

STATEMENT BY

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Director General, Pascal Lamy

Colleagues, Friends

Good morning.

Let me begin by thanking Pascal Lamy for getting us together for the second time, to assess where we are on this critical agenda of aid for trade whose case, is made now even more compelling, by the fallout in the global economy.

I will limit my brief remarks to (i) what has been happening in Africa over the last few months since we met in Tanzania (ii) what we, at the African Development Bank have been doing since the first review.

At the beginning of the crisis, a certain optimistic view dominated that, low income countries are immune; the reality is that the effect of the crisis arrived much quicker and may be long lasting. Not surprisingly, the principal vehicle of transmission into the real economy of Africa has been the trade channel – or shall I say, the commodities – channel.

It is therefore self evident why those economies that are mostly dependent on one or two commodities, have suffered the most. And as a result, there is a renewed search on how to better manage commodity “booms and bursts”.

The second main feature of this crisis has been the impact on the large regional economies such as South Africa. The impact of the slowdown of such regional growth engines like South Africa and Nigeria has inevitably filtered to neighbouring trading partners such as Lesotho and Benin. In the former case, SACU revenues and or migrant labour transfers have declined significantly.

Taking the Continent as a whole, according to the most recent statistics, the average growth will be in the neighbourhood of 3%. But of course, the reality is that of a very mixed picture:

- a dozen countries are still holding above 5%, mainly those with better diversified economies and strong reform credentials;
- another dozen or so, have demonstrated a surprising resilience and capacity to react, and will probably maintain growth in the neighbourhood of 3% GDP;
- Nonetheless, the majority – about 26 countries are showing negative real per capita GDP, and poverty levels are rising.

It is worth noting that the crisis in the global economy, and the ricochet on African economies, has not rolled back the Continent's reform efforts or strong belief in the markets. In contrast, it is giving a much welcome refocus on identifying opportunities offered by Africa's regional markets in their diversity. Over the last ten years, regional trade has played a key role.

Three weeks ago, I was in Namibia at the invitation of President Pohamba. I flew to the north to visit a railway project we support and then to the town of Oshakati at the Angolan border. At this booming trade centre, between Angola and Namibia, you can purchase almost any product from utility vehicles, machinery, household items or consumer goods. The Government wishes to develop it into an EPZ. I promised to look into ways of supporting them organize this into an effective export zone. It is clear to me that improving such trade opportunities within the continent at this time will probably constitute the best launch pad for a recovery, and Aid for Trade has a major role.

Since our first review meeting in Dar es Salaam, I am happy with progress on the ground. Mainstreaming trade in national plans in particular is encouraging. Just look at the number of countries which have decided to keep their borders open for 24 hours. In May last year we, together with WTO and ECA, we have put together the Africa Aid for Trade working group. Its role is to monitor the road map, and effect sub-regional reviews.

As for us at the Bank, we have continued to focus on regional integration. Our last soft window replenishment, the resources for regional integration are capped at 18%, which means roughly 2 billion dollars. We have concentrated on trade related infrastructure, building capacity of RECs, a domain in which the AfDB is acquiring a certain level of invaluable solid experience.

Over the last three years, we have multiplied three fold our support to regional projects, to just under 1 billion dollars per annum. I would like to share with you some of the lessons we have learnt. First, the apparent competition between national and regional programming for resources: The allocation of International ODA resources allocation as between the national and regional programmes is quite complex. The large part is principally national and performance based in character. Regional programmes are sometimes viewed as potentially providing a large scope for free riding and escaping the prism of performance, and cost sharing can be quite problematic as indeed one leader told me “elections are won at home”.

We will need to think together how to overcome some of these obstacles if we are to give a greater boost to regional integration. Addressing the downside arising from potential free riding and related issues can be done in dialogue with RECs, but I believe the International Community must give greater attention to regional programmable resources.

