

AFRICAN DEVELOPMENT BANK GROUP



“FROM THE DIGITAL DIVIDE TO THE SILENT DIGITAL REVOLUTION”

STATEMENT AT THE

ASSEMBLY OF THE AFRICAN UNION

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ADDIS ABABA, ETHIOPIA

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Mr. Chairman, Your Excellencies, Heads of States and Governments, Ladies and Gentlemen

I thank you for the honour and privilege to make brief remarks at this august Summit.

As you convene to deliberate on the issues of the digital divide- to assess progress to date and future direction of travel- I wanted to take a few minutes to share with you my assessment of the economic prospects for African economies in the months ahead.

In addition to share with you what together we have done in trying to close the digital divide.

Twelve months ago to be exact, when we met here, the economic clouds were dark and prospects gloomy.

As a result of the crisis at the epicenters of the global economy, demand for and prices of our exports were falling, especially mineral products. Investment flows including the IT industry were retrenching.

There is no doubt this has caused some damage and interrupted the economic momentum we had built since the turn of this decade.

Nonetheless Africa has shown a remarkable resilience; our banking systems have remained robust and the worst effects into the

real economy have, with some exceptions, especially mineral producing countries been generally contained.

Today - while the situation varies from country to country - information available imprecise, and the data inadequate- I can say with optimism that working together in coordination, much of Africa has avoided the worst of a major recession.

Not only have we avoided that major recession, the prospect for 2010 are extremely encouraging. Assessments converge that in 2010 Africa will probably resume its pre-crisis growth path- and indeed is likely to be the second fastest growing continent after Asia.

Our projections for 2010 are converging around average real growth of 5% in 2010 and 6% in 2011. There remains serious risks and uncertainties which have potential to unravel this renewed performance.

Naturally it will take time for all the economies to resume strong growth at the same time, but momentum is building in most regions of Africa.

Some residual problems remain and will take time- demand for our commodities and exports may not return to recent peaks but they have nonetheless strengthened- investment flows are slowly resuming

and both the budget positions and the current accounts are steadily improving.

We are not yet completely out of the woods- but there is now reason to look ahead with confidence.

I want to commend your Governments for the measures taken to act counter cyclically- and to stay the course of sound financial and macroeconomic policies- which have buttressed our resilience to this crisis.

Together with sister financial institutions; we did our best to respond as appropriate- in a customized way to your requests for support to overcome the crisis.

For some countries it was the need for quick disbursing or frontloaded budget support, for others it was problems of liquidity or trade finance- and in many cases - filling the gap of retrenchment in investment flows to ensure key projects stay afloat.

Your Excellencies

In the last twelve months, to support your Governments weather the storms, we more than doubled our lending and grants

from 5.6 bn dollars a year before the crisis, to just over 11 billion dollars by December of 2009.

Coordinating closely with our partners, we not only raised our lending, but we improved significantly on our flexibilities and innovation.

As the global economy recovers, we are committed to accompany you as hopefully our countries resume the pre-crisis growth trajectory. But this requires boosting the callable capital base of the Bank which were stretched to the limits by the demands on us during the crisis.

For that purpose we are working with our shareholders for a General Capital Increase for the Bank; to provide us with additional firepower to enable us provide you greater support both in normal and crisis times.

In the same spirit, we are now in the middle of negotiations with donor countries for the 12th replenishment of the African Development Fund, to which over 35 countries are eligible.

I want here to publicly express my thanks for the support you are giving the Bank in these two endeavors

Your Excellencies

Ladies and Gentlemen

While we have reason to be proud of the manner in which we are gradually overcoming the worst of this crisis, we have also to learn the lessons necessary.

I see three

1- The risk of continued dependence on primary commodities

2- The need for a faster pace in economic interaction and reducing further the cost of doing business

3- A reassessment in relation to the role for the State in supporting economic development.

