

## **German World Bank Forum 2007**

### **Africa on the Rise**

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#### **Introduction**

- Thank you, Madame Minister, for that introduction, and let me also express our gratitude to the German Ministry of Economic Cooperation and Development for convening this critical Forum, and to the European School of Management and Technology for hosting us.
- This is the Ninth German World Bank Forum, but the first to discuss Africa, and I want to say that I am honored to be able to participate.
- I also wish to thank the broad array of participants who have come to this gathering from Germany, from Africa and from around the world. I especially want to thank those of you who have come from Africa to share your insights. I believe I can state for the entire group that we intend to be good listeners, and to make use of what you have come to share with us.
- I would like to begin by sharing some observations about my experiences working in Africa in both the public and private sector, struggling with some of the issues we will be discussing today.
- Over the past few years global attention has been focused on the opportunities and challenges confronting Africa. In the World Bank Africa is the number one priority. It is extremely important that Chancellor Angela Merkel has pledged a strong focus on Africa at next month's Group of Eight summit—showing that the attention isn't a passing phenomenon, but something the African people can count on.
- This is a critical time for Africa. There are wonderful new opportunities presented by the global economy, and difficult new challenges in moving forward to the next level

**TAKE AWAY MESSAGE: The Moment for Africa is now  
(Africa is on the move; the WBG is part of the “move”)**

- Africa’s per capita income is increasing at a rate equal to those of other developing countries, and at rates that are consistently higher than those of wealthy industrialized countries.
- Africa’s growth experience is increasingly diverse, with an increased number of countries pulling ahead while other still lag behind.
- Two-thirds of Africa’s population live in countries that have shown sustained level of growth of better than 5% for a decade.
- Today more than 90% of Africa’s children are enrolled in primary school, up from just over 70% in 1991.
- **Owning the Governance Agenda** . We are not only seeing more attention on the part of development organizations on accountability for results, but most importantly an overall shift in which African are demanding improved governance from the ground up [MENTION YOUR EXPERIENCE DURING THE SPRING MEETINGS]
- **Africa remains the number one priority of the Bank** and we eagerly work with other developing partners to support the development vision of the people of Africa.
- The WBG work in Africa is organized with a results framework we call the **Africa Action Plan**. Working together with our partners in Africa, we set targets we think are realistic, and we track our deliveries.
- The plan is structured to strengthen Africa’s performance in four ways: supporting shared economic growth; building capable states; assisting countries in developing operational strategies to improve lives and livelihoods; and working to maintain an effective global development partnership, where assistance is better coordinated, more strategic and more predictable.
- One area which we have made a “flagship,” is empowering women, and in particular, female entrepreneurs, an under-utilized resource in much of Africa.

**TAKE AWAY MESSAGE: Responding to the Challenge (To stay on the Move and achieve the MDGs Africa needs to sustain countries doing well, and help those not doing so well)**

- We are pleased to see growth rates of 5% and 6% in the continent , but countries like Ghana are pushing for international support in taking this to the next level of growth—namely rates above 7%, which is the level where you begin to see rapid reduction in poverty.
- And lets not forget those who have not been affected by recent growth -- the woman in rural Angola who lives at the end of a poorly maintained feeder road, and faces a three hour walk to the nearest market center or health clinic, and a two hour walk to find safe drinking water for her children
- We need to work with oil producing states to help assure that the flow of oil revenues is invested in poverty reduction and development.
- One-third of all African reside in countries where there is low growth, or even no growth, and where living conditions for large numbers are miserable and deteriorating.
- We need to support the low-growth countries—a number of which are just emerging from devastating conflicts—so they can make a solid start on the path to growth and job creation that Mozambique and Uganda traveled in the last decade. We cannot afford failed states in any part of Africa.
- Malaria and HIV/AIDS exact a terrible price in illness and death, and life expectancy is dropping in parts of Africa.
- We need to understand and address the constraints and vulnerabilities that touch half of all Africans—those that are women and girls. We know that they will carry Africa forward, but we need to provide them a foundation to do so—through access to education, health care, legal rights, and credit that is at least equal to that enjoyed by African men.
- We need to help Africa close its infrastructure gap — in power, water and transport — This will require more than US \$22 billion per year of investment by the public and private sectors in Africa over the next decade. A further US\$18 billion per year is estimated to be required for operation and maintenance of infrastructure assets.<sup>1</sup>
- **Lighting Up Africa, Empowering Africa.** Let me use the example of the Power Sector

