



**AFRICAN DEVELOPMENT
BANK GROUP**

Keynote Address

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President of the
African Development Bank**

**SADC International Conference
On
Poverty and Development**

Mauritius, 20 April 2008

Your Excellency, Chairperson of SADC and President of the Republic of Zambia;

Your Excellency, Prime Minister of the Republic of Mauritius;

Your Excellencies, Heads of State and of Governments of SADC;

Your Majesty, the King of Swaziland;

Your Excellency, Prime Minister of Norway;

Executive Secretary of SADC;

Honorable Ministers;

Distinguished Secretary General of the Commonwealth;

EU Commissioner for Development, Mr. Louis Michel;

Your Excellencies, Members of the Diplomatic Corps;

Distinguished Ladies and Gentlemen:

1. Let me, at the outset, express my gratitude for this invitation, an honor and privilege, for me and the African Development Bank. Thank you Mr. Chairman, President Mwanawasa, for this initiative and the Government of Mauritius for the hospitality.

2. The subject of poverty and regional integration has attracted numerous conferences and initiatives in the past. Many pertinent recommendations have been formulated. I do not intend to return to that familiar ground. Let me simply observe that we have made steady progress in most regional blocks across Africa as we have also suffered setbacks. I see this Conference as an opportunity to re-energize, consolidate and ponder on the way forward.

3. Commendable progress has been achieved in SADC and it is right that you now seek to take a step further, and set up an observatory to measure and monitor progress. SADC was the first regional block to adopt a coherent regional development framework and a macroeconomic convergence program, and together with the African Development Bank (AfDB) we have in place a joint strategy – a first ever such initiative. My

humble purpose today, therefore, is to reflect with you on the next steps in the context of an emerging complex global economic landscape and how the AfDB and other SADC partners can contribute to the collective endeavor.

4. Mr. Chairman, let me in this respect, recall the essentials. We will eliminate poverty only if our economies can grow sustainably over several years. To maintain that path, it is imperative to steadily continue to reduce the costs and the risks of doing business, both political and economic, while expanding the size and diversity of our markets. I am not by any means suggesting that economic growth on its own is sufficient to eliminate poverty, far from it. But it remains the essential condition, provided it is broad-based and non-exclusive. And it will be ever more inclusive if, among other things, we give greater attention to education, attend to the needs of our small farmers and small businesses, especially those owned by women, and it will be more broad-based if we widen access to financial services.

5. For emphasis, let me recall that while the continent of Africa and its sub-regions have generic problems, there is a very high level of diversity. You will recall that the 1980s have been called “the lost decade.” In the 1990s, underpinned by steady reforms, progress was substantial. And in the last six years, the continent has got back on the growth path. It is true that to a large extent this is commodity driven and there is not, as yet, evidence of change in the economic structure. But, it is an opportunity, a window, to make the needed changes in the internal dynamics of our economies.

6. Some countries in SADC and elsewhere in Africa have succeeded to maintain a consistent path of growth, while others barely keep up with population increase. It is correct that well-endowed countries are growing fast, 7% and higher, riding on the strong demand for commodities, but it is also true that even less well-endowed ones, but with strong policies, have

been registering credible performance - 5%. Taking a longer perspective, 6 countries in Sub-Sahara Africa have tripled their per capita income over the last thirty years, 9 have stagnated to 1960 levels while the majority have witnessed a net improvement but not yet enough to make a dent on poverty.

7. In addition, those engulfed in crisis or emerging from conflicts present a special challenge which requires a lot of political will and a critical mass of regional and international support for their reconstruction. This morning and over the last few weeks, a lot has been said about the new threat, that of skyrocketing food prices. The consequences, human, social, economic and even political, are quite dire and call for coordinated action, both nationally and internationally. The people immediately most endangered are the urban poor, populations living in fragile states, children, the old and the sick. I appreciate that while the underlying interplay of supply and demand are rather complex, the world has the resources needed to provide emergency support needed to avoid suffering and macroeconomic support required so that economic reform gains of the last two decades are safeguarded.

8. It is for this reason that I have set up a Bank-wide Task Force to determine our short and long term response. We are working with partners to respond quickly and effectively. But clearly, this is also an opportune time for us in Africa to think long term in terms of the agenda for the green revolution. Did we not see the dramatic increase in Malawi's agricultural production by applying simple standard fertilizer and input packages? I will return to this point.

9. We are aware, of course, this food crisis comes on top of the high cost of fuel imports. In addition, the vulnerabilities in the global financial system, now into the 11th month, have spread well beyond delinquent mortgages into an extensive squeeze on credit and liquidity. Although different regions of the world are not affected, equally, no part of the globe

can be immune. Uncertainty is growing as economies in the industrial world slow down.

