

AFRICAN DEVELOPMENT BANK GROUP

Mastering Change – The Great Transition

Reconciling Economic Development and Sustainability

Statement By

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1. Thank you Chair – and through you the organizers of the Conference de Montreal for associating the AfDB Group. The choice of the theme is most appropriate and I would like to share a few thoughts with you. Twenty years ago, the World Commission on Environment and Development chaired by Gro Harlem Brundtland defined the concept of sustainable development as “a process of change in which the exploitation of resources, the direction of investments, the orientation of technological developments and institutional change are made consistent with future as well as present needs”¹.

2. Much water has gone under the bridge since the Bruntland report. But today we are being reminded everyday that, in spite of the all round acknowledgement of the need for action, we are still on notice: numerous ecological calamities, water supplies, droughts, unreliable rain patterns and above all growing poverty and its consequences among millions in a world of plenty. As an illustration, many of us were in Rome last week to address the food crisis and one of the sticking points was biofuels and food security.

3. In the notes I was given for the conference, the organizers point out that ten years after Kyoto, we are still searching for a consensus and its meaning; how to reconcile economic development and sustainability; what is the responsibility of firms and business; how can business and Government develop

¹ Our Common Future “Brundtland Report”, 1987

infrastructures which are sustainable and what is the role of innovation? I am certain that the two captains of industry who are here from Suez and Rio Tinto will help us understand the issues a bit more. My role is to focus on the issues from the viewpoint of a multilateral development agency involved in fighting poverty in the poorest region in the world.

4. Today, 20% of the world's population living in rich countries control 85% of the world's wealth. The recent advances in the BRICs (Brazil, Russia, India, China) indicate the number of people living in countries that could be described as wealthy is increasing dramatically. But that still leaves millions in the world surviving on less than 2\$ a day, lacking basics: food, water and shelter, the most vulnerable being the bottom billion. This is not sustainable. Economic growth in advanced countries is creating huge demand on natural resources, such as water, soils and forests, some of which are non-renewable, but in the context of unsustainability emanating from the inequities evidenced by the bottom billion.

5. Recent economic growth as the BRICs converge towards OECD living standards is exerting formidable pressure on natural resources. As an illustration, one of today's local papers is running a story on China's ecological footprint. China is drawing on natural resources such as land, timber and water, twice as fast as they can be renewed. The country's footprint has doubled since the 1960s and now demands twice what the country's ecosystems can supply. The paper reminds us that the global average ecological footprint is 2.2 hectare per person, and concludes that at the current rate, by 2050, we will need another planet, unless we find solutions

in clean technologies, reduction in the production of waste, carbon reduction strategies, better land management, and of course, as was rightly pointed out by M. Denom, individual actions.

6. At this meeting on the food crisis in Rome, it was clear to all that one of the underlying factors is the changing feeding lifestyles in the emerging economies. The increase in incomes have driven up prices of oil and other basics – but in the process, millions of poor can no longer afford basic food. Mr. Chairman, our agenda today is not about social justice: it is about sustainability. But sustainability must begin with the search for equity and social justice between nations and within countries. You will agree that we can do so while also preserving our planet, our ecosystems, the stability of our societies and the peaceful coexistence of our rich and diverse civilizations. Our inability to do so will have implications globally, as resource scarcity increase competition, displacement of peoples, regional tensions and unmanageable migratory flows.

7. For low income countries, sustainability begins by fighting poverty. No significant sustainable progress in fighting poverty is possible without growth. That means raising the rate of investment rates to more than 25% of GDP while transiting to a low carbon economy. That is the challenge we face and that is very much at the centre of the work we do at the African Development Bank.

8. Allow me a few moments to focus my remarks on what this implies for our work. First thing, how do we generate this type of quality growth sustainably? Certainly more aid, more effective aid is needed. I applaud the efforts of rich countries such as Canada in scaling up aid to low income countries. But we all know that budget constraints and competing needs, mean there is no likelihood in the near future public aid money will ever attain the critical mass required. Hence our strong belief that aid money should be utilized to maximize the catalytic effect of private resources. This is why our agenda for sustainable development begins by creating conditions for poor countries to attract investment, foster growth to sustain their societies beyond aid. People do not like to depend on aid, charity. They look for sustainable means to fend for themselves.
9. Our strategy is therefore three fold:
- ◆ (i) reduce risk in doing business,
 - ◆ (ii) reduce the cost of doing business,
 - ◆ (iii) expand the scope and depth of Africa's economic integration and its role in global trade and investment.

We have integrated this agenda via the following flagship areas:

- ◆ (i) building capable states and good governance
- ◆ (ii) infrastructure
- ◆ (iii) regional integration
- ◆ (iii) promoting the private sector

Sound and reliable infrastructure, skilled populations, good governance and strong institutions that are accountable are the basic rock of progress that can be sustained. In the course of correcting for our recent history and in our belief in the doctrine of “leaving no one behind”, the countries emerging from conflicts and other fragile situations whose infrastructures and institutions have been reduced to ruins receive special attention from us.

