Remarks at the African Union Summit

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"Heads of state and government, excellencies, ladies and gentlemen, in the spirit of Chairman Kikwete and Commission Chairperson Konaré, as well as recent Chair Kufuor, I wish to recognize that all three are truly bwana mkubwa—the chui, the tembo, and the simba of the African Union. To all of you, "asante sana." And in the words of Jomo Kenyatta, "chembe na chembe mkate hua." But because my Swahili is rusty, I’m afraid I’ll deliver the rest of my remarks in English.

I want to thank all of you very much for the invitation and the opportunity to be here with you. And I also want to thank Prime Minister Meles and the people of Ethiopia, who are being such warm and gracious hosts.

I want to thank Dr. Yumkella [Director General of UNIDO]. I had a chance to meet him today for the first time before this session, and he’s delivered a very vital message. I’ve been fortunate to have the opportunity to work in all regions of the world over some 25 years, in economics, in politics, and in security. And as I listened to [Dr. Yumkella], it reminded me very much of the meetings I attended in East Asia over 20 years ago, where people said that East Asia could never really succeed because of Confucianism. It’s a system that won’t accommodate economic development. Well, you’ve seen what’s happened in East Asia. And I think, as Dr. Yumkella has pointed out today, this can happen in Africa too, and it’s why the World Bank very much wants to support the African Union with a competitiveness agenda.

I’ve had the good fortune of working with the African Union since the time of its founding. I recognize its importance. I first started to work with the African Union on issues of trade, as Dr. Yumkella and others have mentioned, when I was the U.S. Trade Representative, trying to gain the potential of AGOA and opportunities with the WTO.

Then I worked with you on issues of peace and security, particularly in Sudan; and then development partnership with NEPAD (the New Partnership for Africa’s Development), which President Mbeki and others have advanced so strongly; with the African Development Bank, which now has an extraordinarily good leader in Don Kaberuka.

So, that’s why I visited the African Union here in Addis in June when I was nominated for President of the World Bank, because I wanted to meet your ambassadors, I wanted to talk to your commissioners, and I wanted to signal how important this partnership would be for me at the World Bank.

We’re also strengthening our African representation at high levels at the World Bank. Ngozi Okonjo-Iweala is now a managing director. Oby Ezekwesili is our Vice President for Africa. Joy Phumaphi is our Vice President for Human Development, and I’m delighted we’ll be joined by one of your ambassadors from the African Union, Edith Ssempala, as the Director of International Relations. So, I’ve learned one other key secret about Africa: its true talent is its women. But we’re happy to bring in more of the men as well!

I look forward to having a chance in this session and those that follow to listen and to learn, to better understand the challenges and opportunities. But before I do so, I want to thank President Kufuor in particular, and many others in this room, who worked so closely with us to make the effort to raise the funds necessary for a successful 15th replenishment of resources for the International Development Association, or IDA. Every three years, the donors to IDA meet to decide what amount of resources to commit to this fund that provides concessional loans and grants to the poorest countries of the world. So IDA resources are very important for our work in Africa.
Mozambique hosted a very critical meeting last June 30th, and Mozambique’s Prime Minister told the story of her country’s accomplishments coming out of conflict and war. And it helped bring the cause of Africa more directly to the minds and hearts of people who were contributing these funds.

We raised $41.6 billion for the next three years. That’s a 30 percent increase over IDA 14, and I hope that for the first time over half that money will go to Sub-Saharan Africa.

I’m delighted that the AU and the World Bank Group, under President Konaré, are now working on a Memorandum of Understanding to try to deepen our cooperation.

So, let me say a few words today in the brief time I have about a possible agenda.

First, the topic of the Millennium Development Goals has become critical for social development in Africa. We, of course, recognize that everyone in this room has made important efforts. Yet, we also have to realize that we’re falling short.

I’ve been trying to draw more attention in particular to the goal of eradicating hunger and malnutrition. This is the forgotten Millennium Development Goal. It has gotten less attention, but increased food prices and their threat not only to people but also to political stability have given us a chance to draw the attention it needs.

It’s also the multiplier Millennium Development Goal. And I say that because hunger and malnutrition are the largest risk factor for children under five years old.

