



AFRICAN DEVELOPMENT BANK GROUP

Managing Uncertainties – Moving Forward With Confidence

Dr. Donald Kaberuka

President

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Accredited to Tunisia and Representatives of International Organizations

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I would, first and foremost, like to thank you for accepting our invitation as usual. As with every year, I feel happy and proud to see you at this event, a tradition established since our coming to Tunisia.

On behalf of our Board of Directors, Management and staff of the African Development Bank, and on my personal behalf, I present to you our best wishes for the New Year.

For sovereign countries and organizations that you represent, I wish that the year 2014 should be that of a better, peaceful and prosperous world, where we can, together, deal with the many challenges facing us today. This gathering will be the last here because, as you know, the Bank has already begun the process of returning to its official Headquarters in Côte d'Ivoire. During the 10 years we have spent in Tunis, the Tunisian people have shown us unwavering support, consistent solidarity, friendship and hospitality. I would like to solemnly and sincerely express our profound gratitude to them.

I would also like to hail the courage, spirit of tolerance and sense of innovation they have demonstrated during a difficult period. That is why I am joining you in congratulating them for the imminent adoption of the new constitution which will therefore sanction the culmination of so much effort and sacrifice to give form to Tunisia's democratic renaissance.

Each time we have met on these occasions, I have shared with you our assessment on the prospects for Africa at the beginning of a new year. I have always shared with you our firm conviction that Africa has indeed turned a corner. Many challenges remain: poverty, inequalities, weak institutions, unemployment, and bouts of instability and even violence. As I say so often, the continent has reached a turning point, but not a tipping point.

At this moment, the headlines might appear very discouraging, as we see incomplete and prolonged democratic transitions in North Africa; mayhem in South Sudan and the Central African Republic; the crises in the Sahel and the Horn of Africa, and pockets of instability elsewhere. At a time when Africa was making steady progress in overcoming its past difficulties, the tragedies we see today in South Sudan and the Central African Republic (CAR) are completely unacceptable. The People of Africa have had enough. I salute the valiant efforts which are underway, to resolve these crises peacefully.

We do not in any way underestimate the often complex nature of these problems – their origins, their spillovers, even their international ramifications – and we fully appreciate that their resolution will take some time. But that resolution is urgent.

We call, in particular, on the leaders of South Sudan and the CAR, at all levels, to give peace a chance. This said, at the dawn of the New Year, we remain confident about the future. This comes not from any naïve analysis or trust, but from our intimate knowledge of this continent. Africa is 54 countries: a complex mosaic of conditions, cultures, resource endowments, histories, geographies and institutions. Our optimism is based on the fact that despite the bad headlines which we are reading this week, most of Africa is at peace and moving forward.

Take a look at this chart which shows you Africa's demographic and economic map. You will see that much of Africa is at peace. It is stable; it is moving ahead. You will see that 84% of Africans live in such stable countries. You will also see that over 90% of Africa's GDP is generated in those countries which are at peace. I am the first to acknowledge the existence of pockets of problems – such as Boko Haram – even in stable countries, and their spillover effects. What I am saying is that the presentation of Africa as a crisis-ridden continent requires deep nuancing.

So, as the New Year sets in, what do I see as our overriding priorities? I see three.

First, peace and stability. It is urgent that we build robust early warning mechanisms to enable us to manage problems proactively before they break into violence. Whether in Mali, the Central African Republic or South Sudan, we waited far too long. And now we have a new complication. In Africa, like other parts of the world, we have sometimes seen bouts of extremism. But now there is something relatively new: from jihadist groups in the Sahel and the remnants of Al-Qaeda, Boko Haram or Al-Shabab. Just look at the recent terrorist attack at the Westgate Shopping Center in Nairobi. This is a new form of threat that we cannot resolve on our own. It requires stronger international cooperation. These are groups which often take advantage of local social and political grievances, and weak states, to introduce completely alien agendas. This is even linked to problems of narco-trafficking in the Mano River area of West Africa, and to the threat of extermination of Africa's precious wildlife such as rhinos and elephants.

I am emphasizing these things because they are interrelated, and the sum of it all is raising Africa's risk profile, thus undermining the investment climate and threatening economic growth and sustainability.

Second, tackling the issue of inclusion and inequalities – which is often the source of political and social problems – and violence. It also represents a lost opportunity. Today, Africa is the second most unequal continent after Latin America, with some countries having a Gini coefficient as high as 0.7. That is not sustainable. That is why inclusive growth underpins the work and the new Ten Year Strategy of the Bank.

