



AFRICAN DEVELOPMENT BANK GROUP

The Business of Africa's Development in a New Era

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Event: Africa CEO Forum

Geneva, Switzerland

20 November 2012

I am very much aware that, as CEOs, you are extremely busy men and women, spending hours in meetings. You know what they say about meetings: “events where minutes are meticulously kept but hours lost”. Nonetheless, I hope you agree that this event is not only important, but could indeed be a landmark.

A landmark because of its nature and its timing. This is not another of those events where we are here to assert the important role of the private sector. It is not another colloquium on what the private sector requires to get moving. You know better than most. We know what needs to be done – from institutions, infrastructure, access to finance, less red tape and states that function.

There is no knowledge deficit. There is action deficit. We are here at a critical juncture, when Africa’s economies have gathered momentum, at a time when Africa has never been so attractive, to see how we can spur greater investment flows and unlock Africa’s potential to seize the moment.

Africa is moving on

It was Klaus Schwab, founder of the World Economic Forum, who, I recall, observed the phases through which Africa has transitioned since the 1960s: pessimism; cynicism; scepticism; and guarded enthusiasm.

And now, if I may add a sense of real enthusiasm. There are still many pessimists and sceptics around. But Africa has entered the 21st Century determined to throw back shackles of poverty, to converge with the rest of the world, to get the African Lions into the same territory as the Asian Tigers. Recent business surveys indicate that Africa’s CEOs share this optimism. This is not to underestimate the obstacles – especially those of a socio-political and institutional nature. I said a while ago, pessimists still abound.

They may peddle partial truths and even downright myths. But sometimes they spell a few reality checks. There are many impediments to overcome and potential setbacks always lurking in the corner: volatility, all sorts of vulnerabilities including those related to the management of natural resources.

But outlook remains encouraging

I am aware that macroeconomic forecasts are as good as weather forecasts, only less reliable. However, barring unforeseen events and a further deterioration in the global economy, Sub-Saharan Africa will register 6.5% growth in 2012, if South Africa is excluded. If we include South Africa, which is 30% of Sub-Saharan GDP,

the forecast is 5.4%. But it is not simply economic growth – it is also improvements in human development indicators, decline in absolute poverty, and decline in deaths of children under the age of five.

There is, of course, the exceptional situation in North Africa. The region is still navigating transition. The recovery needed to respond to the high expectations of the people may take time, and assuming newly elected leaders do the right thing.

If I speak of Africa in general terms, it is not to ignore that Africa is not one, but 54 countries. This is important for business because if we do the right things we could be one market. Some are more endowed than others. But, either way, nothing is predetermined. Whether a country has a rich endowment in natural resources – such as mining, oil, gas, land – is useful, but not the decisive factor. Paucity of resources is not a condemnation to poverty, neither is abundance of natural resources a passport to prosperity.

Job creation

Today, the most important challenge facing every African government is job creation. That can only mean stronger partnerships with the private sector, where jobs and wealth are created. I look forward to some insights on this issue at this event. We know very well the critical role of agriculture, as well as medium and small enterprises.

While large companies such as those in the extractive industry or manufacturing sector are key, in advanced and emerging economies “MSMEs” employ up to two-thirds of the total work force. They were at the centre of business clusters that spearheaded the industrial development and economic transformation of Asia. It cannot be different in Africa. Small businesses are where jobs will be created. Creating organic linkages between MSMEs and large business is an opportunity to explore at this gathering.

Our strategy

Allow me a few minutes to share with you our role in private sector development.

In 2008, the Bank adopted a five-year strategy whose underlying philosophy was that Africa’s prosperity could only be assured by economic growth, trade and investment. We understood that every country on Planet Earth was at some point poor.

What made the difference was tapping into global trade and capital markets, and Africa could not be an exception. Our strategy was therefore centred on removing those impediments to investment, and to liberating the growth drivers. Hence, we decided to focus the Bank in four areas: infrastructure; economic integration; private sector development; and technical/higher education and skills development.

To which we added two all-encompassing areas – governance and institutions– plus a special support to fragile states and those emerging from conflict. However, it is infrastructure that has been the jewel in the crown of banking activities.

