



THE AFRICAN DEVELOPMENT BANK GROUP

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A new dawn – new opportunities

EUROPEAN AMERICAN PRESS CLUB

Paris, 7 December 2010

1. Good morning Ladies and Gentlemen. Let me begin by thanking the Co-Presidents of the Press Club, Jim Bittermann and Christian Mallar for this invitation- and for the interest the Club has shown, in Africa and the work we²² do at the African Development Bank.

The African Miracle?

2. Last week the influential US magazine; “Foreign Policy” carried a story entitled: “The African Miracle”; adding to a long succession of recent very bullish reports on the African economy.

3. While acknowledging the wide diversity in the fortunes and performance of the 53 countries that make up the mosaic of the African Continent; the proposition that, since the turn of the Millennium, Africa has created a new dynamic is now broadly accepted – and is backed by solid empirical – rather than anecdotal evidence.

The GDP per capita in Sub-Saharan Africa is now approaching 700\$ compared to around 400\$ a decade ago.

4. Gradually, are disappearing the days when most of Africa was described as a broken, misery stricken continent – characterized by civil war, high disease burden, corruption, economic stagnation and perpetual poverty. “a scar on the conscience of the world” – as one leader put it in 2005,

A Continent of Opportunity

5. This narrative is steadily giving way to a more sober assessment of the opportunities, that Africa offers, as companies from all the world positively reassess the Africa risk.

6. Perhaps this is no best captured than by a story I saw last week quoting Tim Lee, Head of GM International Operations as saying “Africa and its emerging markets offer tremendous opportunities over the long term” expressing why GM intended to capitalize on that new dynamism to expand its operations in Africa.

It is a dynamism extended to many other domains best exemplified by the spectacular exponential growth in the telecom industry, financial services, agribusiness and all the high demand for all types of infrastructure.

Just take a look at the projections below for real GDP growth in 2011:

- **Six countries will grow at above 7%**
- **Fifteen will reach between 5-7%**
- **Twenty seven at between 3-5%**
- **Only five countries will be able to grow above population increase at less than 3%.**

Daunting Challenges Remain

7. In underlining this positive evolution of our continent's condition; I am by no means underestimating the fact that poverty remains widespread and the daunting obstacles many African countries still have to overcome.

- **48% of Africans still live below the poverty line**
- **350 million people lack access to clean water and sanitation.**
- **22 million individuals are living with HIV/Aids and**
- **Three major conflicts remain unresolved including Africa's longest civil war (20 years) which has led to a failed state.**
- **A number of countries (declining) still remain largely dependent on external aid, etc.**

8. If one was to focus on the litany of the obstacles Africa has yet to grapple with, the list is long. Much of Africa is far from the point of "no return" There are always risks of setbacks, but all we are saying is, a corner has been turned, which even the recent global economic turbulence was not able to reverse, except briefly and momentarily.

So: What are the Factors Behind this Momentum

9. But with this change in the narrative, come a series of interrogations; a series of pertinent questions calling for answers.

- **What are the drivers?**
- **Is it another false dawn? Can it be sustained?**

- Is this not simply the “Asia pull” and demand for commodities.
- Is it poverty reducing growth? – where is the dollar in the pocket of the ordinary person?

10. These are germane issues. In the mid 1970’s, Africa briefly went through a period of ebullience and much promise. This was wiped out by the two successive oil shocks, man-made catastrophes, both political and ill-judged economic options.

11. Inevitably, this was followed by two decades of structural adjustment, driven essentially by what one may call “external agent of restraints” in other words the Bretton Woods Institutions.

12. I am not unaware of the critique in respect of those structural adjustment programmes including, (probably) an over-correction as to the balance between the State and the Market, loss of autonomy, the narrowing of the policy space, underinvestment in infrastructure etc – the list is long and well documented elsewhere.

Whatever the pluses and minuses these are economic reforms (sometimes wrongly maligned) which cleaned up public finances, promoted structural change, better economic governance and a significantly more robust investment climate.

13. These are the reforms which built the necessary cushion against external shocks; such as comfortable external reserves, sound, adequately capitalized, well regulated banking sectors which stood us well in the recent crisis.

Is this about Commodities and the “Asian Pull”?

14. Invariably, the benign international economic environment, the strong rising demand for African commodities, hard and soft beginning at the turn of this decade have played a major role.

One just has to look at the dilapidated copper mines in countries like DRC and Zambia which had been abandoned for years, and which have seen a new lease of life, job opportunities and new revenues generated bolstering investments in physical and human capital and reducing dependence on aid.