The third is the issue of jobs, especially for the young population. This is a problem closely linked to the fact that our economies, though growing fast, are experiencing limited transformation. African countries are still stuck on the lower rungs of the ladder of global agricultural, industrial or services value chains, where jobs are created.

Linked to that is the fact that too many countries are still looking for solutions within national boundaries, when in fact economic integration and regional solutions are the best way to achieve them. The world over, finding solutions to unemployment is not easy. But we have an opportunity of putting our young people to work by providing them with the relevant skills, with stable countries, with sound infrastructure and with labour market mobility.

Let me now briefly share with you our regional assessments, beginning with North Africa. As you may well know, this region is the largest client of the Bank's non-concessional window. We have at this time just over nine billion dollars of commitments in Egypt, Tunisia and Morocco. Algeria and Libya are still non-borrowing members, while Mauritania is only eligible to access our concessional window. Our projections at this time are that the economies of the region will probably grow anywhere between 2% and 3.5% this year. We fully understand that the complex and prolonged transitions have taken their toll. But we also see an underlying resilience. At this moment, there are two major areas of concern.

The first one, not surprisingly, is one of jobs. There are now fewer jobs than before, and indeed, jobs are being lost as the major economic drivers – like investment flows, exports, tourism receipts and domestic demand – slow down. We are, however, encouraged by the fact that agriculture is holding up and by the recovery in the Eurozone, to which this region is highly exposed.

The second concern relates to the region's risk profile, and the frequent successive downgrading of some of the countries by the rating agencies. This has implications on investor confidence, borrowing costs, and, in our case, it gives us lower restricted headroom to lend to these countries. That is why, like you, we are very much interested in the rapid normalization of the political landscape and having greater clarity on the political and social evolution of the region. We are fully conscious of the complexity of the issues, and we are prepared to continue providing our support on this journey.

Let me now turn to Sub-Saharan Africa. Speaking in Nairobi this week, the IMF Chief, Christine Lagarde, expressed strong optimism on Sub-Saharan Africa's growth prospects, which should be around 6% in 2014. That is an assessment we entirely share. We would even go further: a third of the countries should see

growth higher than that – probably 6.5%. Provided that the global economy continues to improve, the prospects for most of the region are positive.

But remember, these are 47 countries with very different endowments. Some are resource-rich; some are landlocked; some are in the lower middle income category. So the performance will of course be highly variable. There remain pockets of resistance, especially where there is political instability. Nonetheless, as I was saying earlier, everywhere there remain three deep challenges – inclusion, inequalities, and jobs. There are still far too large sections of the population which do not feel the benefits of growth. That is a source of instability, and is not sustainable.

Another big challenge is the management of natural resources. In a number of countries, large commercial findings of gas, oil and minerals have recently come on stream at a scale not seen in earlier years. These will require careful husbandry, if they are to become a blessing, and not a curse.

The third issue relates to infrastructure, in particular energy. Practically everywhere power shortages are posing a real constraint to the economies. But this also presents an opportunity for investments from the private sector, provided the policy environment is right.

That is why I very much welcome the continuing reforms in the power sector across the continent in areas such as regulation, tariffs, etc. These reforms are sometimes difficult, but they are vital to attract independent power producers, bearing in mind that public sector means are limited.

The Bank is very active in this domain, including its partnering with the US “Power Africa” initiative. This now gives me the opportunity to express my appreciation to the member states that are contributing to the African Development Fund. Despite tough a budget situation everywhere, the ADF 13 was successfully replenished last September. I also wish to acknowledge the new contributors to the Fund – Libya and Angola – who joined South Africa and Egypt, as well as Turkey, our newest ADF State Participant. The ADF is having a strong impact on the lives of ordinary people – including those in fragile states – and in enabling regional integration through infrastructure development and trade facilitation.

Going forward, the main issues now are how to complement donor efforts by mobilizing Africa’s own savings; and how to mobilize private capital for Africa’s transformative and commercially viable infrastructure projects.

This is the idea of Africa50, about which you will hear more in the coming months. Bank staff are working on this now. I believe it is an idea whose time has come. As we go forward, I recall Jim Wolfensohn's remarks several years ago. If I recall well, he said that the world was divided into three categories – the affluent, the emerging and the low income. Today, the world is probably much more complex. The affluent countries are having to address deep-seated structural problems. The emerging countries still face large pockets of poverty and inequality. The low-income countries experience fast growth, but limited transformation.

This is where multilateralism is needed more than ever – on issues ranging from trade to climate change, migration, terrorism, wildlife and narcotics trafficking. These are problems that all countries can only address together.

Let me conclude by thanking you for your support and friendship throughout our decade-long stay in Tunis.

A happy and successful New Year to you all. Thank you.