



AFRICAN DEVELOPMENT BANK GROUP

Speech to the Committee of Ten

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President

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The impetus created by the meeting of Finance Ministers and Central Bank Governors in Tunis at the beginning of the crisis has been maintained thanks to the work of this Committee, which was created as a follow up mechanism to that Conference.

We have since met twice – in Cape Town in January and Dar-Es-Salaam in March – defined, and articulated the proposals which were submitted to the G20 in London. At different fora, since the stance defined by your Committee has guided our inputs and interaction, with development partners, and the international community at large.

For this, our third session, I believe we could set out to accomplish the following objectives:

- First, an up-to-date assessment of the economic situation: our Chief Economist's department has prepared such an analysis for your attention; we have been very much assisted by inputs from your capitals as transmitted by our field offices.
- Secondly, an evaluation of where we stand since the London G20 Summit and in decisions taken, in particular those affecting low income countries.
- Thirdly, to deliberate on our inputs and concerns going forward to the G20 in Pittsburgh.

Let me briefly explain. At the onset of the financial crises there was uncertainty as to how, when and how deeply the African continent would be affected. Throughout the past year forecasts have been revised frequently. It is a highly dynamic situation: the transmission of the impact was faster than initially thought via the different channels.

Not surprisingly, the different parts of Africa are not affected in the same way or to the same degree. The structure of the economies, external dependences on inflows and capacity to respond have been the key factors.

What has been a major surprise has been the way in which well-managed economies, but dependent on minerals such as diamonds and copper, have been affected.

Our vulnerability index shows a core of about 26 countries whose growth prospects are significantly diminishing this year. The remainder shows varying degrees of resilience – although one is not certain for how long they can resist.

All said, although the continent of Africa has shown a remarkable resilience unthinkable 15 to 20 years ago, growth prospects except for about 20 countries remain quite fragile.

The London G20 Summit committed to take strong, collective measures to restore global growth and confidence in the international finance market. It initiated steps to minimize damage and protect achievements in the emerging economies and low income countries.

Decisions were taken regarding significant resources for the International Monetary Fund and a commitment to strengthen the financial positions of Multilateral Development Banks.

In light of the same G20 Summit that called on International Financial Institutions to scale up several-fold their responses, I am pleased to tell you that at the African Development Bank we have introduced new countercyclical policies, faster disbursing instruments and frontloaded our concessional resources.

As you can see in the documents before you, the Bank faces an unprecedented increase in requests for funding. Already received requests for 2010 total 7.7 billion dollars. Total group financing is expected to raise up to 10.8 billion in 2009, of which 8.3 billion dollars is for sovereign transactions such as budget support and other crisis induced programs.

In response to the call to do more for low income countries, our soft window resources have been front-loaded by the end of 2009; indeed 80% of the resources available for the ADF cycle will be committed and half of the AFT countries will have utilized their full allocation. To fill the gap for the retrenchment trade finance, we have put in place a one billion dollar facility, half of which is pooled with the IFC. The World Bank President and I initiated the agreement in Geneva, only last Monday. This is quite a substantial commitment by the Bank.

We have responded to increased demand for budget support, including some of our largest financing ever. I am therefore pleased by the undertaking at the G20, reaffirmed last week at the G8, to be ready to provide additional concessional and capital resources as needed. Indeed discussions in this respect, as well as technical preparations, are underway for the purpose. It is in particular critical that the concessional window receives replenishment early and that the general capital increase for the Bank is accorded the necessary attention.

The Pittsburgh G20 will be critical in giving impetus to the decisions made in London. Our first concern at Pittsburgh is the one shared by the rest of the world – i.e. a return to the growth path.

But above all our concerns at Pittsburgh are summarized by the following phrase by an eminent African leader: “G20 London was a major achievement on global issues and emerging markets concerns. Pittsburgh must go further and include in a more substantive way the unfinished business of the low income countries.” This means ensuring that low income countries resources needs are met to prevent slippage:

- IMF resources actually get to countries who need them, faster and in a flexible way;
- That commitment to MDGs, those made at Gleneagles and before, are met and there is a clear framework of accountability;
- That MDBs are adequately resourced to play a countercyclical role;
- That trade negotiations on Doha resume and climate discussions in Copenhagen are successful.

The statement of this meeting must therefore be clear and unambiguous: we will do all we can, ourselves internally, within Africa, to keep the momentum. We will keep faith with those policies and governance reforms that have increased our resilience. We will continue to prepare our business environment for the day when recovery comes and investments flows return, but the magnitude of the crises we face require complementary robust international action. That is about political will and that is why we are here, to galvanize that will for what we need to do ourselves and for what we believe the G20 should do.

Once again, I want to assure you that the African Development Bank will continue to be a partner in this process: through its convening power, its advocacy and its modest resources to leverage on your own efforts and that of the international community in meeting this challenge of our time.

Thank you.