15. In that new momentum, the BRICs (with the exception of Russia) have indeed played a role by way of a prolonged commodity boom and investment flows . And without any doubt, this South-South axis is set to create a new transformative dynamic .Much will depend on how African countries are able to craft a long term strategy in that relationship that,among others,avoid mistakes made in the past ,by a clear articulation of Africa,s own long term interests.

16. But it is simplistic to suggest - as is often advanced - that the current growth phase in Africa is simply about China, the BRICs and the commodity push. As I point out below, this has been a key factor but by no means the decisive one.

17. It is a fact that at this juncture, 30% of Africa's trade is with Asia . Trade with China and India has grown ten fold since 2001. Investments from China has increased from 56 million \$ in 1996 to 900 billion in 2009. Some African Banks are now even providing transaction opportunities in the Renmimbi for their clients between China and Africa!

Much emphasis in the discourse on these new relationships have tended to emphasize mainly China, but the reality is that new profitable economic partnerships are also on the rise between Brazil, Turkey, Malaysia and other emerging markets; let alone the expansion north by many world class South Africa firms .These are also relationships within which there is considerable peer learning in respect to "how development happens"

A Major Factor but not the decisive One

18. As Steve Radelet in an excellent paper entitled: "How 17 countries (home to 300 million Africans) are leading the way" correctly observed; we must not forget - not every African country - is blessed with a rich sub soil. Many of the fastest growing countries have neither oil, gas or minerals, and often very limited, direct economic links or exposure to the "Asian pull factors".

And yet these are regions where the growth momentum is fastest and poverty decline accelerating.

19. East Africa which is not endowed with oil, gas or a large mining industry (at least for now) will be the fastest growing region in 2011.

Real GDP Growing in 2011 (projections)

20. East Africa	6.4%
West Africa	5.5%
North Africa	5.4%
Central Africa	4.4%
Southern Africa	4.3%

The “Can do” attitude

21. I referred earlier to the overarching impact of the two decades of economic reforms. I would like to add another element, an intangible one this is : the new confidence, a “Can do” attitude in the new generation of Africans in the context of a sea change and shifts in Africa’s demographics . It is a factor to which it is hard to attach a number but which in my assessment is a game changer.

During my visit to Japan, China and India in late 2009 and early this year, and reading up on the Asia, I was struck by some of those intangibles which has and continues to influence economic thinking in the region

To pick just four: PRIDE
 STABILITY
 PASSION
 LEARNING BY DOING

Today in Africa as we struggle to stabilize our continent, reducing the risks and costs of doing business, I sense a change which is difficult to reverse; it might be temporarily interrupted by sudden political upheavals such as the current convulsions in Côte d’Ivoire, but it cannot be turned back :

- A growing sophisticated urban young consumer class – Remember that in 1980, only 28% of Africans lived in urban areas. Now it is 40%. This is having far reaching impact on consumer patterns, economics and I suspect, soon, the politics, including Africa’s nemesis: peaceful management of our diversities.

- **The growing role of the diaspora. Much has been written about our diaspora, but far too often in the context of remittances which has witnesses spectacular growth. Less emphasized has been , also the skills, the entrepreneurships and “Can do” attitude, I just referred too.**
- **Spread of mobile telephony, and connectivity, which is enabling “leapfrogging” in many areas of the economy and social delivery in domains such as health ,education and financial services;**
- **New generation of policy makers - able to better manage their economies with autonomous homegrown policies, in the context of stronger public finances, lower debt and boosted investment flows.**
- **Steadily growing increased regional trade - which is underestimated in official statistics and probably now hovers between 20-30% of total trade.**
- **Positive neighborhood effects from some of the Regional Economic Engines such as South Africa, Nigeria, Kenya and until the recent prolonged crisis Côte d’Ivoire.**

Role of External Aid

21. It is legitimate at this stage to speculate as to what has been the role of external aid and support. In many countries, external support of all forms has been critical. Whether it is debt relief, fighting infectious diseases, promoting agriculture productivity, building infrastructure, supporting countries emerging from war, aid has been a key and critical element especially among the low income countries and what we call the “fragile states”.

There is no brainer to see that where external support was effectively utilized, where governance was strong and if donor practices were accommodating the impact has often been positive.

But unfortunately, the contrary is also true, where governance and institutions were weak, donor practices overly prescriptive- or much more starkly in those cases where aid was given for geo-strategic reasons as happened during the cold war- such aid was not only ineffective- it could have actually been damaging. But in general these were fewer and isolated cases.

