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As a pan-African development institution exclusively focused on low-income countries, the ADF has a unique role in supporting economic growth and poverty reduction. Its comparative advantage lies in delivering catalytic and transformative operations in infrastructure development, regional integration, human development, private sector development, and the cross-cutting areas of fragility, gender, public sector governance and climate change.

By providing predictable financing and policy advice, the ADF helps countries deliver essential public services to the most vulnerable people and communities. It has also been an important contributor to development knowledge, with an uncontested role in shaping development policies in Africa’s poorest countries.
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A MESSAGE FROM THE PRESIDENT
AKINWUMI A. ADESINA

As President of the African Development Bank, I made a solemn promise last year that we would engage our Governors in a closer and more interactive relationship with the Bank. I had the privilege of convening a series of regional consultative meetings between senior Bank staff and our Governors from each of the regions. These five meetings, completed within the first three months of this year, updated you on the progress of the Bank’s institutional reforms and operational activities, as well as invited advice, comments and guidance from you on critical issues of importance.

I have been privileged to visit a number of regional and non-regional member countries to discuss with, listen to, and obtain the views and perspectives of our Governors.

I am very delighted to confirm that we have had a tremendous amount of positive feedback and helpful advice, which we are acting upon already.

We plan to put such Regional Consultations into the Bank’s annual calendar, to provide a regular opportunity to focus greater attention on issues specific to each region. We have also changed the format of the knowledge sessions in the Annual Meetings, beginning this year in Busan, so that they are built more closely around the information needs of you, our Governors.

It is hoped that these and other initiatives will help bring the Bank even closer to our Governors, and provide the Bank with the best advice possible.

As your Bank, we need these consultations to set the right course and, significantly, the right pace for the next few years, especially given that we have just 12 years to achieve the Sustainable Development Goals, and just seven years for most of the Bank’s own strategic High 5 goals, analysed by the UNDP as covering 90% of the Sustainable Development Goals and 90% of the African Union’s Agenda 2063.

The High 5s are indeed genuine accelerators of economic and social development in Africa and are the main agents of required acceleration. Our goals will not be achieved by a “business as usual” approach. We have to scale up our activities to fit the challenges. This undoubtedly requires a “business unusual” approach.

Since I was elected President in 2015, we have accelerated the scale and delivery of lending by the Bank. Last year we achieved our highest disbursement in the Bank’s history, with over USD 7.2 billion. We are also deepening and extending our reforms. These reforms will continue as there is no sunset clause on reforming the African Development Bank.
Our net operating income was USD 492 million in 2015, rising to USD 556 million in 2016, and reaching an all-time record of USD 783 million in 2017. That’s an improvement of 58% from 2015.

Across Africa, the development impacts of the Bank are felt through the transformation operations. We have supported you with countercyclical budget support for macroeconomic stabilization, revenue generation and fiscal reform, and investments for structural transformation.

We have maintained our AAA rating from all four global rating agencies, allowing us to borrow at lower rates from international markets and pass on those savings to our member countries.

The challenges ahead of Africa are immense, and the need for faster growth is even more urgent than ever before. To pick up the necessary pace, the Bank will need more resources through a General Capital Increase to play a more effective role in fast-tracking Africa’s economic development.

The African Development Bank portfolio has doubled in size and value since the last increase, as well as delivering a 17-fold increase in lending to ADF countries and fragile states. We are doing all we can to optimize resources using available instruments. But the reality is that these are not enough.

The opportunity to strategically transform Africa’s economic and development landscape is already upon us. The plans are laid. We will require substantial new financial resources to finish the noble task of implementing our goals.

I am truly grateful for the unique privilege and opportunity we have at the African Development Bank, your Bank, to help Africa rise above limiting circumstances; to achieve the ultimate ambition of lighting up and powering a continent where millions are still without the basics of electricity; to feed Africa and the world with food grown and processed in Africa; to industrialize Africa in order to accelerate economic development; to leverage the potential of the African market by integrating Africa; and most importantly, to help bring millions of Africans, especially women and youth, out of poverty into wealth and prosperity.

Thank you for the trust you continue to repose in the management and staff of your Bank. With continued support, we look forward to making the transformation of Africa a reality in our time.

