

STATEMENT BY

Donald **KABERUKA**
President, African Development Bank

at the Development Committee

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Mr. Chairman,
President Zoelick,

I thank you for this opportunity. The statements by African colleagues this morning have amply demonstrated the impact the global financial crisis is having on African countries. I would like to make the following additional remarks:

First; the crisis for Africa is most probably at its beginning and still unfolding and the chances are, we have not as yet seen its full impact. Consequently, we do not know if the worst is yet to come.

Secondly, the problem of the asymmetry in the decline and recovery phases: At the beginning of the crisis, we thought it might take at least eighteen to twenty four months for the crisis to reach our shores. In reality the impact has been faster and deeper than expected, and in all probabilities, we suspect that whenever the global economy recovers, Africa's recovery will be slower. This is not surprising; it took almost a decade of painful sustained reforms to turn round Africa's negative per capita growth, and yet it has taken only six months for the continent's global growth prospects to be cut by half from 7% to 3%.

Mr. Chairman,

The story of Africa since 30 years has been one of episodic growth phases followed by major setbacks. In those times, one could primarily attribute those difficulties to internal factors; instability, governance, inability or unwillingness to see key reforms through, as well as frequent policy reversals. But as many have said today, this time around, it is a different story; the problems are almost entirely externally driven.

Nonetheless, I believe we can regain momentum. We cannot afford not to do so. We have a responsibility to protect the achievements and prevent excessive damage.

In so doing, I see the following as extremely critical:

First: Avoiding the return of the macro economic instabilities, the return of the dual deficits; hyper inflation is the surest way to hurt the poor.

Second: Keeping trade open, hence as Chief Economist, Justin Lee has just pointed out, the importance of minimizing cutbacks on infrastructure, providing trade finance and resisting the forces of economic nationalism.

Thirdly: Avoiding setbacks on those MDGs on which progress was being made especially universal primary education.

Fourthly: Striking a balance between short term crisis responses and long term action on structural issues.

We very much welcome the boosting of IMF resources and proposed increased access flexibilities. These are timely and will help to ensure external viabilities of countries facing balance of payment stresses. Now we need to reinforce the channels of development finance on which many of these countries depend, namely: the World Bank's IDA's, the African Development Bank's ADF window. We must, and this is my last point, keep these concessional funding windows strong. At this point, we are responding quite flexibly by front loading resources, but that does not increase the size of the envelope. To avoid damage which could be caused by a hiatus in resources and volatility, it must be clear what we will do, next year, and the year after, I hope, as Minister Bert Koenders mentioned a few minutes ago, that we can bring forward IFIs soft window replenishment cycles and try to complete the process earlier.

These are challenging times, and times of high uncertainties. At the African Development Bank, we have taken steps to protect the achievements, which Africa has scored in the last decade, combining short term crisis response measures with attention to long term structural issues. We will do, and are prepared to do more in complementarity with our colleagues at the World Bank and other sister institutions. The next few months will test the leadership of all of us to respond with the same imagination and urgency, which the international community, through the G20 is showing on dealing with the global financial issues and the aftermath. I hope that between now and our next meeting in autumn we can make further progress on securing our common goals in low income countries especially on the African continent.

Thank you.