

**Alliances for Integrity – Government and Business Roles in
Enhancing African Standards of Living**

March 7-8, 2005, Addis Ababa

**“The role of governance and transparency in achieving the
development goals for Africa”**

It gives me great pleasure to deliver the greetings of K.Y. Amoako, the Executive Secretary, who, because of prior unavoidable commitments, could not be here to attend this important meeting.

It is certainly heartening to see such a wide array of interests gathered to discuss ways to structure and strengthen integrity and transparency measures in government and business operations in Africa.

I'd like to sincerely commend the stellar work of the organizers of this conference for their contributions to improved economic and corporate governance on the continent.

The Investment Committee of the OECD is dedicated to enhancing the contribution of investment as an engine for growth and sustainable development as was repeatedly emphasized in the NEPAD, another sponsor of this event.

We at ECA wholly support this mission and are also looking at ways that countries can design and implement policy and legal reforms to

attract more foreign direct investment, promote public-private partnerships, and energize small and medium enterprises (SMEs).

The work of the UN Global Compact complements regulatory approaches with its voluntary initiative to advance corporate citizenship so that business can be part of the solution to the challenges of globalization. In this way, the private sector can help countries strive for more inclusive economies benefiting all citizens.

Lastly, the innovative analytical and diagnostic tools by key institutions such as Transparency International (TI) have made it impossible to turn a blind eye to the enormous costs that corruption and lack of integrity have on society and on individuals' livelihoods.

With these collective efforts and those of the IMF, the World Bank and the UNDP, among others, we have become convinced that good economic and corporate governance are fundamental for the renewal of the continent. We at ECA have been doing a fair bit of work in this area.

In fact, several years ago we were asked by NEPAD to develop a framework of policies, codes, standards, and measures that could be adopted and/or adapted by African countries to attain reputable and effective systems of economic and corporate governance.

These issues matter greatly – especially to Africa. First, stable monetary and financial systems are fundamental to fostering the growth of the private sector. Indeed, if African states are to achieve sustained economic growth, vibrant and expanding businesses will undoubtedly be its catalyst and generate millions of new jobs.

In turn, a credible and transparent policy environment enhances investor confidence. At a time where the competition for capital has truly become global, Africa's leaders have come to recognize that negative perceptions of the continent's economic and political governance have deterred much needed foreign capital and domestic investment.

Finally, when citizens are more informed they more actively participate in political decision-making processes, which then greatly enhances the outcomes of the policies affecting their lives.

ECA's recent research on the state of governance in Africa has generated a wealth of information on these issues. Findings are based on comprehensive expert surveys conducted in 28 countries representing close to three quarters of Africa's population, and further supported by extensive household surveys.

Continent-wide, we found that economic management has improved considerably. Reformed public financial management and accountability has produced a more stable macroeconomic environment that is beginning to yield accelerated growth rates across much of Africa.

However, the overall advances made in economic governance should not eclipse the fact that corruption remains a systemic problem in most African countries, throughout the three branches of government and especially affecting tax collection systems.

In fact, when citizens were prompted to rank eight potential national problems, 'corruption' came third on average, closely after 'poverty' and 'unemployment'. For instance, on average, close to 60% were asked to pay bribes to the police. And, way over a third indicated that tax officials, judges and public prosecutors extorted them. The nexus or link between corruption, poverty and unemployment are becoming very clear, with many attributing corruption as the major contributing factor to poverty. High-level corruption affects investment, with low investment job creation opportunities is limited.

Despite widespread reforms to foster an enabling environment for private investment, figures show that more needs to be done to amplify inward capital flows and develop domestic private enterprises, especially SMEs. Indeed, Sub-Saharan Africa still only accounts for about 1% of global FDI flows, which tend to be concentrated in a handful of resource-rich countries. And gross domestic investment stands at around 17% of GDP, which falls far short of rates in other parts of the world.

Finally, there are indications that a proliferation of voice and accountability mechanisms enable more citizens to express their views and hold governments accountable. Oversight institutions like the Auditor-General and the Ombudsman have also emerged, but lack of resources and sometimes political will to empower them have led to mixed successes. Civil Society Organizations have undergone a spectacular rise in Africa over recent years, establishing themselves as players in political decision-making. However, CSOs sometimes face questions of legitimacy and serious organizational capacity problems.

Ladies and Gentlemen,

Turning to some of the key lessons related to transparency and accountability from our research, we now better understand that corruption is indeed a highly complex and context-specific problem. A more holistic approach to fighting corruption must, among other things, include measures to prevent its spread throughout institutions and society. There also has to be more emphasis and support to actually implementing and enforcing the flurry of anti-corruption laws that have been passed over recent years.

Furthermore, the institutions charged with these efforts need to be independent, properly resourced and vested with adequate powers - including the ability to prosecute - if they are to be effective. Moreover, no institution alone can tackle corruption - not even with the support of the country's top leadership. Instead, for any anti-corruption campaign to be successful, there has to be a broad alliance between the government, the private sector, civil society and the media.

Regarding the promotion of the private sector, issues that need to be addressed include enterprise access to credit, coherence of tax and customs policies, incentive-packages and ways to reduce the cumbersome, time- and resource consuming bureaucracy that continues to be a major deterrent to conducting business in Africa.

And finally, voice and accountability mechanisms need to be further enhanced through, for instance, comprehensive civic education campaigns informing ordinary citizens about their rights and providing them with information on key government processes. Related to that, and perhaps most critically, Parliaments need to be strengthened if they are to play their oversight role effectively.

Enhancing government accountability requires the free and effective flow of timely, comprehensive and reliable information on economic, social and political processes to all relevant stakeholders. Ultimately, transparency is about independently audited accounts and full disclosure of all government and private transactions.

Distinguished experts,

As none of us doubt, capable democratic states remain instrumental to overcoming Africa's development challenges, especially poverty eradication. And an essential component of the capable state is the existence of efficient state and non-state institutions. Notwithstanding past efforts, serious capacity deficits across institutions continue to be widespread throughout the continent. And where institutions are weak, nontransparent, and not accountable, opportunities for rent-seeking will continue to thrive.

Although it's become a well-worn verse, I'd like to end by underscoring the role of capacity building in making the African State more effective. Because we cannot get past this very fundamental issue, it needs to be revisited again. In fact just last week, we joined the World Bank and the ADB to examine shortcomings in our approaches and commit to a partnership to design and implement the kind of bold, cross-cutting and comprehensive programmes.

In closing, the next two days will be full of opportunities to assess strategies and to, most of all, deepen our partnerships.

Thank you again, for the pleasure of being with you. I wish you every success in your discussions.

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