Booms and busts of this type and the commodities cycles will inevitably recur- perhaps not the same scale or frequency, but occur they will- and all what this can mean is not only the need for greater diversification, efforts to move up the value chain, and progressively tap into technology and the knowledge economy.

I have been impressed by the way in which during this crisis many of your Governments took avant-garde measures to stay the

course in improving the investment climate and the enable our banking sector and the business community weather the worst of the storms- whether via fiscal policy, direct support or other countercyclical measures.

While our beliefs in the power of market friendly policies remains unwavering, it is clear the role of the State, even in more developed economies, will have a greater responsibility; in the future of course drawing on the lessons of the past and best practices from these countries that have been able to strike the right balance.

We at the Bank - are engaged in a reflection- on the matter, drawing on some of the best practices- in some of the Asian economies, both during this turbulence but also the Asian financial crisis in 1997.

One of the observations we made over the last twelve months is the strong correlation between regional integration and the ability to withstand external shocks. The faster the pace of economic integration, the greater the resilience to such external shocks.

I know that this is an area to which you attach great importance and we are keen, therefore, to expand the scope and depth of our work

in this domain, that expands our market depth and size, market diversity and thereby lower business costs.

Your Excellencies

Just before I conclude, let me say; your decision to dedicate this session to the issue of Information Technologies at national, regional and continental levels is pertinent.

As many speakers have said already this afternoon, IT development will enable us to reduce business costs, enhance our integration, and access to the world of knowledge and information.

The Kigali Connect Africa Summit in October 2007 set three goals and assigned to us key implementation responsibilities: to connect all capitals and major cities by 2012, enhance human resource capacity and the requisite environment for investment in the IT industry.

Two years on, while much is yet to be done, there is good progress, the rate of penetration has doubled from about 20 percent to over 40 per cent with the unprecedented growth in mobile

telecommunication over the last decade and a half, a silent revolution is underway.

There is similar progress with regard to broad band networks and the deployment of the national backbone including the cross-border links.

Two new submarine cable systems: SEACOM and TEAMS have landed on the East coast of Africa, with three more expected to be completed within the coming two years in different parts of Africa. With the advent of these cables, user prices should start decreasing by up 10 times from July 2010.

In terms of applications, ICTs have not only continued to improve the business environment, market development, as well as reducing business costs.

Alongside has come innovation combining state of the art technology with local customs; increased use of mobile banking in many countries, bringing together farmers and buyers, education access and modernization of Government.

The Bank is proud to have participated in the provision of the financing of key projects such as the above mentioned submarine cables, satellite facilities eg. EASSy, RASCOM, New Dawn, Main One and Helios Towers Nigeria, the Seychelles Fiber Optic Backbone and the Egypt Navigation Satellite (NAVISAT) and we are supporting the establishment of major Centres of Excellence in Mali, Rwanda and Tunisia.

Despite the international financial crisis, ICTs in Africa remain an attractive business. We see our role as continuing to facilitate and crowding in such investment as well as working with you to improve the business climate, including and especially regulation that makes that investment possible and sustained.

Your Excellencies,

Africa has far too often been painted with a pessimistic brush, but the manner in which we have demonstrated resilience during the financial turbulences, the exponential growth of ICTs in Africa truly provides evidence of a continent on the move, and an opportunity for leap frogging in many domains which will change, and is already changing, many facets of our societies and economies - from commerce, services, education and even governance.

The African Development Bank will continue to be your partner, be it in

- 1. rolling out more broadband infrastructure.*
- 2. strengthening institutions responsible for reform and regulatory policies or*
- 3. closing the infrastructure funding gap by crowding in additional foreign investments.*

Your Excellencies, as our continent recovers from the economic turbulences of recent months we look forward to the decisions and guidance of this Summit.

I have no doubt that under your leadership we shall succeed. And I want you to count on the African Development Bank, YOUR BANK, to implement the decision of this Assembly in further closing the digital divide which I believe is within our grasp.

I thank you for your attention and for the opportunity to speak at this august Summit.