10. But engagement on this growth agenda while transiting to low carbon economies remains a real challenge. Take the case of finding the right balance of food production and biofuels. There is no doubt that the percentage of crops devoted to biofuels which has continued to rise, has contributed to driving up food prices. What is in doubt is not whether; it is by how much. Now important questions are being asked. How do we ensure biofuels do not crowd out food crops and exacerbate food insecurity? Will biofuels lead to competition for land, water, extensive deforestation and further aggravate climate change? Some believe with careful management, biofuel production can contribute to a sustainable future – maybe. But what is role for innovation here? Innovation that is accessible to poor countries.
11. I believe there is a place here for business firms to spur this type of technological innovation. Rapid development and deployment of new innovative low-carbon technologies in power generation,

infrastructure that addresses energy efficiency, the de-carbonization of our energy mix, and sustainable water systems and urban management. I am told more creative possibilities for large scale interventions referred to as geo-engineering are on the horizon. I have no doubt technology will provide many of the answers. But needless to say the development and deployment of many of these new technologies are beyond the pockets of poor countries and will require international cooperation.

12. Sustainable development must require collaborative action; global effort by governments, civil society and business; Governments must play a stronger role in stimulation and facilitation of sustainable consumption and production by providing incentives as well as research and development. Corporations can play a major role in developing new affordable energy solutions, that are efficient and reduce emissions, if given long term predictable incentives; and that makes business sense. We now know that corporate social responsibility is no longer just a “politically correct” business credential but has long term profits in terms of the competitive edge. Equally, civil society has been instrumental in increasing awareness on environmental and social issues.
13. Let me now briefly point to the specific case of infrastructures. We know what the sound preconditions are: environmental assessment, gender compliance and respect for the Equator principles. As I speak with you, energy access is identified systematically as a major brake on Africa’s growth, its export competitive position and progress to MDGs such as health and education. With more than 550 million people without access,

demand can only grow in the future. As a result of what we believe to be some of the early effects of climate change, the limited hydro electrical potential has stalled. Many countries are having to install coal or fuel based systems, that is neither financially affordable nor environmentally sustainable.

14. We are determined to find a solution through the clean energy investment framework. The AfDB and its partners are proposing a multi track approach covering:

- Upgrading national transmission grids;
- Developing efficient power-trade arrangements and power pools;
- Promoting off grid renewable power supply systems and household fuels.

We are exploring ways of accelerating access to appropriate and affordable technologies and strengthening coordination between the public and private finance windows of the bank as well as private businesses. Our priorities are to promote renewable energy nationally and regionally by:

- a. Harnessing the continent's hydroelectric power sources,
- b. Promote other renewable energies.

15. Financing constraints are real and choices have to be made. Existing funds are still modest in relation to needs and some are not yet operational. Carbon finance in relation to unutilized emission allowances of eligible projects in the Clean Development Mechanism (CDM) offer possibilities. Nonetheless, formidable barriers remain. In spite of efforts to streamline the rules and procedures for small CDM projects and the possibility for programmatic CDM (where several small emission mitigating activities can be regrouped to reduce transaction costs), the various steps involving monitoring methodologies, quantification, verification of prospective reductions are still a challenge to low income countries.

16. Mr. Chairman, we set out to answer the question: “how best to reconcile economic development and sustainability?” The starting point must be fighting poverty and eliminate it, for all, not some human kind. I hope I am able to convince you that for low income countries, sustainability therefore begins with an agenda for economic growth. But this not simply about GDP numbers, we know that it is about the quality and the reach of that growth. It must be environmentally sound, and not discriminatory. If it exacerbates inequalities or generates unsustainable debt and white elephants, it cannot be sustained. Someone has said that between the two important notions of dependence and independence – lies the most important notion: interdependence. It is this interdependence between nations that makes a coalition between governments, private sector, multilateral agencies possible to fight poverty everywhere while preserving our planet.

That type of coalition will allow us to feed hungry in the world while enabling second generation biofuels to grow on ecosystems that do not diminish availability of food. It is that partnership which will allow low income countries to access technologies that enable adaptation and transition to clean energy technology. The world has the resources to do so. We need the political will.

17. Mr. Chairman, Ladies and Gentlemen, African countries in the last decade have continued to make commendable progress. But these are also opportunities for businesses, there are opportunities for Canada's business men who know Africa quite well and who are able to understand and price risks. On our side, the AFDB Group, we are Africa's Bank, we know the Continent, its hopes and aspirations. I would like to welcome a partnership between us in this search for prosperity and sustainability for all.

Thank you for your attention.