

Making Africa's voice heard

Donald Kaberuka

The severe impact of the global downturn on emerging economies in Africa is often ignored by the West but the African Development Bank is working hard to preserve growth across the continent.

THE ROLE OF MULTILATERAL DEVELOPMENT BANKS

(MDBs) has been heightened by the global financial downturn. Indeed, the G-20 leaders have called for strengthened MDBs and greater resources to help them to respond.

This global crisis has widened the financing gap on the African continent: trade and capital flows are declining; foreign reserves are shrinking and fiscal deficits are worsening. And attempts to raise long-term finance through sovereign bonds have either failed or been delayed.

As investors withdraw, private sector projects have also been delayed or even suspended. African governments are doing their best to weather the storm but the resources and policy space are limited.

Demands on the African Development Bank (AfDB) to play a counter-cyclical role have increased and it has stepped in swiftly to preserve the foundations of growth, combining short-term crisis responses with attention to long-term issues such as infrastructure.

TAILOR-MADE SOLUTIONS

African countries are diverse and the crisis has affected them differently. The AfDB's approach has favoured tailor-made solutions. For low-income countries, the challenge is to accelerate resource transfers to them as they address the fiscal and current account deficits.

For the middle-income countries, the AfDB has a two-pronged approach. It has established emergency instruments that are both fast-disbursing and flexible for immediate response. These include an emergency liquidity facility of \$1.5bn and a trade finance initiative of \$1bn; the latter is also available to banks in low-income countries. These instruments aim to ease the liquidity squeeze and are being implemented in collaboration with other development finance institutions operating on the continent.

The AfDB is also accelerating transfers to its concessional borrowers and supplementing resources available for middle-income countries. It understands that, while necessary, these short-term measures must not distract its attention from Africa's long-term investment needs.



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That is why AfDB continues to channel resources to its priority sectors – infrastructure development, regional integration and private sector operations – to lay the foundations for recovery on the continent once global recovery sets in.

AFRICA FIRST

The AfDB believes that the most important issue is to stimulate global demand and avoid deep recessions. That is important for Africa too, because the first line of transmission to the continent has been a lower demand for its commodities and a retrenchment in capital flows. The second issue – a strengthened International Monetary Fund that has resources that are accessible to poor countries needing balance of payment support – is critical for Africa.

The G-20 has positioned itself as the multinational platform to tackle the underlying causes and impacts of the global crisis. Of the 20 countries represented, only one, South Africa, is African. At the G-20 summit, which took place in London in April, an African delegation led by Meles Zenawi, chair of New Partnership for Africa's Development, was invited to attend discussions as an observer.

Although the G-20 leaders are sympathetic to the concerns of Africa's 900 million population, the interests of developed and emerging, rather than developing, countries tend to dominate.

ONLY A TRICKLE

Therefore, although the G-20 has stressed the need to increase resources to sustain growth in the developing world, only a small portion of resources announced at the London summit will trickle down to low-income countries.

The collective efforts of African institutions to ensure the continent has a voice in the process must continue unabated and the initiatives launched by the AfDB in partnership with other development finance institutions operating on the continent (such as the International Finance Corporation) must be sustained.

The crisis cannot be fully resolved by putting the problems of poor countries on the back burner. Africa must be part of the solution to the global crisis. **FB**



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