It causes three to five million deaths a year. It causes 20 percent of the maternal deaths, and, of course, when children don’t have enough to eat, it creates harm to their physical and mental development. It is a threat to their education and their whole lives.

So, malnutrition is not only an effect of poverty, it’s a cause of poverty. And it’s one of the most tragic examples because this one doesn’t need a scientific breakthrough.

We know what we can do to overcome malnutrition. With micronutrients, with longer breastfeeding, with the delivery systems, we can overcome the problem of hunger and malnutrition.

With our partners in the World Food Program, with Jacques Diouf and the United Nation’s Food and Agriculture Organization, we’re going to try to move this up on the agenda.

I spoke to the Secretary-General of the U.N., and this is one goal for which we need to gather more momentum, because it’s linked to another issue here, and that’s agricultural development and agribusiness.

We’ve learned that income gains from agriculture have three times the effect in overcoming poverty than gains in other sectors. There’s great potential in Africa not only to produce the primary products, but to process them and, in the way one does that, to overcome poverty much more effectively and build wealth.

To improve agribusiness we need to look through the whole value chain. We need to address issues of land tenure, fertilizer, irrigation, seeds, markets, and also ways to mitigate risk for farmers as they start out in the market economy.

These are things we can do, and these are things that we’re starting to work on with some of your countries as partners to try to develop models of success.

But there are also the other Millennium Development Goals in health—HIV/AIDS, Malaria, Tuberculosis—and the vitally important health care systems that draw these together.

In education, I talked with President Wade of Senegal, at Davos, about the critical role we need to play in building Africa’s future in its children.
A second topic for cooperation is growth and opportunity for Sub-Saharan Africa.

In June, as I mentioned, on my trip to Addis, I also stopped in Ghana and South Africa, and I met people from West, East, and Southern Africa. And one of the messages that I brought back is a message that’s important for the world to hear: Some 18 countries in Sub-Saharan Africa grew on average 5.5 percent between 1995 and 2005. Now, those aren’t the numbers of some countries in East Asia, but those are good growth statistics. There’s the possibility for a takeoff to develop the African “cheetahs.” The messages that I got in countries like Ghana, and others that have been able to start to launch their economic development, was that in addition to social development, Africans want infrastructure. They want energy. They want regional integration, and, as part of that, the possibilities of agribusiness. These are the base for the industrial development that you’re discussing today.

A key to make this work is private sector development, and at the World Bank we have one agency, the International Finance Corporation or IFC, our private sector arm, that is devoting more and more attention to Sub-Saharan Africa. We look at some of the particular issues on this topic in the Doing Business report, and we can provide targeted finance and technical assistance.

We’re trying to focus on what we can do within your plans for industrial development. Just look at a recent example. It wasn’t so long ago that people thought telecommunications would be far behind in Sub-Saharan Africa. But instead, because people created some opportunity for private entrepreneurs, many of your countries have skipped a generation. You’ve moved ahead with mobile phone technology and private operators. And now, people in some of the countries, Kenya in particular, have taken another step. You’ve connected mobile phone technology with microfinance. You’ve created a new form of banking system.

So, as Dr. Yemkella and I discussed, there are ways that we can expand the value chain and create opportunity and hope.

The IFC has a project called “Lighting Africa.” You’ve seen these pictures of the maps at night, when the rest of the world is lit and much of Sub-Saharan Africa remains dark. We’re going to try to provide 250 million people in Sub-Saharan Africa access to non-fossil fuels—low-cost reliable access to electricity by 2030 using some of these technologies.

The IFC has also worked with the Gates Foundation to look at opportunities in private sector health care, because we learned that over 50 percent of health care in Sub-Saharan Africa is through the private sector. Now, this isn’t just for the wealthy. In fact, many of the poor rely on these systems. So, we need to strengthen the public sector systems, but we also need to create private sector investments in African health care.

Putting together the IFC, IDA, and IBRD, our traditional lending arm, we can try to help connect you with these global supply and logistics chains—the value chain.

And here I want to emphasize a point that I’ve seen in East Asia and in other parts of the world, and it’s absolutely critical for Africa: One has to pay attention to the infrastructure of trying to get exports and imports in and out—the logistics chains, the ports, some of the regulations.

We’re trying to put together a big initiative for Africa in trade finance. The initiative is not just to provide financing, but to help institutions learn how to do business, so whether we’re involved or not, we can expand the possibilities for trade.

