a matter of political responsibility whether or not there is legal responsibility. I don't want to get the World Bank embroiled in a South African political disagreement, but let me just say, whatever you think of President Mbeki's decision, I think you have to admire the political courage behind it and the courage to face up - to this disease of corruption.

And so let's, especially those of us from so-called the rich countries, developed countries, let's hold a mirror up to ourselves and remember every corrupt transaction has two parties. If I can coin a term there is a corruptee and there is a corruptor. And if the African people and their leaders are stepping up to the challenge of dealing with the corruptees, we, if I can speak as a citizen of a developed country - those of us in the developed world, in fact anywhere in the world, have responsibility to address corruptors as well. And to help African countries, as the Nigerians are seeking to do now, to recover some of the stolen wealth that is sitting in bank accounts where it doesn't belong.

I might just conclude with one more anecdote and there are many, many. I made a brief reference to it earlier, just outside Ouagadougou, the World Bank cooperated with the government to build the facilities for a private school. It's a very poor village, but I was incredibly impressed at the attitude of the students first of all, but secondly even more impressed that their very poor parents worked hard to scrape up $100 a year so those kids could go to school. It's
really impressive what people around the world and people around Africa will do if they have a chance to give their children a better future. And I think the private sector has a real opportunity to extend that opportunity to so many more parents and to so many children, and I think in doing so, as I said, you will not only help Africans, you will help all of us, because leaving Africa behind would be a formula for failure, but we don't have to leave Africa behind. As President Obasanjo said, Africa is on the move and it's exciting to be able to move with it.

Thank you very much.