AKINWUMI A. ADESINA
President of the African Development Bank
The Bank cannot bail out on its mandate to support Africa

We are at a crossroad. Over the past three years, the Bank intensively embarked on an ambitious program. The Boards of Governors and Directors have been at the heart and core of this effort.

We approved and steered the implementation of the High 5s, which focus on core sectors that pave the way for our countries’ convergence to inclusive, sustainable development (agriculture, energy, industrialization, regional integration and social inclusion). Realizing that the Bank’s ability to deliver on the High 5s stems from its internal competencies, the Boards guided parallel decentralization and HR strategies at the same time, to bring it closer to its clients, using an improved, wider pool of Bank staff, policies, instruments, and products.

There is no doubt that the High 5s are what Africa needs: They harmonize completely with the national development agendas of African countries. Regional member countries are aware of this, and have increased their demand for Bank products. However, we were all stuck with the huge financing gap stemming from the Bank’s limited resources. The gap was further exacerbated by the inability of regional middle-income countries, the Bank’s core income generators, to expand borrowing due to headroom constraints. Liquidity shortages started floating on our surface.

The Bank cannot bail out on its mandate to support Africa all the way on its development journey. It is, after all, the Bank of Africa. Fully aware of this fact, the Boards of Governors and Directors commenced intensive and rather frank discussions about the means to solve the puzzle, including the need for a General Capital Increase.

On the other side of the table, the ADF, the Bank’s financing arm for least developed African countries, was facing its own dilemma. With the global decline of ODA and doubts about future prospects, the ADF stands on uncertain grounds. This pushed the Boards to intensify their discussions on this front as well and to explore and tackle innovative solutions for ADF’s future health and sustainability.

On behalf of the Board of Directors, I would like to assert that we remain vigilant yet optimistic. We will continue to spare no effort to unlock Africa’s development financing gap and to push the Bank to deliver on its core mandate: unleashing our continent’s full potentials.

SAMY ZAGHLoul
Dean of the Board of Directors
African Development Bank Group
This maiden edition of the Governors’ Digest contains unique perspectives from several members of the Boards of Governors of the African Development Bank Group on the theme of the 2018 Annual Meetings – “Accelerating Africa’s Industrialization” – as well as other diverse topics of relevance to the economic and social development of the African continent.

The first of its kind to be released ahead of the Annual Meetings, this publication forms part of the innovations aimed at highlighting the central role of the Boards of Governors, as representatives of the Bank’s shareholders and the Fund’s State Participants, in the governance of the two entities.

The Annual Meetings (the 53rd Session of the Board of Governors of the African Development Bank and the 44th Session of the Board of Governors of the African Development Fund), pursuant to Article 31 and Article 25 of the respective constitutive instruments of each entity, are being held in the beautiful industrial City of Busan, Republic of Korea.

As the highest decision-making and oversight organs of the Bank and the Fund, the Boards of Governors will review the annual report on the finances, operations and other activities of the Bank and the Fund during the preceding financial year. They will also adopt resolutions on key decisions and conclusions of the Annual Meetings. Most significantly, the Governors will dialogue on the role of the Bank in the attainment of the Sustainable Development Goals and the related multi-pronged resourcing strategy anchored on increasing co-financing, fine-tuning lending operations, optimizing the balance sheet and ultimately recapitalizing the Bank.

As Secretary to the Boards of Governors of the Bank and the Fund, working with the Communications and External Relations Department of the Bank Group, I have the distinct privilege and honor to present to you Honorable Governors this maiden edition of the Governors’ Digest, which we envisage will not only give a greater voice to the Boards of Governors in contributing to the affairs of the Bank and the Fund but also contribute towards enriching the deliberations at the Annual Meetings.

I hope you will derive great pleasure in reading this epoch-making publication, which Management has committed to producing and releasing each year ahead of the Annual Meetings.

PROF. VINCENT O. NMEHIILLE
Secretary General of the African Development Bank Group
EDITORIAL

VICTOR OLADOKUN

Distinguished and Honorable Governors,

It’s indeed a privilege to pen the Foreword to the inaugural edition of the Governors’ Digest.

