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The African Economic Outlook before us typifies the fine spirit of partnership between our institutions. For the African Development Bank, the collaboration in the preparation and production of this publication has brought us closer to fulfilling our mandate of informing and educating the public on current economic issues and social development in Africa and to promoting - through policy advocacy - issues that are crucial for more effective economic and public management of the continent.

Our partnership has come of age and today the African Economic Outlook is increasingly achieving its objectives of broadening the knowledge base on African economies and societies and offering valuable support for policy making, investment decisions and potentially donors' interventions. These successes have come about as a result of the immense interest and financial support of the European Commission, which again, underscores the fine spirit of co-operation among our sister institutions.

The African Development Bank assumed the leadership role in the partnership for the publication of the Outlook, with the seventh edition. We at the Bank are very proud of the smooth transition of the leadership role and will continue to ensure that the well-earned reputation of the publication as a reference document on African issues is maintained.

Africa is exhibiting a changed economic landscape that gives us a great sense of optimism for the future. Within Africa's diverse economies, a number of countries are clearly taking the lead in becoming emerging economies. Countries like Mauritius, Morocco, Nigeria, South Africa and Tunisia are clearly in the mould of emerging markets and could even become growth poles for others in the regions.

Across the continent, growth-oriented macroeconomic reforms, good conditions for business as well as clear efforts to liberalize markets, increased legal protections for investors, are coming together in support of a favourable external environment to give the continent an unprecedented rising economic growth.

This sense of optimism is heightened by Africa's growth performance and prospects portrayed in the Outlook. The report forecasts Africa's real GDP growth of about 6% in 2008 and 2009 from 5.7% in 2007. This forecast, which mirrors similar estimates by other leading development institutions, provides us the strong indication yet that economic activity in the continent is becoming robust enough to support rising standards of living in the continent.

This assessment is buttressed by the further indication that growth is increasingly becoming broad-based with more countries than ever before achieving rates of
growth above 5%, which is nearly twice as much as the rate of population growth in the continent.

Significantly, Africa’s positive growth performance and brighter prospects are in spite of the current global financial turbulence, which is casting a shadow on even the most resilient economies in the world and generally threatening global economic expansion.

Over the past three years commodity and metal producers and exporters in the continent have enjoyed windfall gains and strong growth rates from the high commodity prices. Increasingly, many of these countries are using the windfalls in a manner that will sustain growth.

Commodity importers, on the other hand, have suffered from these high prices. Nonetheless, we are heartened by the fact that many net oil importing countries in Africa have implemented policies to ride through the oil price shock and continue to post strong growth.

In spite of the recent gains, Africa continues to face daunting challenges to the growth process. The continent has not been immune to some of the emerging challenges in the global economy. Inflationary pressures have intensified across the continent as a result both of the oil price shock and recent food price rise. These price rises now threaten fiscal consolidation and are worsening the balance of payments in food importing countries.

Also, the sudden and escalating prices of food have started to have severe implications in many African countries. Indeed, for the first time in its history, some parts of the continent now face the threat of famine as a result of rising food price rather than physical lack of food. And, given the large share of food in the consumption basket of the poor in many of our countries, there is a big risk of unwinding progress made by these countries in attaining the MDGs, especially the likelihood of pushing millions back into poverty.

These difficulties, however, must not be met with panic measures. The continent needs to guard against short-term responses such as slashing food import tariffs, lowering taxes and increasing subsidies in an effort to keep local prices low. Such measures may only offer temporary alleviations to a problem that is of a long-term nature.

Rather, there is need for policy measures to mitigate the effects on a more permanent and longer term basis. Africa needs in the long term, to boost agricultural production; increase investment in rural infrastructure; provide
assistance in the form of improved seeds, fertilizers, and small-scale water management techniques to smallholders; and sustain food production through climate change adaptation mechanisms.

Also, the current positive economic growth serves as a platform for Africa to face the challenge of sustainability in growth to avoid the boom and bust which has characterized earlier episodes. Sustained economic growth is the best tool to fight poverty. Indeed, China's high economic growth has been identified as the single most important factor in that country's ability to reduce the incidence of poverty.

Within Africa, countries such as Mauritius and Tunisia – that generated sustained growth for long periods – have virtually eliminated the most acute forms of poverty. Hence, Africa must transform the current high growth episode into a sustained one for it to lift millions out of poverty.