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<sup>1</sup> Estache, 2005

- It's time to turn on the lights in Africa.
- No economy can expand and generate jobs if it lacks something as basic as electricity. Electrical outages occur so often that 47% of all firms surveyed are forced to invest in acquiring and maintaining their own generating equipment.<sup>2</sup>
- It takes 80 days to obtain an electricity connection in Africa—compared with 27 in the rest of the developing world. Once the connection is in, electrical outages occur 90 days per year. Nearly half [47%] of all firms surveyed say they are forced to invest in their own generators.<sup>3</sup>
- Less than 5% of rural households are connected to electrical service. And continuing at the present rate, more than half of all households still would lack electricity in the year 2030.<sup>4</sup>
- Inadequate electricity is not only an economic problem, it is a human problem. Improved lighting increases literacy: 72% of children surveyed read in the evening if they had electricity compared to only 43% without. The electricity problem also affects health care and makes childbirth more hazardous than it should be. In Kenya only 5% of dispensaries have access to electricity and only 50% of primary health centers are connected to electrical supply. As a result of the lack of other energy, the widespread use of biomass fuel severely increases incidence of respiratory illnesses
- A Nigerian child told me during a forum we organized under the title "Education of my dream" that she would like to make me proud by studying and earning high grades, but with electricity so sporadic, studying at home is impossible 90% of the time. Power outages coming when mothers are in the throes of childbirth or newborns require medical attention, are not simply an inconvenience, but a matter of life and death.
- **Unleashing Africa Potential through Private Sector Growth** We understand much of our task to be unleashing Africa's potential, not creating or directing it. Africa's people, and its enterprises, recently have discovered their own sources of success—in the export of clothing, in the sale of cut flowers, in call centers, and in the enormous expansion of tourism.
- Africa's business environment presents its difficulties, but it is improving. Africa which used to rank last among region in the Bank's *Doing Business*

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<sup>2</sup> The World Bank Group's Africa Action Plan: Progress in Implementation; March 15, 2007

<sup>3</sup> The World Bank Group's Africa Action Plan: Progress in Implementation; March 15, 2007

<sup>4</sup> IDA at work web package

surveys, last year came in third. Nearly half of all African countries enacted some reform to become a more hospitable environment to launch and operate a company.

- Companies once had to obtain 1,300 business licenses to start a business in Kenya. Now it takes 100.<sup>5</sup> Mali has eliminated all of their business registration fees.<sup>6</sup> A year ago, it took 45 days to register a company in Burkina Faso; now it takes 7 days.<sup>7</sup>
- Modernizing Africa's financial system is central to any strategy for enterprise growth. The bad news is that banking systems are small in absolute terms, and historically unresponsive to the needs of small and medium-sized enterprises. Less than 20% of households in Africa have access to finance.
- The good news is that Africa's financial firms are deep in liquidity—on average banks hold 30% of their assets in non-productive liquid assets. The potential for channeling these funds into productive investments is huge. One intriguing prospect is linking banking services to mobile phone technology, which has swept across Africa.
- Finally, we need to find mechanisms that **will switch the brain drain to the brain gain** by encouraging educated Africans in the Diaspora to return to home and use their education and experience to improve the standard of living of their compatriots.
- As the political economy of Africa becomes more open, more rules-based, we will begin to see more instruments for reversing the brain drain—that is more ways where the African talent outside Africa can connect with the opportunity within Africa.
- And the same factors that restore confidence among Africans in the global diaspora will make a difference to outside investors in search of the next opportunity. I would ask some of our German private sector leaders whether they have fully explored the prospect of investment on the Continent.