In 2017, not satisfied with either the quality or quantity of time spent engaging directly with Governors, the President of the African Development Bank, Dr. Akinwumi Adesina, made three commitments to begin a series of engagements designed to feature in the Bank’s annual calendar.

The first of such engagements were highly productive and instructive region-based meetings with Governors between January and April of this year, during which you provided exceptional input and guidance.

A second commitment, aimed at strengthening the ownership of the Bank and the Annual Meetings by Governors, was to change the format and setting of knowledge events in a way that is designed to give our Governors primacy of voice. This has and will be reflected in each of the knowledge events during the Annual Meetings in Busan, and beyond.

A third commitment was to provide a multimedia platform that would help better introduce Governors to delegates and participants, and create a platform to share critical development issues and perspectives.

This publication, the Governors’ Digest, is one such platform. It is the first time in the Bank’s history that such a publication has been put together in either a print or digital format.

While the pool of contributions was smaller than anticipated for this inaugural edition, we look forward to a more robust response in 2019.

Kindly allow me to acknowledge your kind and thoughtful contributions; our Executive Directors and their Advisors for excellent facilitation; President Akinwumi Adesina for his indefatigable support for the creation of an annual Governors’ Digest; the office of the Secretary General for bridging lines of communication; and the extremely hardworking Communication and External Relations team.

Without your collective support, this inaugural edition of the Governors’ Digest would not have been possible.

Wishing you productive and successful Meetings in Busan and a safe trip back home.

Once again, thank you.

DR. VICTOR OLADOKUN

Executive Editor, Governors’ Digest
Director of Communication and External Relations
African Development Bank
Has Africa truly begun its journey to economic transformation? Will it ever have sufficient domestic and foreign capital to eradicate poverty, feed its people, light up cities and communities, interconnect economic hubs and build ecologically compliant, industrialized, modern economies? Does its private sector have the capacity and appetite to finance growth in the emerging 4th Industrial Revolution? Which hard and soft strategies will Africa deploy to tackle the great development challenges?

Through its 2013–2022 Strategic Plan, the African Development Bank is driving Africa’s social and economic rejuvenation and galvanizing pan-African development through its High 5 priorities: Feeding Africa, Lighting up and powering Africa; Industrializing Africa, Integrating Africa and Improving the quality of life for the people of Africa. The effective execution of these pan-African reform plans should accelerate Africa’s success in meeting the United Nations Sustainable Development Goals and the Africa Union’s Agenda 2063.

As long as Africa continues to be largely undeveloped and emerging, investors, development economists, civil society organizations and Africa’s Central Bank Governors, Finance and Economic Planning Ministers will all continue to debate and discuss these issues. The variety and divergence of plausible expert opinions and responses will capture the constrictions in global financial markets as national and sub-national jurisdictions across Africa now compete with the rest of the world for increasingly scarce development funding.

How much will Africa’s infrastructure financing requirements cost? The most recent edition of the African Economic Outlook estimates
The African Development Bank will be the intermediary for the innovative Big Bond and maintain its financials on the books of the African Development Fund. Economist Brian Pinto, an Advisor at the ADF Policy Innovation Lab, says the Bank’s African DNA and roots give it the ‘street credibility’ and position it to manage the Big Bond.

As Africa’s premier multilateral development institution, the Bank can comfortably “convey tough messages, the sort that the World Bank and the IMF, which are located in Washington, DC, may be reluctant to do,” Pinto observes. “The Big Bond is not simply about money; it is a signal, a very powerful signal that Africa is open for business.”

Regional banks usually have the comparative advantage of driving through tough reforms and having the trust of their recipient countries, says Nancy Birdsall, Member of the ADF Policy Lab High-Level Panel. “There is a greater sense of ownership and this is absolutely critical when you are trying to do tough reforms, that there is a sense of movement across the region, countries begin to learn from each other through the dialogue that the African Development Bank is sponsoring. The leadership from the Bank, around what we should do in different countries, is owned within the region as a whole. That’s a key role for the regional banks,” she says.