The second lesson we have learnt is that the best way to build the regional economic institutions’ capacities is not to bypass them, and set up new structures. Rather, it is by working with/through them. In this way, we progressively augment their capacity. In turn, it is their role and responsibility to exploit to the full the “subsidiarity principle”, taking on those tasks for which they, and only they, and not national or sub national authorities, are best suited to carry forward.

Mr. Chairman, It so happens that the AfT core areas coincide very well with the focus in the Bank new Medium Term five year strategy, which is essentially a “growth” strategy.

We are also putting a lot of emphasis on building private sector organizations’ capabilities, training trade officials on all pertinent matters such quality and standards. Through our budget support operations, which we have front loaded, we have been able to provide fiscal space for eligible countries thereby enabling them to compensate for revenue losses as they make deeper trade reforms. We have put great emphasis on infrastructure in general, but trans Africa corridors in particular; such corridors are the 250 km highway in the EAC region, between Kenya and Tanzania, a major portion of the Trans-Africa highway between Nigeria and Cameroun; or another 250 million US\$ corridor for the Nacala corridor linking up Zambia, Malawi, and Mozambique.

I would like to emphasize an issue which is assuming importance. I am referring to the situation of our ports; and that of our dilapidated railways. I agree with those leaders who are calling for a new strategic attention to rehabilitating our railways development in Africa. As business has grown, our roads are sinking under unrestricted weight, limited resources for maintenance, and growth in volumes of bulky, low value goods.

During the years of structural adjustment, many railways were privatized for very good reasons, by any one of several formulas, including concessioning. The experience so far has not worked to our satisfaction and a re-examination of that experience of railway privatization and lessons to be drawn is long overdue. I am not in any way saying that State owned railways did any better, only that the alternative has not provided the viable solution either.

We have also been doing considerable work in maritime port development in places such as the Doralleh port in Djibouti. In the same spirit, I have commissioned some work at the Bank on Africa's port capacities, building on the excellent work by World Bank, UNCTAD, and others. I expect the findings to appear in the Africa Economic Report, 2010, which I think will complete our understanding of the logistics challenges.

Finally, let me mention our work in trade finance.

We as a development Bank, for years, saw our mission as that of long term project finance not trade finance. Existing commercial and specialized financial institutions were able to provide that type of finance. However, the impact of the crisis has led the call to us, including by the G20, to play a counter cyclical role in this domain.

Early this year, we brought together Africa's leading regional/sub-regional financial institutions including some commercial Banks in Tunis, to take stock of what is happening in the area of trade finance. It became clear there was a problem of a unique magnitude requiring a response. Consequently, our Board of Directors has decided to make available 1 billion US\$ for the purpose. We have decided to do so via a two track approach. For reasons of efficiency/effectiveness and complementarity:

- ½ billion US\$ will be provided directly to Africa's banks and trade finance houses;
- Another ½ billion US\$ through the GTLP, a common pool to be managed by the IFC which we are initialing with the World Bank Group and other partners later this morning.

I cannot imagine a more effective way to be counter-cyclical than this collaborative effort through the IFIs, a realization of a multi-agency collaborative initiative, we concluded at our Annual Meetings in May.

We are in the middle of a crisis where we have to provide short-term crisis responses such as trade finance, while keeping focused on and the long term strategic issues, such as infrastructure. Once the crisis is over, we will then review our role in this area, and determine whether we remain engaged or revert to the core of our original mission, that of financing long term projects.

After a promising decade, the crisis has been a major set back for Africa. But as a Continent, we are resisting much better than we thought earlier this year. The African economies are holding out in a manner which could not have been imagined a decade back.

I am therefore quite optimistic that in a not too distant future, we will return to our pre-crisis growth trajectory. This is what makes the extra effort we are called upon to make today in aid for trade - so critical.

Once again, let me thank Mr. Lamy and the WTO for this opportunity. I want to assure you that the African Development Bank is strongly committed to this agenda.

Thank you.