

# ***THE AFRICAN DEVELOPMENT BANK GROUP***



## ***AFRICA – the Changing Face; the Face of the Future***

**KEYNOTE ADDRESS**

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<sup>1</sup> This statement cannot be quoted until it has been delivered.

Thank you Dean McCarthy for this invitation, an honor for me and the African Development Bank. My appreciation also to Professor Calestous Juma, Bridge Builders Conference Organizers and Participants, Members of the African Caucus, Faculty, Students, Friends and Guests of the Kennedy School.

I am proud to join you at this institution whose mission is to inspire and encourage young people to serve in Government and to be the bridges between academia and the larger world -- a mission well accomplished. At the African Development Bank a number of the Alumni of the Kennedy School and Harvard are serving with devotion and distinction.

I am particularly glad to speak at this important event -- the Bridge Builders Conference -- and to meet with young leaders from different countries who are here to share their experience, in the social economic development of their communities and in domains as varied as microfinance, gender and HIV/Aids. The work you do empowering communities around the world is truly inspirational. You have asked me to speak about the role of leadership in facing challenges of development in Africa. I am glad to do so in the strong belief that no durable development is possible without a strong accountable leadership at all levels of society.

As I was preparing for this event, the words of a great American Statesman kept crossing my mind – these will be familiar to you. But let me quote:

*“The world is very different now, for man holds in his mortal hands the power to abolish all forms of human poverty and all forms of human life.”*

He went on:

*“To those people in the huts and villages of half the globe struggling to break the bonds of mass misery we pledge our best efforts to help them help themselves...because it is right...”*

This, you will not be surprised was the great statesman after whom this prestigious school is named – John F. Kennedy at his inauguration.

Over four decades later, the world is indeed a very different place. Unprecedented global prosperity. Across the world great strides have been made in fighting poverty, in Asia, in Latin America, and indeed parts of Africa. But today, despite this remarkable feat there remains millions of people — in huts and villages — still bound by misery, hunger, and deprivation. But there is a difference. Their faces will be indeed from parts of Asia and Latin America, but inevitably those faces will be African. This is a familiar story.

Today, I am here not to repeat or recast this familiar narrative but to share with you a story — of hope and optimism — a story of Africa on the move. A story of a continent whose policy changes, improved governance and management has enabled it to take advantage of favorable international market developments—the strong demand for its commodities—and favorable international initiatives such as comprehensive debt relief.

While there remains pockets of instability and arbitrary rule, the democratic change is becoming the norm, and African led efforts continue to reduce the scope and duration of conflicts. As a result, Africa — generically speaking — is experiencing the longest period of growth since 50 years. The proportion of the population living in poverty is not falling fast enough but it is not increasing either. In spite of turmoil in the world markets and other uncertainties, I still expect our economic growth to be at 6.5% in 2008.

To illustrate this story, consider the case of the poorest parts of Africa – the Sub-Sahara African Region. With the exception of one country, I expect macroeconomic conditions to

remain benign, inflation contained in single digits, fiscal deficits in check, and the business climate to steadily improve. Foreign reserves will be at an all time high, 137 billion dollars, while external debt at 11% of GDP will be at a 30 year low. The comprehensive debt cancellation of 2005 has ignited unprecedented private investment flows totaling 22 billion dollars last year. As expected, most of the flows went into natural resources rich countries but we estimate that – about 20% - about 4.5 billion dollars would have been attracted to resources poor countries but with stable systems, strong predictable policies, which are well governed and secure. But we also estimate that probably another 1.2 billion dollars would have gone to some of the poorest landlocked resources poor countries. I have said nothing of the capital flight which is being reversed into significant levels of remittances perhaps closer to 17 billion dollars a year.

The issue for many I guess, would be how to reconcile this story of hope and optimism with pervasive poverty, misery and instability on the continent. Indeed, there are wide discrepancies between and within countries; there are many laggards whose fortunes have not changed significantly. Put simply, not only do many countries start from a very low base – including for several of them – years of violent conflicts – but population is growing and new challenges such as the impact of climate change and urbanization have emerged. These are obstacles which Africa and its leaders must confront – rising inequalities, perceptions that growth benefits are not shared - which feeds into instability and social tensions.