10. Experts agree that despite the substantial monetary and fiscal support, the US economy will go into what is called a “mild recession,” with growth at below 0.5% expected to begin recovering gradually in 2009:

- Global growth expected to drop from 4.9% in 2007 to 3.8% in 2008, with the strongest slowdown in industrial countries. Where does this leave the economies of emerging markets?
- Even though economic growth in emerging Asia is expected to decelerate by around 1% point of GDP, it will remain very strong at 7.8%. It is clear that these emerging economies cannot fully escape the impact of a recession in industrial countries. But it appears that these are economies which, while not decoupling, have evidently developed stable dynamics of their own around domestic demand and hence their resilience to weaker export demand, tightening global financial conditions and lower capital inflows. This is most welcome news for African commodity exporters as demand for oil and minerals remains robust in the medium term.

11. The level of economic activity in Sub-Saharan Africa, which accelerated to 6.8% in 2007, will maintain momentum, both among resource-rich and resource-poor countries. There may be a very modest deceleration but the pace of the last decade, which has seen African growth exceeding population increase, is maintained. I expect on average that overall African growth will hover around 6.4%. It is not yet the 7% we need to attain MDGs by 2015, but, provided we can sustain the pace over time, real per capita incomes will increase and steadily poverty will decline again, provided the pattern of growth remains broad and inclusive.

12. I would like in this context to re-emphasize two points: First, to return to this, the **sustainability question**. Here, I can do no better than repeat

the well-known story that “*the tortoise always beats the hare.*” In other words, steady, continuous progress, consistent performance, avoiding “stop and go,” is much preferable to spurts of fast growth followed by reversal and decline either because of change in policies or change in the external environment.

13. Africa has experienced far too many cases of excellent, promising performers whose fortunes abruptly changed, resulting in significant damage and loss of production, undermining confidence and dramatically increasing poverty. I commend the leaders of SADC for having, in most cases, ensured sustainability, and the results are beginning to show.

14. My second point is related to commodity dependence. Our economies are riding on commodity price effects, not increased exports, and even less change in economic structure. Although unlikely, it implies vulnerability. Our host country, Mauritius, demonstrates strong policies in the face of such vulnerability but it is also an example of genuine search for diversification into manufacturing and financial as well as other services.

15. Let me give the example of Brazil, historically, and still, the world’s largest coffee producer, but it no longer depends on coffee, which now plays a minor role in its economy. Now, Brazil is a major agricultural power. It can supply the world market, not only with manufactured products, such as aircraft, but also any type of tropical or sub-tropical agricultural products one can think of.

16. We are encouraged by genuine efforts all around to avoid problems associated with the commodity booms of the past, such as debt distress and macroeconomic imbalances. We now know much better how to deal with the impact of large inflows from commodity revenues as well as related governance issues. But, we now need to go further, beyond enclave economies, and expand the range of beneficiaries. I am referring to the attention needed for greater side stream development, horizontal integration into the local economy and opportunities for small businesses

to enter the supply chain: all this is good economics but also good politics. But above all, this phase of the commodity boom is the opportunity to develop our productive base, our human resources and our infrastructures.

17. My third point relates to the critical importance of regional integration and how best to leverage it. I am informed that in this region, a 1% increase in the GDP of the largest economy, South Africa, implies an increase in the neighborhood of three quarters of 1% of GDP. The progressive ability to anchor regional integration is to strengthen these inter linkages. It has been quite instructive observing in recent years, countries, not well endowed, but growing nonetheless around 5%. They have done so because of their own good policies, but also as a result of initiatives in respect to stronger regional integration, as barriers, both man-made and physical, are lowered, thereby expanding trade opportunities, diversity of skills, investment and growing prosperity for all.

18. Mr. Chairman, Ladies and Gentlemen,

Much has been said about African economies' lack of competitiveness in the global economy. In fact, this is not as straightforward as it seems. Various studies, including ours, conclusively demonstrate that African firms and farms can be competitive, but only at the firm's or farm's gate. After that point, external costs beyond the control of the business peoples and farmers kick in. Such external costs relate to poor infrastructure.

19. I want to acknowledge and commend our cooperation with the SADC and its members for the programs we have in place. Together, we have in place a well articulated plan for infrastructure, such as transport corridors, energy and power pools, a number of which projects are under way, from the rehabilitation of Inga I and II, which we are co-financing with the World Bank, to the studies for the Kazungula Bridge and the Mmamabula Power project, which we are keen to catalyze via our private sector financing window. This is also why two years ago we provided USD

104 million to DBSA for a regional facility and why we are investing in the Pan-Africa Infrastructure Fund.