**TAKE AWAY MESSAGE Accountability for Results (Africa is doing its part, the international community is not keeping its side of the deal)**

- Accountability for results underlies all that we do in Africa *and* in the world capitals outside Africa.

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<sup>5</sup> Kenya Investment Climate Assessment, Africa Region Private Sector Development group

<sup>6</sup> World Bank Group, Africa Region, Private Sector Unit

<sup>7</sup> Doing Business 2007

- For instance, African leaders are internalizing the good governance agenda, but they need support from their partners in areas such as implementing the OECD Treaty on Bribery in International Business and repatriation of funds resulting from corrupt practices. How can the developed countries preach good governance if they don't provide support where it is most needed/
- The Africa Peer Review mechanism is unique in the world in having national leaders invite their peers to review economic, social and governance policies and institutions, and make suggestions for change. Ghana and Rwanda have recently completed such reviews and are implementing many of their findings.
- The same is true when we come to **development assistance**. The international community is far more focused on Africa than it was ten years ago. But we must also note that the pledges to increase development assistance made in Monterrey and Gleneagles have been slow to materialize.
- Indeed, excluding debt relief and emergency food aid, assistance to sub-Saharan African actually fell by 2.1 percent in real terms from 2004 to 2005. A typical well-performing African country has seen little or no increase in the resources available to support development projects and programs
- Meeting these commitments will require a significant acceleration in aid in 2008- 2010, beginning with a healthy replenishment of IDA, the International Development Association.
- At the Bank, we face a particular challenge with IDA, the vehicle through which we extend grants and credits to the world's poorest countries, particularly those in Africa, which receive half of the available IDA resources.
- This year the replenishment of this critical lifeline faces a special challenge: because of debt forgiveness, which we worked for and which we applaud, we have fewer resources flowing back to us from borrowers. That translates to fewer IDA resources available for, say, Liberia's reconstruction, or the expansion of energy resources in Rwanda, or the fight against HIV/AIDS in Zambia—unless donors finance the shortfall.
- Progress on **trade** is equally important. In the long run sustained growth and job creation in Africa will depend on its export success.

- Many of us have looked to the Doha “development round” to increase market access for exports from Africa within a global trading system.
- To date the Doha round has been a disappointment, and Europe, America and Asia, Africa’s three leading trading partners must show greater leadership in bringing the round to a successful conclusion.
- At the same time, Europe can, through reforms to its Everything but Arms (EBA) initiative, and the design of its Economic Partnership Agreements with Africa provide more effective market access to African processed and manufactured exports.

## **Conclusion**

- Today, nearly half of all Africans have not yet reached the age of 14.<sup>8</sup> They are tomorrow’s entrepreneurs, teachers, engineers and farmers. They will have expectations of moving forward with the rest of the world. We can’t afford to fail this generation.
- We need a global marketplace that welcomes more production from Africa. But even more important, we need an African enterprise sector that can take advantage of the opportunity. And we need for global investors to understand that remarkable opportunities are developing on this continent.
- We need African governments committed to good governance, to radically streamlining the processes which raise the costs of doing business, and to expanding infrastructure services.
- Finally, as partners to Africa, we need to hold up our side of the bargain. Today, that translates into following through on trade-opening moves, providing the promised assistance and helping push this continent of promise toward fulfilling its potential.
- There are tremendous opportunities in Africa. These are being found by our friends from China and India. When Nigeria opened up its mobile phone industry few of the large players wanted in. They were put off by Nigeria’s reputation. But the firms with the insight and courage to invest in Nigeria dominate one of the fastest-growing industries in the world. The failure of many firms to show interest in privatization programs in Africa is a missed opportunity.

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<sup>8</sup> 43.7 percent of Sub-Saharan Africans are 0-14 years of age (2004 data); Source: WDI 2006

- I want to ask those of you who represent the German private sector “How close are you to making the sound investment decision of putting your money where opportunity trumps difficulty? How close are you to investing in Africa?”
- Thank you. I look forward to the discussions that will follow.