Over the past seven years infrastructure has accounted for 60% of our operations. We have scaled up significantly commitments to African economic integration, transport corridors, power pools, trade facilitation and financing of regional public goods. We understood, for example, that it was not possible to transform Africa's agriculture without adequate infrastructure.

Only last week, I was in Kenya for the inauguration of the Thika Superhighway, which must be one of Africa's most modern examples of metropolitan infrastructure – but which is also part of the north-south corridor linking East Africa and the Horn to the SADC Region.

Private sector window

Until 20 years ago the Bank funded governments only. In the early 1990s a private sector window was created. However, it remained modest. As I assumed the presidency of the Bank, this was one of the areas where I intended to make a steep change. And we have.

Private sector commitment now accounts for 30% of all Bank operations. In this regard, the Bank seeks to mainstream private sector development in all its strategic and resource allocation platforms. It seeks to mobilize additional investment and co-financing using its catalytic potential and, through its convening power, play an advocacy role for the private sector.

The Bank's private sector operations have grown exponentially in the past five years, from 300 million dollars per year in the mid-2000s, to 1.5 billion dollars in 2012. Total financing is expected to further grow to 2.5 billion dollars per year in the next three years.

Beyond financing, we have endeavoured to assist governments to better structure concession transactions and initiated some transformative vehicles in key

economic sectors, including innovative PPPs in energy, transport and connectivity in different parts of Africa.

In the mining sector, the African Development Bank is currently assisting a number of governments to review mining concessions in collaboration with all stakeholders, including the mining companies themselves.

In agribusiness, earlier this year we launched the first ever fund of funds dedicated to agriculture, with a view to catalyzing investments in this sector that is the key to both economic growth and employment generation.

However, we all agree that the infrastructure gap remains the biggest impediment. That is where the big push is needed.

As you may be aware, I have presented the Africa Infrastructure Bond project at a number of fora in the recent past, including the African Parliament in Midrand, South Africa. My argument is straightforward: the paucity of infrastructure is the biggest single long-term constraint on Africa's private sector and we need to figure out how to mobilize Africa's own pool of capital and also tap into global markets.

The proposal for an Africa Infrastructure Bond is undergoing technical preparations. The Bank recognizes that there are technical, legal and fiduciary issues attached to this proposal. But I do not see these as insurmountable challenges.

I must note here, though, that finance is only one part of the problem. Getting projects to the level of "bankability" is another. I hope we can also brainstorm today on how we can work together to address this issue of "bankability".

The private sector will only thrive if there is strong commitment and support from governments. Governments cannot afford simply to be the "night watchmen" in this transformation process. If we have learnt anything from Asia's transformation, it is that an active partnership between the state and the private sector is pivotal.

The Bank will continue to facilitate the public-private sector dialogue, while actively innovating on our financing for commercially viable endeavours alongside African champions. Please let us know if we are doing the right things at the Bank. I, for instance, would like the Bank to do more in supporting and promoting indigenous African business, not simply crowding in large transnational corporations. This forum is an opportunity for us to listen carefully to you on how we can best serve private sector development.

But I am also taking this opportunity to challenge you. As per our mission, the Bank has been, so to speak, a pioneer. We are out there with some of you. Remember, wherever you see problems, opportunities abound – if you are willing to look and have the patience. The time is propitious. There has never been such a convergence of positive factors driving economic prosperity in Africa:

- Competent economic managers, well-demonstrated during the global crisis;
- A natural resource boom;
- Favourable demographics, naturally, depending on the nature and quality of investments in education for the young;
- Growing number of Africans with significant disposable income and spending power;
- Improvement in public sector governance and the steady disappearance of the predator state;
- Finally, the emergence of African economic champions and business executives, most of whom are present in this room.

I hope our conversation today is just the beginning and will continue beyond this conference. I hope we can figure out how to bring more partners in this event. For that reason I, for one, would like to propose the creation of a CEO External Advisory Board that can help ensure that what we do is relevant to your needs. Please count on the African Development Bank as a reliable partner.

Thank you.