The Lab report, “Reinvigorating African Concessional Finance: Report of the High-Level Panel on Transforming Trust in the AfDB Group into Influence” confirmed the “continuing tension between the large investment needs of African countries and the fiscal challenges facing donor countries.” The experts call for Africa to use existing aid better and leverage it further and emphasize that this is less a call for more concessional finance than for a new, innovative approach to a new and enduring situation.

The Lab sees less concessionality as the new reality of development finance: “External finance – commercial and concessional – will continue to be critical in financing development. Foreign direct investment and remittance inflows will need to be accompanied by a steep increase in long-term debt financing from official and private sources.”

The report comes at a crucial point in development financing in Africa, as deteriorating prospects for growth bring risks of a serious setback to poverty alleviation and debt sustainability: “This downturn has coincided with fiscal difficulties in donor countries,” it reads.

The Big Bond

The core innovation recommended by the High-Level Panel consists of frontloading ODA through a Big Bond paired with an enhanced policy dialogue led by the Bank Group. With interest rates in donor countries near historical lows (the yield on the 30-year United States Treasury bond is now at about 3%), the panel sees a window of opportunity for Africa to raise USD 100 billion by securitizing annual ODA flows of about USD 5 billion over a 30-year period.

The Big Bond, according to Nancy Birdsall, Panel Member, and Senior Fellow and President Emeritus of the Washington, DC-based Center for Global Development, “is a kind of financial innovation like the general approach in the multilateral development banks. It is an approach taken by many multilateral development banks, which says you can leverage this capital that is going to flow over many years – you can have it upfront. The idea of having it upfront is that many African countries are in a position where they need a lot of investment financing and as a result they have been going to the capital markets and paying high rates and that is creating a risk of increasing debt problems.”
The proposed frontloading offers several advantages:

- **It requires no additional resources from donors.** It simply recognizes that Africa needs a big push on infrastructure and human capital to maintain growth. This is better achieved by USD 100 billion upfront than by an equivalent present value stream of USD 5 billion a year over the next 30 years.

- **The resources needed to service the bond are less than 11% of the annual USD 45 billion in current grants, and will be lower if new sovereign donors, foundations, and private sector entities commit to the bond.** The issuance of the Big Bond will not come at the expense of ODA to the poorest and most fragile countries.

- **The Panel proposes that the money raised by issuing the Big Bond be on-lent to eligible African countries through moderately concessional loans, or MCLs.** Illustrative terms are an interest rate of 3–4% on USD loans with a maturity of 40 years and a grace period of 10 years. Donors would be fiscally better off and African countries would benefit from lower interest costs and longer maturities relative to Eurobonds. Getting access to the MCLs would require a combination of debt sustainability considerations and demonstrated capacity to use funds transparently and well.

- **A long maturity and top rating backed by the credit quality of the donors would make the Big Bond attractive to institutional investors including sovereign wealth funds, pension funds, insurance companies, and social impact investors.** For instance, African pension funds with significant investible resources could indicate their commitment to the continent by buying the Big Bond.

**Why should domestic and international stakeholders be interested in the Big Bond?**

“We have to think outside the box to solve the problems of Sub-Saharan Africa and of the African continent as a whole,” says Ngozi Okonjo-Iweala, member of the High-Level Panel, Senior Advisor at Lazard, and Board Chair of Gavi. “If we continue to do business as usual in the incremental way we are doing it now, we are not going to be able to confront the problems of 500 million more people falling into poverty. The continent needs to grow at a faster pace in order for GDP per capita growth to be positive. Africa needs to grow and develop. We need to make sure that we do not have 500 million people in poverty,” she says.

The most important part of the package would be a proviso that upfront lending would come with an enhanced policy discussion whose focus would be growth policy, sustainable public debt, and the prudent use of natural resource wealth, “in which the countries and the Bank would have a dialogue on tough reforms, tough economic reforms, reforms that might be tough politically. There would be sufficient leverage because of the larger amounts,” says Birdsall.

For more information on the ADF Policy Innovation Lab: https://bit.ly/2Keu4mT

Read the full High-Level Panel report: https://bit.ly/2IuDfmi

About the Big Bond: https://bit.ly/2KSQVWA
“As long as there is light on the other side and darkness in Africa, everyone will want to go to the other side,” quips Sibry Tapsoba, Director of the African Development Bank’s Fragile States Department. It is in everyone’s interest to give fragile African states the means to build a better future. Of the 36 countries in the world that are classified as fragile, 20 are in Africa.