22. You will have seen no doubt a rather interesting debate in the Wall St. Journal last week between Bill Gates “Africa needs more aid and not flawed theories” and Matt Ridley, author of the famous book: “The Rational optimist” who responded: “Africa needs growth, not pity or big plans”.

The later goes on to observe that with the exception of countries in conflict, economic growth is gaining momentum everywhere in Africa, birth rates are dropping and poverty steadily declining.

23. I will skip the temptation to enter this debate – that will be for another day – and in any case there is no shortage of opinions on the subject: But just to make sure I am not taxed of avoiding the subject

- My own view which I am sure is shared by most of you, is that, the issue is not that of aid per se ,but aid dependency; which of course must be a sign of failure and not success. A good aid programme must be designed to phase itself out of existence at some point.**
- And in any case, we must put this in context. With a few exceptions, I see an increasing number of African countries doing their best to wean themselves from dependence, rather than the reverse. Overall, in much of Africa, overtime the role of aid, has continued to decline in comparison to other sources, such as domestic revenues, and remittances. Obviously with situation varying from country to country,**

As of 2010 estimates by staff of the African Development Bank show that for every dollar given in aid, the African countries themselves have generated ten dollars internally.

For us at the African Development Bank, this is our challenge:

- Building Africa’s own economies and institutional capacities to trade her way out of poverty and steadily generate own means for development. As the new international financial terrain squeezes**

budgets in donor nations; ODA has or will come under pressure. African nations are fully cognizant of that and are keen to develop new forms of partnership with both traditional and emerging partners to that end

Endogenous Risks

24. So what are the risks going forward: the list is long, but I will limit myself to five endogenous risks I would consider most challenging:

- First, domestic political upheaval, often sudden and whose long term trajectory and resolution is unpredictable.**
- Second, and to an extent linked to the first; the absence of safety nets, this is particularly worrisome in circumstances where economic growth is seen or perceived not to be inclusive; This has often lead to frustrations and violence especially among the urban poor.**
- Third, growth from natural resource based, often, extraverted economies that do not create jobs and opportunities for the wider population**
- Third, the infrastructure (especially energy) deficit, which is hampering growth of opportunities for business large and small.**
- Fourth, increased food insecurity in the context of climate change, instability and volatility in international markets.**

25. To which endogenous shocks we must add those which emanate from the external environment. .

26. Africa has weathered the recent crisis quite well, supported by its own cushions, limited exposure to toxic assets, and the countercyclical response of institutions such as the African Development Bank which almost tripled its lending and grants to 12 billion dollars in 2009 at the height of the crisis.

Exogenous Risks

27. But no doubt, we remain vulnerable to shocks such as those now battling the EURO area as well as those other issues hampering the full recovery of the global economy. Our hope is that those can be contained. We have full confidence in the will and ability of wealthy nations to take steps that prevent spillover effects to low income countries. We are strong believers in multilateralism. It goes without saying that the multilateralism Africa seeks is one which is inclusive, that seeks to design a stable future equitable global system rather than simply correcting the deficiencies of the old system which brought the global economy to near death experience.

28. Africans are frustrated at being bystanders, rather than active participants in the G20 process where most of those solutions the World needs are being articulated and crafted. The opportunity should not be wasted for African countries to be part of the solutions.

That is why we were very pleased by the creation of the Development Working Group at the Toronto Summit and in particular the fact that the South Korean G20 Chair was able to put the issues of development squarely on the agenda. This by itself was of symbolic significance, that this was taking place in a country which had only a GDP/capita of 65 \$/person in 1960.

We are fully hopeful that this focus on development continues under the French Presidency. We see efforts to spur growth and unlocking Africa's potential as an essential part of global rebalancing and recovery in terms of jobs, investment opportunities, which a young rising African market offers.- a force for good - for the whole world.

We at the African Development Bank, as Africa's premier development institution, are keen to carry forward this agenda within the context of the momentum created at the Seoul G20 Summit.

29. Our Medium Term Strategy is precisely anchored in that perspective; in the five interlink areas:

- (i) Economic integration**
- (ii) Strong institutions and good governance**
- (iii) The private sector**
- (iv) Close the gap in infrastructure and skills**
- (v) Support countries emerging out of conflict**

30. Our robust financial position, our franchise value in Africa puts us in a privileged position to do so. During the recent crisis, Africa proved its mettle, with the support of institutions such as the African Development Bank which demonstrated its capacity, flexibility to act in a counter cyclical manner and thereby minimize the damage to our nascent economies.