Early this decade, African leaders came forward with a home grown blueprint for the continent. A realization that come 2030, Africa will be as populous as China and India today. We want such an Africa to be prosperous, stable, integrated and taking its proper place in the global community of nations. It is clear that to get to that point, there are preconditions – good governance, removing causes of instability, building capable states, and integrating Africa's fragmented markets. These are issues which only Africans can put in place, and indeed have agreed to “own” and to “fix”.

In doing so, we know that there is no single development model. Initial conditions differ, so are each country's endowments, history and even geography. But we do also in full realization of the critical importance of partnerships. Two types of partnerships; the first between Africa and the outside world – a relationship not of dependence but of interdependence – in which the international community – on one hand – an Africa itself – each side fulfills its obligations. The so called doctrine of “Mutual Accountability” of obligations entered into at the Millennium Summit, to eliminate poverty by 2015, to remove barriers to trade, to cut emissions and to provide more meaningful support to the least developed countries.

But in the same spirit, it also implies that Africa must fulfill its side of the deal - drawing lessons from the past where poor leadership led to decline and decay, and to build capable states, well governed, accountable at all levels, where a true partnership – internal – must be built between Governments, Private Sector, and Civil Society Organizations. The bridges must be built between the three.

Let me now share with you what we are doing at the African Development Bank to consolidate the Continent's achievements:

The Bank seeks to respond effectively to the highly diverse expectations of all its member countries: Middle Income Countries, Lower Income Countries and Fragile States, as we at same time pursue regional integration. Last year we deployed close to five billion dollars including debt relief.

Some of our members are non-borrowing and aspire to middle-income economies status, they have a multitude of needs in terms of pockets of poverty and technical know-how, which

the Bank must be equipped to respond to with a range of products and services for bank regulation, business, law reforms, etc.

It is for that reason we are deepening our internal capacities to better respond to this constantly changing economic landscape. In this respect, I am pleased to report the successful efforts of bringing Africa's leading economists and think tanks to reflect on development issues of the day. Some of you were present at the launch of the African Economic Conference and I look forward to seeing you in November 2008 in Tunis.

We have opted to be more focused and selective, in order to be really effective. We are therefore engaged in carving out a set of distinctive activities and responsibilities in sectors and domains that can confer us a clear "comparative advantage". Our ability to work together in "strategic alliances" with other institutions including universities such as yourselves could enable us to ensure collective excellency.

A growing consensus that to reduce poverty economies must grow at about 7 % per annum hence the domains that can unlock growth potential, such as energy, reduce costs of doing business and maximize Africa's chances for MDGs.

We share the belief that Africa's dependence on aid should gradually decline giving way to the private sector domain. We see our role as catalyst: to crowd in investment as financier, advisor and partner. We are constantly deploying new financial instruments, including risk sharing products, syndication and local currency financing.

Our continent still faces its historical handicaps, geographic fragmentation. Although Africa is the world's second largest continent at 30.4 million square kilometers and the second most populous, its land people is divided between 53 countries creating the greatest number of states per square area of the continent; and infrastructure remains a major handicap for intra-African trade.

We have the highest concentration of landlocked countries; fifteen countries home to 40% of Africa's people live in countries with no access to sea. But steadily, thanks to an emerging leadership landscape, we are overcoming. The threat of Climate change, in the context of growing populations and urbanization is a real peril. In terms of reduced food security, increased water stress, competition for natural resources, and higher risk of diseases. Africa has contributed least to climate change but will suffer the most; and our adaptation capacity, the cost of which are estimated at 5-10% of our GDP.

But we are looking forward in confidence to the future. Africa is no longer a continent of despair – now the talk is about "the Scramble for Africa". I for one very much welcome this renewed interest in Africa – even given its large mercantilist content - it is up to us Africans to maximize our advantage emanating from old or new partnerships. In 2030, someone says, you might consider this far-fetched! Water might be a tradable commodity like oil. He also suggests at that time Africa will be an economic power like China and India. If you think this is far-fetched, think of India 20 years ago or China just after the Cultural Revolution. Our task is about that outcome.

Thank you once again to the Kennedy School and to Dean McCarthy for this invitation.

Thank you.