

The African Development Bank Group



Opening Remarks

Coalition for Dialogue on Africa (CoDA)

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Your Excellency, President Mogae, Chairman of the CoDA Board

Honourable Professor Bathily, Convener of the CoDA Board

Members of the CoDA Board

Friend of CoDA

Executive Directors of the African Development Bank

Honourable Guests

Ladies and Gentlemen

Good morning.

1. Welcome to this multi-stakeholder dialogue forum on Africa's response to the global financial crisis, which is also taking place on the eve of the second Coalition for Dialogue on Africa (CoDA) Board meeting.

2. As the successor to the *Global Coalition for Africa* and the *Big Table* policy forums, CoDA's endeavor to stimulate informal and inclusive dialogue between a diverse and influential set of African stakeholders is timely and most welcome. In my view the need for CoDA is imperative, and the time for action is now. It is clear from recent experience that no single institution can single-handedly address the enormous challenges we face as a

continent. The solution to the continent's development conundrum calls for a strategic approach that harnesses the complementarities of various stakeholders.

3. Although ironic, it is without question that the recent crisis presented one of the most opportune moments for such a strategic approach in addressing Africa's developmental challenges. As I have said in other gatherings, I firmly believe that *this* crisis may turn out to be one of those defining events that shape human history. Not only has it highlighted the urgency for appropriate policy responses, but it has also underscored the immensity of the resources needed for such action, as well as the necessity for proper coordination to make the various responses more effective. Indeed, down the road, we will be tasked by historians to explain our level of preparedness before the crisis and its aftermath; what our reactions were; the appropriateness of our responses, and; more importantly, the lessons we have learned from it.

4. To be fair, our three pan-African institutions that constitute CoDA's core, responded swiftly to mobilize dialogue towards effective and consolidated African response to the crisis. This

was evident in the Ministerial Conference in mid-November 2008 whose deliberations and communiqué gave birth to *The Committee of Ten* African Finance Ministers and central bank governors (C10). The C10 became an instrumental framework for monitoring the crisis, building consensus, and reporting to the various heads of state, all of which served to consolidate and strengthen Africa's position and messages to international financial forums such as the G20.

5. For our part as Africa's leading development bank institution, we devised new instruments that allowed us to frontload resources very swiftly while speeding up processing time of our various operations. This helped in providing liquidity and revitalizing trade.

6. Yet, despite all these admirable efforts, it is clear that all us (African and non-African institutions) were very much unprepared to respond to a crisis of this magnitude. *First*, none of our institutions had readily available crisis-response instruments; *second*, we lacked a framework of collaboration in responding to the crisis; and *third*, our collective resources were inadequate for a crisis of this size. In the meantime, the crisis—

which came on the heels of the food and fuel crises—wrecked havoc on most of our economies. The story is well-known. But given that the crisis hit Africa with a lag, its long-term consequences could be as severe and long-lasting as they are unknown.

7. The good news, however, is that even despite all the deleterious costs of the crisis on our continent, Africa still counts a number of countries that have demonstrated remarkable economic resilience, with projected growth at or above 5 percent this year, including four low-income ones: Ethiopia, Malawi, Tanzania and Uganda. Although unimaginable even just 10 years ago, this is no fluke, but rather the result of a combination of good governance and policy reforms, especially in the areas of trade and the financial sector. These reforms, which were critical for the growth resurgence of the past decade, are even more crucial for the perilous years ahead. The key question that now confronts us across the continent is how to sustain macroeconomic reforms, improve trade and investment environment, and support trade and investment financing.

8. Inasmuch as we are encouraged by the resilience shown thus far by some of our countries, that resilience is still rather tenuous and can unravel in the blink of an eye. Many of the countries that are still growing nevertheless face high levels of poverty. In these countries, a growth collapse could thus have devastating effects on poverty. For post-conflict countries, the risks are even direr, as further slowdowns in growth run the risk of policy reversal and resurgence of fragility. In general, one of the key challenges is crafting policies that could stave off a growth collapse in low income and fragile countries, and prevent a growth crisis from degenerating into a development one. This is particularly the case given what our economists have observed: whereas poverty gains from growth acceleration can be protracted, growth deceleration is often fraught with extreme intensifications in poverty.

9. At the global level, some signs of recovery have started emerging, the stock markets are recovering and advanced and emerging economies are slowly stabilizing. Yet even as the world economy shows anemic signs of recovery from the deep recession, that recovery is precarious and unclear. There is a likelihood of a slowdown in the pace of recovery in the second

half of 2010 due to the fading of the fiscal stimulus. Furthermore, private demand is likely to be held back due to the limited credit availability, weak investment, household desire to rebuild balance sheets, and rising unemployment. Most importantly, the world economy is still confronted by the same global imbalances that prevailed before the crisis. Indeed, there is now a concern about insufficient global demand and the implications for excess capacity in the private sector. As consumers in the United States and Europe cut down on consumption to increase savings and pay off debts, demand for our exports will remain sluggish. Emerging markets cannot make up for a major decline in demand in advanced economies. So our producers are bound to face stiffer competition in export markets.

10. For Africa, future growth depends not only on global recovery, but perhaps more importantly, on the kind of domestic economic policies pursued at home. If popular support for reforms at home fades away, as a result of the global crisis, the long term growth potential for Africa may be negatively impacted. In this context, the role of CoDA as a catalyst informal but inclusive dialogue, as well as a proactive change agent between the continent's diverse stakeholders, is very significant.

11. As I have highlighted before, the numerous challenges that face our continent can neither all be tackled at the same time, nor can they be tackled by any one institution. It our collective hope that CoDA will provide us a framework for maximizing the development impact of the various policy interventions on our continent through greater collaboration and coordination.

12. Indeed, in addition to consolidating our response to the crisis, CoDA's *raison d'être* harks back to all the other pre-crisis development challenges that must remain high on the continent's agenda, including: public and corporate governance, natural resource management, climate change, and last but not least, regional integration. The latter is of particular interest to CoDA as we all firmly believe that only through the pooling of our resources will we, as a continent, realize our full potential.

Thank you for your attention and once again, welcome to Tunis.