Address to the African Finance Ministers’ Consultative Meeting

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President
The past 12 months have been momentous for Africa and for the Bank. As the year 2005, designated the year of Africa, comes to a close, we can take comfort in terms of progress made in raising Africa’s presence on a global level. In 2005, a confluence of major international events has highlighted Africa’s challenges, the efforts of the world’s richest countries to extend greater support to Africa as well as our own efforts within our countries. Last December, ADF partners provided the Bank with 5.4 billion dollars to 40 of our countries eligible for the ADF soft window, 21 of which will be on 100% grant terms.

The Commission for Africa’s final Report (CFA) was published in March, proposing a major program of support to Africa and to double resources for public investment and social expenditure. It also included a proposal to strengthen Africa’s own institutions, such as the ADB and ECA. In May this year, the first meeting on the Infrastructure Consortium for Africa, one of the proposals in the CFA, was held, followed by an inaugural meeting in October.

In July, the G8 countries, at the Gleneagles Summit, proposed to augment debt relief to countries reaching the completion point under the Heavily Indebted Poor Countries Initiative, resulting in 100% cancellation of debt owed by them to IDA, the African Development Fund, and the IMF. The G8 proposal provides a framework that seeks to deepen debt relief to HIPCs to help them reach the MDGs while safeguarding the long-term financial capacity of IDA and the African Development Fund. It also encourages the best use of additional donor resources for development by allocating them to low-income countries on the basis of policy performance.

In September at the United Nations, the Millennium Summit + 5 reviewed progress on the Millennium Development Goals. Next month, the WTO’s Sixth Ministerial Conference in Hong Kong will again bring into focus the difficulties that low income countries face in integrating into the global economy and in realizing the trade potential of the Doha Development Round. We all wait to see whether it will truly be a “Development Round” offering a chance to move collectively toward more open markets, to boost growth in rich and poor countries alike, and lift millions of people in Africa and other developing countries out of poverty.

Developments on the African scene have continued to offer more than good reasons for optimism. Despite some setbacks, the growth path in many African countries has been maintained, overall governance is improving and political conflicts are waning. The determination of we Africans to maintain peaceful and stable conditions for growth, prevent the emergence of conflicts, strengthen country governance, uphold democratic principles, safeguard individual rights and
freedoms, ensure fairness, and promote openness and transparency improves every day.

The People of Liberia have just given one more proof by electing Mrs. Ellen Johnson-Sirleaf as Africa’s first woman head of state. Last week we were honoured to receive President Bozize of the Central African Republic, a country in which we have not been able to operate in the past 10 years because of conflicts and unpaid arrears. In his address to the Board of Directors he spelt out the challenges his country faces as it emerges from civil strife. It is countries like Central African Republic and Liberia, emerging from the abyss, which provide us with the hope and the need to redouble our efforts to help them and the rest of Africa consolidate progress.

This year has also seen remarkable recovery in commodity prices and increased export revenues. The IMF Commodity Price Index for all primary commodities has surged by 40% since January, although of course the same index for non-fuel commodities shows a slower growth.

We must deepen those gains everywhere in Africa by the pursuit of sound and prudent economic policies and further sustain the substance of our economic reforms. The ultimate objective is to bring about a faster economic growth and effective integration in world trade and investment. You will all have seen a publication of one of our sister institutions entitled “Pity the Finance Minister”, in this case analysing challenges of managing unpredictable external aid inflows. We are all aware of what a trying task it is for ministers of finance to make the hard choices and trade-offs required to safeguard prospects for sustainable growth. You are privileged, indeed, to know from experience that a resolute and relentless quest for sound economic policies is the only way.

It is, therefore, vital that we meet often to exchange views on the domestic, regional and global challenges, especially in a fast changing environment like we face today. I look forward to the ADB continuing to provide and facilitate such a forum outside the annual statutory meetings of its governing organs.

Your meeting here in Tunis, six weeks before a new year is ushered in, is an opportunity to chart the way forward and maintain the momentum. Yes, commitments have been made by the international community to scale up aid inflows, to improve aid effectiveness, to support us to close the infrastructure gap, to rehabilitate our higher education, to open up markets and to provide debt relief. Now, how do we organize nationally, regionally via our continental institutions to keep up the momentum?
An important subject for discussion today is the G8 debt cancellation proposal and its operational, legal and financial aspects. The take-off of the initiative has been delayed because specific modalities for implementation remain to be clearly defined. They include the precise debt coverage, the cut-off and implementation dates, eligibility conditions, and the financing option to match foregone debt payments to the Bank. The choice of the financing option among different proposed alternatives will, of course, be crucial in determining the additonality of the initiative, which is the commitment made by the G8 and which determines the future capability of both the African Development Bank and the World Bank to be able to finance the needs of our countries. The forthcoming meeting of IDA/ADF deputies in two weeks’ time will benefit from your discussion today.

There is no doubt, the debt cancellation initiative will bring significant relief to many eligible African countries, but it is crystal clear it does not provide the financing needs for the MDGs. The problem is much more complex for countries whose ability to access additional ADF or IDA non grant resources is constrained by their debt sustainability. These are likely to be locked up in a 'low growth - low debt' scenario, which of course means that attaining MDGs becomes unlikely unless additional long-term predictable grant resources were availed. The Commission for Africa has calculated that an extra 75 billion dollars a year is needed for a 7% growth required to attain the MDGs by 2015. This is reinforced by other studies such as the Millennium Project which estimates that for Sub-Saharan Africa to attain the MDGs, aid will have to increase, in real terms, from the 2004 level of just under 25 billion dollars to 37 billion dollars in 2005 and then further up to 73 billion dollars by 2015. The Bank’s own estimates for some 30 selected African countries indicate an increase in support of the order of 20-25 billion dollars per annum.

