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*Selected Issues in Growth and Poverty Reduction in Africa*

by

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### *Introduction*

I welcome this opportunity to participate in this Conference—the first of its kind—to bring together graduates who were funded through Japanese scholarship program administered by the World Bank. I wish to express the appreciation of the World Bank for this investment in Africa's future and in human capital development.

At a first glance, Africa's development condition appears dire.

- During the last two decades the number of poor in Africa has doubled, from 150 million to 300 million, or 40 percent of all Africans. This rate is twice the global average.
- While hosting 10 percent of the world's population, the region is home to 30 percent of the world's poor.
- Throughout the 1990's almost half of Africa's states experienced some form of sustained civil strife or conflict. During this period, almost one out of three Africans was affected directly or indirectly by conflicts. In fact, cumulatively, since 1980, conflicts have reduced average per capita income in Africa by around 10 percent.
- HIV/AIDS continues to threaten African lives and livelihoods. In Kenya for example, the effect of the AIDS epidemic which shocked the country in 1990 is estimated to be a decline in human capital that lowers per capita income by so much that it does not recover its 1990 levels until 2030.
- Africa is the only region that remains behind on most of the MDGs, and if current trends do not change, it will fall far short of meeting them. Even here in Kenya, which has many advantages compared with other African countries, there is a high likelihood that the MDGs for health will not be met.

But as dire as these trends may be, many parts of Africa have really begun to turn the corner. There are several reasons:

- ***Taking responsibility.*** Few now buy into the old paradigm that blamed all of Africa's problems on outside forces. African countries are now taking ownership of and accountability for their own destinies. Through initiatives such as the NEPAD peer review mechanism, Africa's leaders have recognized their own accountability for getting results in facing the many challenges Africa still has to overcome. Indicators of conflict show an improvement (less conflict), although they remain high for the poorest countries.
- ***Improved growth performance.*** Growth has really picked up in a number of countries. Since the mid-1990s, close to 20 countries have had annual GDP growth in excess of 4.5 percent – including Kenya last year. Faster growing African countries have also achieved better human development outcomes. Underlying these improved results are the hard choices and determined efforts to shift resources from elite consumption towards the productive potential of the great mass of Africans.
- ***Improved policies and institutions.*** The Bank has an instrument for measuring country performance across a wide range of policy and institutional indicators, known as the Country Policy and Institutional Assessment, or CPIA. It looks at factors such as the soundness of macroeconomic policy, the quality of public finance management, the legal environment promoting the private sector, and the quality of

governance, among others. For the last several years the average scores of the CPIA have been rising quite considerably in Africa. On this measure as well, Kenya is typical; it has risen from a relatively low number to a point where last year it crossed what is considered the globally accepted threshold of “good performance” with a score of 3.5 (out of a possible 6), and this year it has done even better, with a score of 3.6. Of course, there is scope to do even better.

The available amount of aid is also increasing. The most recent replenishment of the Bank’s concessional International Development Association assistance (IDA-14) provided an additional \$1.8 billion for Africa. At the Gleneagles summit last year the G-8 heads of state announced a commitment to double development assistance to Africa by the end of the decade, from \$25 billion in 2004 to \$50 billion in 2010. Also at Gleneagles, the G-8 agreed to mobilize 100 percent cancellation of the debt owed to the multilateral development agencies, with 14 countries immediately eligible. And the prospects for boosting and diversifying Africa’s exports are improving with better market access to developed country markets, via initiatives like the US’s *Africa Growth and Opportunity Act* (AGOA) and the EU’s *Everything but Arms* initiatives.

### ***Many challenges remain***

Africa has begun to turn the corner, but the journey is far from complete. There are still some critical challenges that will have to be tackled:

- ***Supporting economic growth.*** Driving Africa's growth in the 21<sup>st</sup> century is going to be creating the policy environment that allows the private sector to flourish, and particularly which fosters the growth of exports. Africa's trade with the world accounted for 7.5 percent in 1948 but declined to 2.6 percent of World Trade in 2004. The decline in Africa's share of global trade has been tragic in the sense that it is estimated that one percentage point lost is equivalent to US\$70 billion lost. In essence, Africa is losing the equivalent of three times its current aid flows. Improving market access, reducing protectionist practices, such as subsidies, and reforming Africa's preferential action arrangements for better results, are areas that developed countries could deepen to improve Africa's trade prospects. And we must focus on ways of making Africa's agriculture – its unique comparative advantage in a global economy – much more productive if it is to compete on an equal footing.
- ***Investing in Infrastructure.*** Africa will need to invest heavily in its infrastructure – up to \$20 billion per year – to rebuild the roads, the ports, the water supply and sanitation, and the telecommunications systems that have been crumbling for so long. Creating strong regional integration will be equally critical – and I would like to point to the emerging success of the East African Community in agreeing on a Common External Tariff, while investing in its regional infrastructure linkages and customs reform.
- ***Ensuring that growth is shared growth.*** Africa's experience has been that while, on average, growth is good for the poor, the ability of the