31. We are called upon in particular to scale up our efforts in closing up Africa's infrastructure gap which is adding up to 30 - 40% to the costs of doing business in Africa. Whether it is in power, roads, railroads, maritime ports, or airports, Africa's current infrastructure gap is not able to sustain economies growing at 7% p.a. The financial resources needed are significant. We are keen to leverage our own resources with other partners, public, private, new, traditional in an enduring partnership.

Many emerging G20 members faced the same challenges and we would like to leverage their knowledge and experience in this area. I am told by experts that some of the very early loans Korea took from the World Bank was to build high speed trains and other key infrastructures. We are convinced opportunities now exist to mobilize talents, energies, experiences and resources in the G20 for a transformative relationship through infrastructure projects that offer high returns to investments. This is the context in which a proposal for partial recycling of some of the resources in parts of the world with large external surpluses can be put to use for mutual benefits. There are of course issues of a technical nature (such as debt sustainability) which will have to be attended to and Bank staff are already doing so ,to provide inputs to a High Level Advisory Group which is supposed to be put in place in accordance with the recommendations of the last G20 Summit.

32. The last issue I would like to briefly touch upon relates to the proposed Africa Green Fund. From this conference I am going to Cancun. At this moment, it is clear to all and sundry that given the complexities of the politics

around climate change, the task of attaining a deal towards an adequate cut in emissions that is binding, monitorable and verifiable; and which we all hope to see, is to say the least still a long way. I believe many delegates in Cancun will have so adjusted their expectations.

But this is the problem for Africa: that wait for a deal is simply too long. The risk of climate change reversing some of our gains and economic momentum is real; a sense of urgency around the development content is not there. But perhaps in a spirit of pragmatism which says something like “a few things can be agreed upon before the entire package is concluded” is possible; in which case; issues of critical importance to low income countries, and, Africa in particular, can then be unbundled and agreed upon; let us say REDD++ But above all the key issue is that of financing; financing for adaptation and clean energy production in particular.

33. Take an example: As you know, Africa has 16% of the World’s forest. But 635mn ha are felled and burnt each year – a source of emissions, decreased biodiversity, (The Congo Basin is said to contain within it 80% of species not to be found elsewhere) and of course loss of carbon storage . But that Basin contains also the Inga Dam with all its mighty potential.

34. I was honoured to be a member of Secretary General Ban Ki Moon “High level Advisory Panel on innovative climate finance”. We members of the panel concluded that raising the financing needed for low income countries to cope with the damage of climate change and embark on a green growth path is feasible; and by the way with very limited calls on public budget resources. But we also concluded that political will is what is mainly needed to enable the innovative financing mechanisms we proposed to be operational

35. African negotiators have advocated for an Africa Green Fund –and for the African Development Bank to manage it, as we do for many other funds. Our understanding is that Africa felt the need for this carve out, not only because of the very special challenges they face, but also because many previous mechanisms have not delivered for them. Needless to say this mechanism would operate under the context and umbrella of the UNFCCC process with a light governance structure and Africans and the partners would make the decisions – We are proud to have been asked to play this role. It is an initiative critical to Africa’s future going forward and we are working hard to bring that to resolution.

Let me conclude; As I said earlier: Two years ago the Global Economy experienced a near death experience

36. . The International Community through the G20 then came together and has achieved much in restoring confidence, stabilizing the system and limiting spillover effects, especially by boosting up the responses of the International Financial Institutions; a process in which the AfDB played her part. Much remains to be done globally; on correcting global imbalances, dealing with debt and deficits, financing safety nets, regulations etc.

37. It is now time, to make this task more inclusive and especially comprehensive by looking closely at the opportunities the continent of Africa, and her one billion people offer in that process of stimulating the global economy. As one eminent Leader put it” hitting two birds with one stone, correcting the imbalances of finance and development”.

In the last fifty years Africa has gone through a long journey; a journey of promise, but also of disappointments and setbacks. It has been bumpy, painful even traumatic at times. But it has also been a journey of self discovery. Now she is ready to fully optimize that often cited potential and promise. Opportunities abound and time is ripe ;

38. As Victor Hugo famously said “Nothing can stop the idea whose time has come” We at the African Development Bank are honoured to be part of that process of unlocking Africa’s potential at this exciting time in Africa’s history; As we say at the Bank; we are ready to do so as partner, adviser, financier to all those the World over who will put their confidence in Africa.

Let me once again thank the European American Press Club for this very kind invitation. Thank you for listening .