20. The ability of SADC, as a region, to attain all MDGs is a challenge. But, I am confident that this region can attain a large number, not in every country but in most. Some MDGs, such as infant mortality, maternal mortality and HIV/AIDS are particularly difficult to achieve. But, faster poverty reduction in this region is possible. The example which comes to my mind is the one I referred to earlier: the rapid improvement in agricultural productivity in Malawi, following the introduction of fairly standard and small agricultural packages, thereby demonstrating the huge potential for increasing total factor productivity. The changed dynamics of world markets for food and cereals is indeed a threat. Our farmers are not able to respond short term. They cannot respond given the high cost of inputs, transport, implements and fertilizers, whose prices have also skyrocketed.

21. Given today's economic landscape, I believe we need a different approach; a pro-active state is very much needed. The farmers, particularly the small farmers, will need support. I am not referring to old style state interventions, which suffocated the economy, I am referring to a state which enables businesses and farmers to get the wherewithal they need, the support they deserve, to respond to opportunities such as the one provided by the world market for cereals. If we are to make faster progress in reducing poverty going forward, it will be imperative to strengthen this aspect of state function, while of course continuing to roll back its suffocating part. I understand the skepticism about the role of the state given the past, this is fully comprehensible. But what is called for now is qualitatively different. With our overloaded, frontloaded agenda, toward 2015, a capable state which enables rather than disables is what we are looking for.

22. We, at the African Development Bank, *Africa's Bank*, see our role as central in this process. I have indicated our renewed focus in infrastructure. But the ultimate goal of infrastructure and regional integration is trade. With 35 currencies, numerous small economies, 30% of Africans living in landlocked states, the agenda of regional integration is as urgent as ever. This is indeed the only way we can build a solid trading platform and overcome the "late comer problem."

23. Mr. Chairman, Excellencies, Ladies and Gentlemen

SADC as a region has unparalleled potential and possibilities. We are proud of what we are doing together, in public sector programs, in private lending, in regional infrastructure and regional public goods. Such is the recently approved USD 15 million program for shared water courses, the USD 21 million program for animal health, the USD 25 million for communicable diseases and the USD 22 million for capacity building and distance education as well as our interest in "Enterprise SADC" to support SMEs.

24. For SADC, as in the rest of Africa, in the fight against poverty I consider the following to be critical: i) maintaining peace and stability, ii) achieving food security; iii) consolidating economic reform gains, especially macroeconomic stability, for there is nothing as punishing to the poor as inflation; iv) improving investment climate; v) spreading the benefit of growth ever wider, especially to women and small businesses, as well as getting all the children to school, and of course combating HIV/AIDS. We need to be prepared to respond to a number of mega trends that will influence long term prospects, namely, the impact and interplay of:

- a) commodity dependence and limited reach beyond the enclaves;
- b) the demographics of a younger continent and the counter veiling impact of HIV/AIDS;

- c) internal migration (urbanization) as African cities burgeon with young, unskilled people facing fewer opportunities;
- d) climate change and its impacts, especially drought, flood and disease.

25. The ways the above factors interplay and influence each other will very much determine Africa's trajectory in the next two/three decades. The African Development Bank is ready to accompany you in that process and we are already doing so. That is why we have opened offices in Dar Es Salam, Kinshasa, Antananarivo, Lilongwe, Lusaka, Maputo and, shortly, Luanda and Johannesburg. Equally, that is why I am pleased to announce today that, over and above our ongoing program, under our newly replenished concessional window, eligible countries in SADC will be allocated a total of around USD 1.8 billion for investment in different sectors over the next three years. In addition, the Bank will be earmarking about 1.7 billion for regional infrastructure and other regional public goods and at the same time another earmark of about \$600 million for countries coming out of crisis and conflict.

26. We are adopting new policies to better support the middle income countries, several of which are members of SADC: South Africa, Botswana, Namibia, Swaziland, Mauritius and Seychelles. Regarding infrastructure financing and non-sovereign activities, we are particularly keen to contribute to resolving the energy crisis. The ongoing preparation for the Mmamabula energy project in Botswana and our participation in the ESKOM expansion investment in South Africa and our co-financing of Inga I and II are such examples. That is why we are also re-examining our policies with MICs, such as Mauritius, to find ways and means to support them to adjust to changed external market conditions.

27. Mr. Chairman, Your Excellencies,

Let me conclude: Last year, Ghana, Africa's "Black Star," celebrated its 50th Anniversary, its Golden Jubilee. Incidentally, so did Malaysia. You will have heard how these two countries, comparable at departure, have taken different paths, like Asia and Africa globally. In our fight against poverty, we face daunting historical, geographical and now environmental challenges. But, these are not destiny. These same obstacles have been overcome elsewhere. These are factors which can delay us but cannot trap us into stagnation. I commend the SADC and its members for the achievements to date. I want to assure you of the continued steady support of the African Development Bank.

I thank you for your kind attention.