Attention has to be paid especially to fragile states, in particular those emerging from years of conflict. These states have consistently experienced far lower standards of living than others. This group of countries must put an even greater emphasis on institutional and capacity building with the full assistance of the donor community.

Further, the quest for sustained economic growth should focus increased attention on diversification to increase export volumes. Indeed, the five most diversified countries, Tunisia, Morocco, South Africa, Tanzania and Senegal are also among the best performing economies. Since the turn of the Century, export concentration has rather increased in Africa. In fact, the 10 less diversified countries are all oil exporters. The current commodity boom should provide an opportunity for these countries to use their resource wealth to diversify their economies.

Moreover, Africa has to face the challenge of skills development for sustained growth. There is no doubt that skills development is a key factor for economic growth. Some have even argued that African countries could promote economic growth by promoting Africa's talent rather than its geology.

Absence of natural resources is clearly not a condemnation to poverty as proved by China or India where highly skilled people have put science and technology at the center of the development agenda. With nearly one billion inhabitants, almost half of whom are below the age of 15, Africa's youth is the key to its future economic development. But at the moment, this is a resource that is being severely neglected.
The analyses in the *Outlook* suggest that the skill development system in Africa remains constrained by the inadequate quantity and quality of teaching staff, obsolete equipment and teaching curricula, and little relationship with the job market. This sober picture is not merely due to lack of resources but also relates to how available resources are being used.

The disconnection between higher learning institutions and the private sector has created the twin problems of high youth unemployment and shortage of middle to high skills, while in some cases, highly trained individuals lack jobs. For example, in Tunisia with an unemployment rate of around 14%, more than 40% of university graduates remain unemployed. In the meantime, many countries depend on "short term" technical assistance which cannot be a replacement of local talent.

As the *Outlook* makes clear, technical and vocational systems in Africa are influenced by multiple constraints that limit their expansion and impact. It is incumbent on both governments and the private sector to respond to improve education, and train and upgrade skills of the workforce.

It is increasingly apparent that Africa is changing for the better in spite of the challenges. The encouraging reality of Africa on the ground has created a new sweeping wave of optimism, driven by several positive developments including positive growth trends, increased democratic dispensation, cessation of conflicts, strengthening of economic reforms, and more trade openness.

For the African Development Bank Group, these issues are part of the primary focus of our operations, and we have, in this context, also given high priority to adopting and implementing appropriate policies. We have essentially linked Africa’s growth dynamics with infrastructure development, governance and investment climate improvements of our regional member countries.

The Bank Group is spearheading changes in our regional member countries through a number of mechanisms, including policy dialogue, analytical work, grants, loans, debt relief, and policy-based lending.

In 2007, the Bank registered record levels of approvals in terms of loans, grants, and debt relief, with lending activities reaching 3.1 billion units of account, compared with 2.6 billion units of account in 2006, an increase of 19.2%. In the course of the past three years, the bulk of the Bank’s operations have gone to support infrastructure because of the critical role it plays in sustainable economic growth and poverty reduction in African countries. For instance, developing energy resources at affordable rates enhances economic and industrial activity; clean water supply and good sanitation facilities contribute to good health; improved
transportation removes barriers to the movement of goods and services and enhances economic activity.

Africa is however a diverse continent. As the Bank intensifies its contribution to fighting poverty in low income countries, it is stepping up its operations for middle income countries by strengthening the private sector, upgrading infrastructure, generating employment opportunities, and improving the overall competitive position of the economies, thereby growing their ability to benefit from the improving world trade and investment conditions.

The Bank is also contributing to the changes in Africa through its initiative on conflict and fragile states. In this regard, the Bank's arrears' clearance instrument - the Post Conflict Facility - has been highly successful. We are now engaging these countries in post-conflict recovery through institutions building and infrastructure development.

Further, the Bank has stepped up its operations in building the capacity of regional economic communities and strengthening regional infrastructure. This particular measure aims at supporting the progressive integration and growth of African economies and internal markets, is in line with the objectives of NEPAD.

There is no doubt that the affirmative changes happening in Africa have to be packaged and advocated aggressively. The African Development Bank is playing an active advocacy role in show-casing these changes. We have just come back from Maputo, Mozambique from our Annual Meetings. I am glad to report to you that we had an excellent opportunity to highlight the positive developments taking place in our continent.

Thank you.