A third possibility for cooperation between the AU and the World Bank Group is assistance with natural resource development. This is an opportunity, but also a challenge. And it’s one that I discussed over the past few days in my visits to Mauritania and Liberia.
Seventeen of the twenty-four partners we have in the EITI, the Extractive Industry Transparency Initiative, are in Sub-Saharan Africa.

But we believe, with the increase in resource prices, there’s an opportunity to build on the EITI—what we call “EITI ++.”

The reason we refer to it that way is that we want to expand this initiative both downstream and upstream. Now, what do I mean?

We think this is an important moment to work with assistance in the contracting phase—transparency; competitiveness—so you get the best deal; use of auctions; how you share the price risks. Because we’ve all seen what happens with commodity prices and the volatility over time.

We also need to connect this with the macroeconomic aspects of your economy: how the development of natural resources fits with your plans for saving, for investment, to smooth out the volatility, to deal with the exchange rate effects—because sometimes natural resource exporters get an exchange rate effect that hurts the rest of the economy—and, of course, the plan for issues of depletion.

Governance and sustainability is the third part: how to make sure that natural resource development relates to the environment and social sustainability. How do you diversify the benefits so you spread this to small- and medium-size enterprises, spread it to other aspects of the value chain? How do you manage tax policies? And how do you monitor things to make sure that you deal with the danger of corruption that always plagues natural resource industries?

In February, our colleagues in Guinea are hosting six West African countries to discuss the EITI. We thought we’d start there and see how we can expand it.

Fourth, I believe we need to offer special assistance with the challenges of post-conflict countries or those in fragile situations. I discussed this with the President of the Central African Republic at lunch. We know that this has been a particular burden for African countries to carry. It becomes a danger to your own country, but to your neighbors as well. We have the statistics that show that if your country is next to one that suffers conflict, it brings down your growth by about 1.2 percent a year.

These are special problems. Much of the development community has treated them as just another challenge of development. But it involves issues of security, law, and governance. How do we try to move quickly to assist with problems of capacity? How can we help the private sector create jobs quickly? How do we deal with this problem—that many of you have dealt with—of arrears to lending institutions so we can move the aid forward? How do we reintegrate fighters? This is one of the most valuable opportunities for the World Bank to work with the AU’s Peace and Security Commission, to work with the African Development Bank.

And we all know this is not going to be easy. We’re going to make mistakes, but together we can learn. We’re starting to develop more rapid responses which we’re employing now with the DRC, the Central African Republic, Liberia and Côte d’Ivoire. When I was in Liberia earlier this week, President Johnson Sirleaf and her government were kind enough to host a session with some of Liberia’s neighbors in Côte d’Ivoire, Guinea, Sierra Leone, and Togo, so I could try to learn more from the countries of West Africa about the particular challenges that this brings.

Fifth is the danger of high energy and food prices. Now, some countries have had this offset either because of your own energy sales, your own agriculture, or, for some, mineral resource prices. But I’m very concerned about this topic, because if there is a slowdown in the world economy, there may be some reasons why energy prices stay high while some of the other mineral prices come down. We’ve looked at countries throughout the region, and there are 18 countries that are particularly vulnerable, the Gambia, Togo, Burkina Faso, Rwanda, Senegal, Eritrea among them.
We need to work to try to target support for the people in those countries that are most in need. The greatest danger is that political stability, which, of course, is the foundation for the economic growth and opportunity that all of us want to create, could be upset.

So, in sum, it’s my belief that Sub-Saharan Africa is a place of opportunity. But we also need to recognize the challenges.

At the World Bank, we’re trying to scale up our work. Last year, we devoted some $7.3 billion to Africa; $5.7 billion came from IDA, in the form of grants and concessionary loans, or the IBRD in the case of middle income countries. The IFC, our private sector arm, put in $1.64 billion, and that number will go up over time.

We want to build with you. We want to build with some of the African regional organizations that are here. We want to work with others, particularly the African Development Bank, but also Japan, the EU, the U.S., China, Brazil, and others.

So, I thank you again, very much, for the invitation to be with you. I look forward to learning from you and being a partner on how best to help. Together we can free the greatest asset of Sub-Saharan Africa, and that is the genius of its people.

Thank you."