poor to participate in and benefit from growth varies. The World Bank's annual 2006 World Development Report (WDR), titled "Equity and Development" shows us that people's opportunities to live free, healthy, and productive lives are very unequal both nationally and globally. For example, here in Kenya, 1 in 12 babies born to mothers with no education will not even survive the first 12 months of their lives. Babies whose mothers are educated have twice that chance of surviving though, even in this group 1 in 25 babies die in their first year of life. Such wide differences in opportunities strike many of us as unfair. The 2006 WDR goes further by arguing that such inequalities create large inefficiencies that can severely diminish a country's chances for long-term prosperity. People who do not live healthy lives, do not get an education, and are cut off from productive jobs cannot fully contribute to the development of their society.

- ***Investing in people.*** We must invest in building the critical economic skills of Africa's population via improved technical and tertiary education. We need to scale up our efforts to address the needs of human development, tackling malaria, boosting up programs for HIV/AIDS and ensuring access to a high-quality primary and secondary education (especially for girls). In Kenya, for example, an education investment – in the form of a 30-year program to subsidize secondary education costing around .9 percent of GDP starting in 2000 and rising to 1.8 percent in 2020, would lead to income per capita that is 7 percent higher than without the intervention, with gains continuing far beyond 2040.

- ***Improving governance and fighting corruption.*** To achieve these development objectives, I cannot overemphasize the need to build states that operate on the principles of transparency, accountability and voice. Corruption has diverted vast sums in Africa from their intended beneficiaries, who are usually poor and vulnerable, to the consumption needs of small elites. Bank research shows that countries that tackle corruption and improve the rule of law can increase their net incomes by as much as four times in the long terms, and child mortality can reduce as much as 75 percent. Building states institutions that practice honest budget expenditure and revenue management, that close opportunities for misappropriation of funds, and that genuinely crack down on corruption via the judicial system must be a top priority.
- ***Building capacity to deliver essential services.*** Still too many countries are unable to deliver the most essential services that underpin a society and an economy, including health, water supply, sanitation and education.

Above all we must devote ourselves to avoiding the rhetorical commitments of the past, and to focus on getting *results* – concrete results that can be measured and assessed. Ideally this would happen via mechanisms, such as citizen score cards, that have a footing in a baseline of stated objectives and realistic ways of measuring them, and that involve the full and active participation of ordinary citizens. Civil society, the media, and – perhaps above all – parliamentarians will all have a key role in holding governments’ feet to the fire to make sure that results are attained.

### ***Role of the World Bank in Helping African Countries***

In 2005 the World Bank decided that Africa would be given the highest priority in its global operations. The specific priorities I have been flagging are in fact the constituent elements of the World Bank's Africa Action Plan, which is the framework for our assistance across the continent. In this approach, individual countries remain at the center of planning, taking into account all the diverse elements that makes each African country unique.

Our approach beginning this year and continuing into the future will involve a further emphasis on working with countries to support the push by citizens for improved governance, for better delivery of essential services, for improved economic performance around the key drivers of growth, and for ensuring that this growth is shared. Cutting across all of these pillars of our strategy for Africa is an emphasis on practical results (lower maternal mortality rates, more children in schools, better learning outcomes, greater access to potable water, more passable roads, measurably better infrastructure services for instance), and ways of measuring them much more effectively, and on building the national capacity that is vital to attaining them.

And when we speak of capacity, we are no longer talking in simple terms of improved training. We would also like to ensure that the incentives and working conditions are in place for Africa to retain and best utilize its sons and daughters who are so often tempted to leave for greener pastures in Europe and North America.

*Closure*

I very much hope that this event will have a positive outcome—by highlight what is possible in further lifting the prospects for Africa’s development through local ownership and leadership, sound economic management, increased trade, strategic and transparent use of government resources, and direct investment in human development.

We in the World Bank stand ready to continue our support for such an agenda.

Thank you.