

STATEMENT BY H.E. MR. AHMED SHIDE MOHAMED,  
TEMPORARY GOVERNOR FOR ETHIOPIA

Mr. Chairman,  
Your Excellencies the Governors of AfDB Group,  
The President of the AfDB Group,  
Executive Directors,  
Distinguished Guests,  
Ladies and Gentlemen

Let me begin by saying how pleased I am to address the 2009 Annual Meetings of the AfDB Group. I also wish to express, on behalf of the Ethiopian delegation and on my own, our deep gratitude to the authorities and People of the Republic of Senegal for their warm welcome and hospitality accorded to us since our arrival in this beautiful city of Dakar as well as for the wonderful organization of the Annual Meeting.

Mr. Chairman,  
Honorable Governors,  
Ladies and Gentlemen

As you are well aware, 2008 was a year that marked the continuation of sustaining the growth momentum of previous years for Africa. These positive developments were achieved during this extraordinary year of major global crisis- the food crisis, higher oil prices and financial crisis. However, when measured against the 7-8 percent or higher annual growth rate required to meet the MDGs, the performance of Africa still fall behind target.

These hard-won economic gains are now at risk. Like the rest of the world, Africa is feeling the impact of the global financial crisis. Demand for African exports has fallen; commodity prices have declined; and it is also weakening the tourism receipts and remittance flows. Tighter global credit and investor risk aversion have led portfolio flows to reverse, deterred foreign direct investment (FDI), and made trade finance more costly. As a result of this, the 2009 economic performance of Africa is expected to substantially slowdown compared with the preceding years average.

Recent evidences shows that the current global economic crisis which has its main root from the developed countries is pinching the African economy. It is a mere fact that our continent has contributed nothing for the generation of current global economic crisis. We believe that this crisis needs global attention and solution.

Mr. Chairperson,  
Honorable Governors,  
Ladies and Gentlemen

With regard to the performance and operation of the AfDB Group during 2008, I would like to take this opportunity to congratulate the Bank for its remarkable achievement at such a

time of turmoil and uncertainty on the global finance. It is indicated that many of the Bank's financial indicators have shown encouraging results. This indeed is a commendable performance that is further demonstrated in the soundness of the Bank Group's financial outlook by the reaffirmation of the triple-A (AAA) and AA+ ratings from known rating agencies. These reflect that the Bank adapted sound capital adequacy and prudent financial management policies and this again demonstrates the capacity of the Bank to continue to fulfill its mandate as a development financing institution. I now wish to take this opportunity to thank the management and staff of the AfDB Group for their contribution to this excellent achievement.

The Bank Group, from its modest beginning as a lending institution, has increasingly become a key development partner of African Countries, with the Bank's support featuring in the multi-dimensional development activities of its member countries. During the 2008/09 year, the Bank has played active roles and taken prompt actions in designing and implementing the African Food Crisis initiative which benefits many regional member countries (RMCs). As the major beneficiary of this initiative, I would like to extend my appreciation for the Bank's exclusive effort and performance in this regard. The current challenges may not be limited to this initiative and there is a need for the AfDB's active involvement to reduce the deterring impact of the current global crisis. The bank's role in providing resource using a flexible and fast disbursing Emergency Liquidity Facility (ELF), and the Trade Finance Initiative (TFI) among others will have a positive impact on the beneficiary RMCs.

As our development partner, the AfDB Group is not only a source of development finance, but also an important center of knowledge which can provide technical and managerial input in all phases of the project/program cycle.

We welcome the Bank's Medium Term Strategy (MTS) particularly, its focus on infrastructure and higher education. Attention given to gender is also welcome. Gender equality is key for all our countries' transformations. If effectively implemented, the Bank's MTS will contribute to accelerating growth in member countries. Given the complex challenges in most of African countries, it is always important to realize that it requires effective state leadership and provision of effective services. Thus building state capability and developmental state is equally the agenda of the day if we have to sustain broad-based growth and end poverty. With this comes ownership of policies and strategies for growth, development and prosperity.

The Bank needs to play a strong role to mitigate the negative impacts of the financial crisis, which need adequate resource for expansion. In this regard, it is timely to commence the consultations and negotiation process for the capital increase of the bank groups.

Let me point out, on a more fundamental note, the Institutional Reform of the Bank which has been going on for the last three years. The reform places emphasis, as we all recall, on transforming the AfDB into knowledge and result based institution that delivers on the ground and as a result, becomes an institution of choice and reference. Its aim is to build a strong, relevant Bank with excellent delivery. It is about enhancing development effectiveness of Bank Group Operation to be very much in line with the Paris Declaration to which the Bank is party to.

Let me recall what the Bank said with respect to the reform. "We will accelerate efforts to improve our institutional structure and improve policies and procedures across the board by holding ourselves to a rigorous standard in everything that we can do aware of the desires by our member countries for us to be a more agile, responsive, less bureaucratic - a less rigid institution." As a beneficiary of the Bank, we support and welcome the reform.

