

AFRICAN GREEN REVOLUTION FORUM, ACCRA, GHANA

2–4 SEPTEMBER 2010

SPEECH OF THE PRESIDENT OF AFRICAN DEVELOPMENT BANK

DELIVERED BY DR. KAMAL EL KHESHEN, VICE-PRESIDENT.

**FINANCING INFRASTRUCTURE FOR AFRICAN
AGRICULTURE**

Mr. Chairman,

Distinguished, Honourable Ministers,

Heads of International Organizations,

Distinguished Participants to the Forum,

Ladies and Gentlemen

It is my pleasure to deliver this speech on behalf of Dr. Donald Kaberuka, President of the African Development Bank who wanted to be with us but was not able to due to his investiture for a second term. That ceremony just ended.

I would, like, first of all, to recognize the role of AGRA in bringing together many stakeholders in agricultural development in Africa to continue discussions on this highly important agenda – African Green Revolution.

The topic of this speech is infrastructure and agriculture.

Infrastructure: I would like to start by presenting the Bank's orientation to the vital linkage between infrastructure and agriculture. The Bank's Mid-Term Strategy identified infrastructure as one of the four priority areas for investments seeking to contribute to broader agricultural development in the areas of increased agricultural productivity, food security and poverty reduction, while promoting conservation of the natural resource base. The Bank selected the model of investing in agricultural infrastructure for reasons which include: having adequate capacity and know how, comparative advantage, backed by empirical evidence that agricultural infrastructure leads to higher returns on investment. Rural infrastructure such as roads facilitate access for both inputs and outputs. The movement of produce to the markets and storage and processing enable efficient responses to market demand by stimulating production. Furthermore, irrigation infrastructure has direct impact on agricultural productivity when it is adequately available and timely supplied along with other factors of production, thereby reducing the adverse impacts of climate change and increasing food crop yields on sustainable basis. Construction work and the marketing systems provide employment at local level, stimulating investment in farming and markets. Good quality agriculture infrastructure stimulates economic growth, through higher output, employment, and promotion of domestic market and poverty reduction.

Financing Infrastructure: ADB's lending operations in the area of infrastructure are financed through concessional loans, market rate loans and grants. The ADB also provides non-lending support through thematic trust funds for technical assistance, economic and sector work and capacity

building activities for national and regional institutions which focus on infrastructure development.

In line with the Forum's objectives, I would like now to review the Bank's experience with and support for infrastructure, agricultural development, food production, and food security.

- Between 1974 and 2008, the African Development Bank Group approved 2100 operations, totaling US\$ 29.06 billion. Agriculture and rural development accounted for 23.3% (US\$ 6.77 billion); infrastructure took the bulk of the resources at 35.7%, while the other sectors received the balance.
- In 2009, the Bank's commitments to infrastructure represented 47% of overall approvals and 59% of the pipeline. As a result, more than UA 1.4 billion were committed by the Bank to help bridge the continent's infrastructure gap and improve Africa's competitiveness.
- In 2009, the Bank approved US\$ 430 million for 13 agricultural operations, including rural infrastructure, water mobilisation, smallholder irrigation and natural resource management projects.
- Recently, the Bank has already financed US\$ 800 million worth of investments for projects addressing infrastructure for agriculture in Uganda, Tanzania, and Egypt in co-financing with other partners.

- Financing requirements for the agriculture sector in Africa have recently been estimated at US\$ 8.1 billion annually. The Bank's indicative pipeline of projects and programs for agriculture amounts to US\$ 5.33 billion for the period 2010-2014.

Given the importance of infrastructure for Africa's economic growth and more broadly poverty reduction, the Bank will continue to provide assistance to countries to finance their infrastructure needs, including agricultural and rural infrastructure, particularly rural and community roads, irrigation, storage, processing and market facilities to support the anticipated growth in agricultural production and improve Africa's competitiveness.

To illustrate, the Bank will over the period 2010-2014:

- Build dams for irrigation development and other uses to store 8.5 billion m³. This will increase the irrigated area by 1 million hectares;
- Build or rehabilitate 500,000 hectares of irrigation schemes;
- Build or rehabilitate 10,000km of rural access roads to link farmers to markets and reduce post harvest losses.

Ladies and Gentlemen, in its support for agricultural development in Africa, the Bank believes in linkages and strategic partnerships hinged on complementarity, comparative advantage, and specialization. The Bank, therefore works in collaboration and partnership, including:

AfDB-AGRA Partnership: Promotion of fertilizer and soil fertility

maintenance programmes under the auspices of the Africa Fertilizer Financing Mechanism and co-financing of some of the related operations. AGRA sits on the AFFM's Governing Council. In its efforts to promote access to input markets, the Bank is partnering with IFAD and AGRA to finance the Tanzania Marketing Infrastructure, Rural Finance and Value Addition Programme.

Public Private Partnership: In order to assist private enterprises, the Bank is increasingly involved in Public-Private Partnership, acting mainly as a catalyst to help in attracting other lenders and investors. One of the current initiatives in this arrangement is the Markala Sugar Project in Mali, with a total cost of US\$ 530 million. This is a clear example of where the Bank's presence is desirable as a confidence-enhancing factor in dealings between the government and private sectors.

Ladies and Gentlemen, permit me to review the Bank's programme for reduction of postharvest losses, capacity building and climate change which have important implications for investments in infrastructure.

Weak agricultural infrastructure results in enormous post-harvest losses to smallholders, which reach an average of 40% in sub-Saharan Africa. As a result the Bank focused investments in infrastructure that will help achieve supply chain efficiencies through construction of feeder/access roads, storage facilities, postharvest and agro-processing technologies leading to reduced physical losses, improved food availability and enhanced product quality. Adequate capacity is required for food product storage either as working stock for regular distribution, buffer stocks for stabilizing domestic

prices and stocks for rapid emergency aid. Through investments targeted at reducing postharvest losses, the Bank would substantially help to offset the huge postharvest losses in Africa, estimated at over US\$48 billion each year.

Capacity Building: One of the four pillars of the Bank's Medium Term Strategy is higher education and vocational training. The Bank also supports the strengthening of national and regional centres of excellence and farmer field schools and rural technology centres. This fosters rural development through the promotion and dissemination of appropriate technologies. Among the capacity building projects financed by the Bank are the Women's Entrepreneurship and Skills Development Project in Mozambique and the Community Skills improvement Project in the Gambia. The Bank is also developing a program on the capacity building for Ministries of Agriculture and related institutions. The main aim is to assist in developing sustainable capacity for effective policy formulation and programming, research and development and management of agriculture and rural development interventions.

Climate Change and the ADB: Climate Change and its impact on Africa's social and economic development are on top of the agenda of the Bank, which hosts a climate change-related initiative, the Congo Basin Forest Fund (CBFF). The CBFF supports innovative and sustainable management of forest resources in the Bank's regional member countries. The ADB is implementing its Climate Risk Management and Adaptation Strategy, which seeks to build climate resilience into all investments it supports as well as enhance the capacity of its RMCs to mainstream climate change into their development policies and plans.

Ladies and Gentlemen, let me conclude by expressing the Bank's appreciation of the effort of the organizers of the Forum that has enabled the articulation of the critical issues required to move forward the agricultural development agenda in Africa. The challenges are huge given the growing populations, low agricultural productivity and widespread poverty that have continued to threaten human survival in Africa. Given the belief of the Bank that these are sub-optimal and unacceptable conditions, the organizers of the Forum should count on Bank's full support as we move forward in supporting agricultural development in Africa.

Thank you.