Fragility and resilience are at the heart of everything the Bank does. Since it was founded the African Development Bank has injected more than US $200 billion into African nations. Fragility and resilience are two sides of the same coin. Understanding fragility, explaining its causes, and identifying its sources, are the first steps. The next step is to set up measures for populations to move on. Resilience is the ability of people to move away from this state of vulnerability.

“During a recent Bank mission to Somaliland as part of a program to improve water infrastructure resilience, we decided to incorporate solar energy into the initiative. In three months, a town was created around this solar energy site. We handed over the management of this small-scale infrastructure to a women’s association,” reported Tapsoba. Although populations must develop situations themselves, the Bank supports them. It provides them with the opportunity to develop by establishing policies and measures to enable populations to interact and improve, with help from key actors, including government, the private sector, NGOs, and civil society.
Innovative financing

Defining innovative financing, explaining and illustrating it, demonstrating its effectiveness, and replicating successful partnerships, is a sizeable challenge. It is essential for fragile countries to develop new forms of partnership. A February 8-9, 2018 session at the African Resilience Forum addressed this subject.

Telephone and digital technologies have revolutionized practices in many areas. Despite their high costs, they have reached fragile populations. Bruno Koné, Ivorian Minister of Communications, the Digital Economy and Postal Services, describes how the mobile revolution upset analysts’ forecasts: “When telecommunications were launched in Côte d’Ivoire nearly 20 years ago, operators thought that coverage would be limited to the rich, a commercial niche. But three days after launching the networks, numbers already exceeded predictions for the first year of use. Several million users were registered after a year.” Defying expectations, populations considered to be among the poorest saw this tool as a way to resist difficulties – an instrument of resilience. Faced with poor-quality physical, health and education infrastructure, this alternative to isolation quickly became part of daily life. Mobile telephones are a powerful tool for social and economic inclusion. “Although we don’t have the means to build roads, it’s a good time to build information and communication highways,” concluded Bruno Koné.

The mobile revolution has had an incredible impact on economic development and inclusion in Africa. How can we reproduce this effect and unleash the revolutionary potential of the digital economy? Pierre Guislain, Bank Vice-President of the Private Sector, Infrastructure and Industrialization, continued the discussion. He outlined the challenges and opportunities: “Telecommunications, mobile technology, and finance are organized separately and are therefore extremely isolated. But digital measures make it possible for these sectors to overlap. The mechanisms, regulations, and institutions set up for 20th century technologies are no longer ideal and must evolve. Centers must be designed as ecosystems that make it possible to expand services and be more inclusive.”

Partnerships to effectively support fragile countries

To speed up the response to the problems of resilience, Guislain highlighted the limited impact of scattered cooperation and advocated for more comprehensive partnerships: “strong, large-scale partnerships that tackle the problems.” It would also be wise, he said, to increase the amount of private investment in fragile countries, adding, “In the 20 fragile states in Africa, only 5% of the Bank’s investments are directed towards the private sector. This is much too low. The private sector is the engine of economic development. Some de-risking mechanisms are needed. Partnerships make it possible to reduce the risks inherent in investment in the most fragile countries.”

Interest rates reflect an appreciation of risk. Jean-Louis Ekra, the former President of Afreximbank, called for organizational cooperation: “Development financing organizations or state bodies should be ready to absorb a share of these risks and reduce the final cost of financing, by opening first-loss policies, for example.” Ekra also mentioned interest in including knowledge of commercial banking and equations in the Bank’s training programs, concluding that an educational approach was important. “We successfully raised nearly USD 30 million to support the fight against Ebola. How? We showed donors that the funds were sound and provided detailed information on how they were used. We need to be clear about the expected goals in order to gain trust.”

Bobby Pittman, director of Kupanda Capital, considers himself a pragmatist. Although financing is vital for development, for him it is, above all, about an ecosystem and a platform. 600 million people in Africa lack access to minimum energy services. Who are they? Where do they live? Can suitable products be supplied to people in fragile situations? The challenge is to know what products and solutions match each situation and how to finance them. First, a map is required. Financing models can then be suggested. This pragmatism is shared by Alex Mubiru, head of the Bank’s Resource Mobilization and External Finance, who describes the key to a successful partnership as, “Being frank about one’s goals, working with flexible people who are prepared to take risks, and speaking the same language.”
Why are some communities neglected?