Reflecting on the progress of the reform, we recognize that several measures have been taken. We would like to express our appreciation to president Kaberuka for his commitment and for driving the reform. We do appreciate the challenge of realizing institutional change. Nevertheless, through time there need to be perceptible movements to the objective set by the Reform of the Bank. It must impact field operations and enhance the effectiveness of the Bank's delivery.

We have long realized that decentralization of the Bank's activities not only is expected to bring efficiency to the Bank's operations but can also address the problems of member countries faster and better. We recognize that currently the Bank has greater field presence with competent staffs. In this connection, I wish to reiterate here our calls in the past for country offices to be given sufficient delegation of power in order to allow them to make effective decisions. This observation remains valid today. We wish to call on AfDB's management once again that, to fulfill the intended purpose of the decentralization effort and ensure its effectiveness, country offices should get the necessary delegation of decision-making powers. Without this, country offices will only inflate the costs of the Bank's operations with little benefit to the countries it is intended to serve. This still remains unfulfilled.

Mr. Chairman,  
Honorable Governors,  
Ladies and Gentlemen

For Ethiopia, the primary agenda is to accelerate growth and end poverty. This informs our current five year development plan with the central objective of growth that is sustained and broad-based. Agricultural and rural development still plays an important role in our development effort and we recognize that it has to be sustainable and complemented by urban growth through strengthening rural-urban linkages. By mobilizing domestic resources and complementary support of development partners including AfDB, Ethiopia is making progress. I am pleased to inform you that Ethiopia has registered strong economic performance as reflected in the average real GDP growth rate of above 10 percent per year during the last five years. All sectors of the economy have contributed to this growth driven by agriculture and complemented by strong performance in manufacturing, construction, trade and other service sectors. Ethiopia continues to make significant progress in the area of human development- education, health and water supply. Infrastructure is being expanded to support the acceleration of growth which we very much need to sustain to end poverty. Significant improvement has also been made in creating an enabling environment to private sector investment, which is showing continuous growth. We are also building democratic institutions for inclusive political and economic development through devolution of power to lower levels.

Despite this achievement, the country still faces challenges in its efforts to sustain the high economic growth needed to end poverty. The current high inflation coupled with balance of payment problem challenges the pace of sustaining the economic growth. The government is exerting maximum effort to address the challenges in a manner that will least affect the momentum of growth and poverty reduction. In view of this, the government is taking measures to stabilize the macroeconomic problems mainly focusing on bringing down the high inflation and addressing the BOP problem.

Our program requires massive resource flow for enhancing agricultural productivity, building human capital, increasing access to clean water and expanding and improving infrastructure. Investment in democratic institutions is needed to continue to strengthen the foundation for democracy and good governance. We need to continue investing in our capacity building to realize our objective of capable state and dynamic private sector to deliver sustainable development and secure the well being of the Ethiopian people. We also recognize its centrality and act to ensure gender equality for accelerating our broad-based growth and societal transformation. In this key growth agenda, we look forward for continued AfDB support to complement our domestic efforts.

All in all with the complementary support of all our development partners and coordinated domestic efforts, Ethiopia is set to sustain development and enhance the well-being of its people.

We are aware that an economy that generates sufficient amount of domestic resources has better control of the implementation of development plans in terms of speed and scale. Therefore, to achieve sustainable development, enhancing the domestic resources mobilization efforts have been our priority through tax reforms and export diversification.

But as we have said time and again one should not ignore the critical role that our development partners can play in our development by scaling-up predictable ODA, improving market access and encouraging FDI flows to complement domestic efforts. Because of the complementary actions, real progress has been achieved in Africa over the last several years. However, currently a number of serious challenges have emerged like the global economic crisis with knock on effects on our pace of progress. This threaten to erode the gains if not appropriately addressed, reversal are inevitable particularly in low-income countries.

Mr. Chairman,  
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We should not allow this current global challenge to prevail. The low income countries are the most vulnerable. We should bring our collective wisdom to address the current challenge facing the international community. We appreciate the Bank's quick response to address the problems of food prices and BOP problems. To address the food prices issue, we believe that the sustainable measure is to continue focusing and investing in improving the productivity of smallholder farmers, increase output and contribute to stabilization of food prices in urban areas.

Time is not on our side. The international community has a dead line to meet the MDGs in 2015.

Finally, please allow me, to call upon all members and our development partners to work together for the success of our Bank to enhance its contribution to Africa's development. Key to this is the active involvement in looking for solutions for the impact of the current economic crisis on the African economy and speeding up and taking the lead role in availing additional resources for the RMCs. Regarding the fast tracking of the institutional reforms that the Bank is currently implementing, I wish to reiterate my confidence that the institutional reforms will bear fruit in the shortest time possible to help AfDB deliver effective support to us- the beneficiaries like Ethiopia. A strong, relevant Bank with excellent delivery is our strength. A successful and effective AfDB is our success!

I thank you for your attention.