It is clear a major scaling up of ODA flows to Africa is warranted, especially as an increasing number of countries have improved their absorptive capacity to use such resources effectively. It is important we hold the international community to its own commitments to scale up ODA beyond debt relief and humanitarian operations and improving on aid effectiveness along the Paris Agenda, such that available but unutilized resources are freed, scattered initiatives are harmonized and delivery achieved.

You will also be discussing the Africa Infrastructure Consortium, which is meant to galvanize efforts to accelerate the investments for infrastructure. As you are aware, the Bank Group is closely involved with many of the infrastructure initiatives in the field of water and sanitation as well as the NEPAD infrastructure development program, some of which are already underway. The Bank will host the Secretariat of the Africa Infrastructure Consortium. It will facilitate and build a strategic
partnership between all stakeholders – the African Union, NEPAD, the Regional Economic Communities, the ADB and other partners, notably the World Bank and the EU – on the development of infrastructure. It will address both national and regional constraints to infrastructure development and support the efforts of Consortium members through improved planning and project development. I am very pleased with the support of the World Bank and the EU with whom we are working very closely.

I spoke earlier about the need to keep the momentum. At this meeting, we should lay the groundwork for developing a framework for identifying what is to be done and by whom, at national, regional and continental levels, agree on a road map and time-bound deliverables.

I referred earlier to the opportunities offered to our oil exporting countries by the current price level, especially if managed with much foresight, which is increasingly the case. Our challenge will be to provide support where it is needed. The critical situation is that of African economies that are net importers. Inasmuch as the increased price is a positive development for exporting countries, sustained high oil prices entail major difficulties for importing countries finding themselves facing unanticipated financing needs, dampened economic growth, higher inflation, balance of payments difficulties, increased energy and transport costs, fragile public finances, and pressure for ever-higher subsidies. It is important we find a coordinated response that could enable affected countries to smoothly adjust without destabilizing their economies and compromising poverty reduction. It is my considered view that innovative and even bold decisions may be needed.

Africa will be looking forward to a successful outcome from the Hong Kong meeting, an outcome that offers trade liberalization beneficial to all. We hope developed countries will be prepared to take genuine action to cut trade-distorting subsidies, open their markets to agricultural products from Africa and other developing countries, and remove barriers to trade in manufactures and services, many of which discriminate heavily against developing countries.

The Doha Round is not simply North versus South; neither is it simply trade liberalization. Developing countries, too, must remove the impediments for expanding regional and South-South trade, thereby reducing barriers which are sometimes even several times higher. It is also evidently clear some of our countries would gain from a more open multilateral regime only in the medium to long term. There are, and could be, short term costs which require a robust response to support the affected countries in terms of revenue losses or even market losses. Thus, while low income countries in Africa have much to gain from a fair, equitable trade system, over time many will require support to improve
infrastructure and build supply capacity for realizing their export potential. While it is well known that trade liberalization is not without losers in the short term, it should, however, be a process in which all benefit. Countries affected by the liberalization of global markets should benefit from special financing mechanisms to enable them cope with trade-adjustment costs.

The Bank Group will review how it works with member countries to fully integrate development concerns in the trade agenda, as well as mainstream trade in development strategies to ensure that, as regional and global markets open up, Africa progressively fully benefits from expanded trade opportunities. I welcome your deliberations on this issue and the role for the Bank, which has not been given adequate focus in the past.

As we work our way through the agenda today and tomorrow, I am certain this meeting will produce recommendations on the issues on the table. First, for the IDA/ADF deputies meeting on the G8 debt cancellation initiative in two weeks’ time, for ensuring additionality of resources and the need for long-term, predictable financing and a robust action on issues of aid effectiveness. Second, a framework for a pan-African response in terms of how we organize and plan consequent to any potential scaling up of ODA. Third, for a coordinated response to the problems engendered by sustained oil price rises. And, finally, for a harmonized support to a pro-development trade agenda.

I would like you to consider whether such meetings of African ministers of finance should not be organized on a more regular basis to provide a forum for engaging in productive dialogue on key development policy issues facing the continent, with the participation of other major development institutions and of our development partners. The ADB is uniquely placed to provide you that platform. We will be guided by your deliberations on how we can play that role.

This is not the first time there has been a surge of international support for Africa. But there is, today, a big window of opportunity which requires a concerted response. You are challenged as finance ministers, custodians of our national budget plans and mobilizers of resources. Our institutions, such as the ADB, should take the lead and translate promises into practical programs. It is not simply a question of identifying investments; it is also about careful planning and coordination, as well as synergy among institutions.

As I come to the end of my remarks, let me observe that those of you who are Governors of the African Development Bank have entrusted me since September 1st with a mission to enhance the importance of this institution, making it a stronger, more effective and results-oriented. Both the Commission for Africa and
the Gleneagles Communiqué called for an enhanced role for the ADB. Indeed, the former called upon the new president to attempt a blueprint within six months. This process has begun. I will have an opportunity at lunch to explain to you our plans for reform of the ADB, the institutional, operational, and structural reforms needed and the roadmap for implementing those reforms to meet the evolving challenges of the day. The AfDB is 40 years old. Its achievements over four decades are there for all to see. But Africa is changing fast and the international environment is evolving rapidly and our institution, the ADB, has to adjust its focus and recognize the new challenge.

May this meeting be a symbol of your determination to guide and influence the economic fortunes of Africa and its relationship with its partners. I wish this meeting total success and hope that our deliberations are indeed fruitful in meeting Africa’s aspirations.

Thank you for your attention.