Some sections of the population struggle to access basic social services such as health, education, and sanitation. They live in isolation and feel rejected or excluded. Why did this situation come about? How can measures be set up to work towards development? These questions were discussed during a workshop at the African Resilience Forum.

For Mohamed Askia Touré, resident representative of the United Nations High Commissioner for Refugees in Côte d’Ivoire, reducing gaps between populations is one of the key aspects of the work of development partners and agencies. “More than half the countries in Africa, which is to say 20 of the 54 countries, are in a fragile situation. But calling a state fragile masks the reality that the actual situation in the country can be very diverse,” he said.

The role of states in strengthening resilience

Growth rates in Africa vary from 3% to 5%. In 2018, six of the ten countries with the world’s highest growth rates are in Africa. Although poverty may be in decline across the continent, the actual number of people in vulnerable situations is on the rise due to intense demographic pressure. Solange Koné, president of the Association de Soutien à l’Autopromotion Sanitaire et Urbaine, (Association for Supporting Sanitary and Urban Self-Promotion), referred to the gap between growth rates and development: “We congratulate our government on Côte d’Ivoire’s high growth rate, but it does not correspond to the level of development within communities.”

For Cissé Marcellin, Director General of Planning, Development, and Aid Coordination in Côte d’Ivoire, there is a broad definition of poverty. “Of course, it includes access to health and housing, but also not being able to bury one’s parents with dignity or to arrange a wedding.” He outlined the situation in Côte d’Ivoire over time: “Our first surveys, in 1980, revealed that poverty was at 10%. We went through ten years of crisis — ten years in which the physical and social infrastructure was neglected or destroyed. In 2008, poverty measured 48.9%. After the post-election crisis, studies in Abobo, Youpougon, and in the west of the country put poverty at 51%, above the national average. The most recent figure is from 2015, and is 46.3%. In 2018 we plan to undertake a survey of household living conditions.”

The state’s crucial role and mission were widely mentioned as part of the process of strengthening resilience. Admirable efforts have been undertaken but they are insufficient. Marie Mboundzi, an African Union official, called for measures to combat discrimination, stigmatization and the rejection of populations in fragile situations. This is especially necessary given other aggravating factors — poor education, early marriage, unwanted pregnancies, lack of knowledge of rights, lack of prospects for young people, and sociocultural burdens.

“The state has sovereign missions, including meeting the basic social needs of its citizens. Through national development policies and
Coordination and dialogue are vital for making a real difference

Among all the solutions put forward, many participants, working for associations or institutions to improve people’s resilience, agreed that it was important to promote coordination and dialogue. “Mandatory, free education, for example, is a good step forward in terms of development, but the distribution of education infrastructure, sometimes up to 10 km from children’s’ homes, is a considerable obstacle to implementing this policy”, according to Solange Koné. Communities must be allowed to express their needs for problems to be entirely resolved. Dialogue with populations, communities, religious leaders, and opinion makers to involve them further in the development process is vital.

To enable real social, economic and environmental progress within fragile populations, said Niamke N’dré Bertin, a technical adviser and trainer, “populations need to be involved in the relevant overall process of diagnosing their living situation, investigating solutions, making decisions and wisely implementing development actions. A new aspect must be considered: the activation of deep, internal customization processes so that people are no longer in welfare situations but can become actors in the development process”. By providing technical support and involving, helping, and assisting populations, these actions will boost resilience and lead to a change in the situation until things function normally.

How can one escape isolation and neglect and become an actor in one’s development with support? For Marie Mboundzi, this involves adapting national programs to the realities on the ground, the use of local languages, awareness campaigns to explain development with television messages, radio broadcasts, theater, and so on. The state could also improve data collection to compile statistics, undertake household surveys and conduct censuses. While the state is responsible for mobilizing resources, the private sector is also involved and plays an important role in the national economy. It provides additional basic social services and therefore sensible public-private partnerships could be useful in expanding services.

WHAT IS A FRAGILE COUNTRY?

The African Development Bank and the World Bank have set up the Country Policy and Institutional Assessment to evaluate countries (on a scale of 1 to 6. Each country’s performance is assessed using an 18-point survey, broken down into five sections on the coherence of economic management, the coherence of structural policies, the ability of policies to promote equality and social inclusion, the quality of governance and management of public sector institutions, and the ability of the regulatory framework to promote infrastructure development and regional integration. The CPIA considers a country with a score of 3.2 or less to be fragile.

In addition to economic criteria, the Bank considers social, political and environmental criteria when assessing fragility. The presence of an international peacekeeping force during or after a conflict also means that a state will be classified as fragile.
Cissé Marcellin reminded participants that Côte d’Ivoire is essentially an agricultural nation. In addition to revising the education system so that it is adapted to the labor market, working towards the processing of raw materials using a dense industrial network with a strong local component seems promising. Boosting care services and the effectiveness and quality of public spending, developing infrastructure and implementing decentralization are also key development pathways.

“The exclusion of vulnerable people is now a major challenge in terms of equity and equality that Africa needs to address so that the United Nations 2030 Agenda for Sustainable Development and the African Union’s Agenda 2063 are not mere pipe dreams,” concluded Marie Mboundzi.

10,000 Communities in 1,000 Days

Helping the most vulnerable to escape a double burden in fragile states

Announced in January 2017 by Bank President, Akinwumi Adesina, at the first edition of the African Resilience Forum, the “10,000 Communities in 1,000 Days” Initiative aims to help the most vulnerable populations escape from the vicious circle of vulnerability and poverty and embark on a path of resilience and sustainable development in fragile countries.

The most vulnerable people have to deal not only with the ordeals caused by fragility and conflict but also with the lack of access to basic key services: water, electricity, primary healthcare and education.

The Bank’s 10,000 Communities in 1,000 Days initiative aims to end this double burden borne by the most vulnerable communities. To achieve this, the Bank will provide water and electricity, two essential services, to the most vulnerable people in African countries, especially fragile nations: Burundi, Comoros, Djibouti, Eritrea, Gambia, Guinea, Guinea-Bissau, Liberia, Madagascar, Mali, Niger, the Central African Republic, the Democratic Republic of the Congo, Sierra Leone, Somalia, Sudan, South Sudan, Chad, Togo and Zimbabwe.

Admirable and noble, the goal of providing water and electricity in fragile countries is also highly problematic. The public treasuries in these countries are usually too small for the government to cover all the expenses incurred to successfully carry out all its sovereign roles on its own. Moreover, vulnerable populations also lack the financial ability to provide costly essential services. What can be done to resolve the problem?

Leveraging support from the private sector

To address this challenge, using the “10,000 Communities in 1,000 Days” initiative and backed by the coordination office for fragile states (Fragile States Department, formed in 2008), the Bank is setting up a partnership platform incorporating the state, the private sector, financial supporters and vulnerable communities.

Each actor on the platform will have a specific role to play. The Bank will lobby the private sector to encourage it to provide water and electricity for vulnerable populations, using the public-private partnership model “Build, Own, Operate”, which enables a company to implement a water or electricity infrastructure project and then manage it by charging its users until the investor can access the funds.

In addition, as national and multinational companies, the 10,000 Communities in 1,000 Days initiative encourages businessespeople to invest their financial and technical resources to provide basic services to vulnerable people with profitable but affordable payments. Though impoverished, these populations can reimburse private investments over time with small payments. For this to be achievable and sustainable in the long term, the Bank will provide financial support to help strengthen the technical and financial capacities and resilience of vulnerable communities in organizing networks, microcredit, training, financial negotiations and developing income-generating activities.

It is uncertain whether lobbying alone can suffice to convince the private sector to invest in fragile states. The Bank therefore aims to use this initiative to encourage states to set up suitable incentives and regulatory measures to create a business-friendly environment.

In view of the huge financing needs for supplying water and electricity and making access costs affordable to an estimated target population of 5 million people, the Bank encourages other technical and financial partners, both private and public (multilateral and bilateral development institutions, international foundations, impact investors, diaspora), to join the 10,000 Communities in 1,000 Days initiative.

Strengthening the resilience of vulnerable communities

For the Bank, Africa’s first development financing institution, one of the main challenges of the 10,000 Communities in 1,000 Days initiative is to consolidate people’s resilience not only to improve their living conditions but also to develop resilience to enable them to weather shocks and other difficulties such as terrorism, illegal immigration, and internal conflicts.

Underlying the ambition to provide water and electricity is the desire to empower African women. Freed from the chore of collecting water, rural women can dedicate their time to income-generating activities such as selling refrigerated local juice thanks to the electricity supply, adopting innovative solutions suited to local realities.

After the Bank Group’s Board of Directors adopts the initiative, it will become operational starting with countries in the GS Sahel.
Africa has recorded strong growth over the past few years, raising it to the second fastest-growing zone, but it needs to continue this effort to improve the substance of the growth and sustain the pace. The African continent has the ability to achieve these goals, the potential needed to make significant advances in economic and social development, and to reduce its shortfalls when compared to emerging economies.

Africa cannot count on its natural wealth alone. It must also consider its human capital, and primarily its young people who must be viewed as a significant asset for its development. The African continent currently has human potential that provides an opportunity as well as a challenge. Everything must be done to satisfy the needs of a population that is growing and increasingly demanding. The challenge our continent must meet in the years to come is the structural transformation of our economies, which is a necessary condition for sustainable, inclusive development.

Bio

- Abderrahmane Raouya began his career at the Ministry of Finance in 1985. In 2006, he was appointed Director-General of the Tax Administration. He held this position until his appointment as head of the Ministry of Finance.
- A graduate in legal sciences from the University of Algiers, he holds a degree from the National School of Public Finance of Clermont-Ferrand in France.
- Abderrahmane Raouya worked with the International Monetary Fund as an expert in the Democratic Republic of the Congo from 2003 to 2005.
In this context, industrialization seems to be an essential part of Africa’s development process. It is a determining factor that will allow the continent’s transition from an economy based on primary products to a more diversified economy with significant value added.

Industry is central to structural transformation and economic growth. Beyond the ripple effect it has on other sectors of the economy and on the economies of scale it helps achieve, industry is incontestably a source of the technological change needed to increase productivity and strengthen the competitiveness of African economies.

Industrialization will also help Africa improve its position in terms of integration in Global Value Chains. Africa must position itself in growth niches such as agricultural food production, textiles, automobile production, aerospace industries, etc. Like Asian and Latin American countries, the continent must take advantage of this integration. However, it must be accompanied by a revolution in innovation and new technologies, improved cost control and logistics, and an enhanced effort to improve negotiating power with international firms, all while working for growth in intra-African trade in an African free trade zone.

For African countries, industrial recovery is emerging as a cornerstone for national economic strategies. Africa’s vulnerability to external crises due to the level of volatility in primary materials cannot be mitigated without diversifying African countries’ production structures and exports so that they can better withstand these shocks.

Africa is aware of this challenge and has shown the political will to overcome it. In addition to emergence plans and national strategies, political will was demonstrated on the continental level by the African Union’s adoption of the 2063 development agenda, in which industrialization is considered to be a significant lever for Africa’s development.

Intra-African trade, which accounts for only 13% of trade volume, demonstrates that the margin of growth for commercial trade within the continent is significant and the potential of this market represents an essential lever to encourage the acceleration of industrialization. However, this continues to depend on mutual efforts by states to create basic infrastructure that will improve African value chains.

As far as Algeria is concerned, industrialization remains a major challenge for its economy, which depends heavily on hydrocarbons. Since the early 2000s, Algeria has begun a series of ambitious five-year development programs covering several development areas. These programs, which have been financed almost exclusively by public savings that the authorities have been able to mobilize over the past decade, have had a very positive impact on growth and on poverty reduction.

During this decade, for example, 26 dams were built, and public works have included the completion of 1,100 km of highways, 1,695 km of expressways, and 129 port infrastructure projects. In transport, 2,318 km of railways have been constructed. Installed electrical power rose from 8,503 MW in 2008 to 17,238 MW in 2015. In addition, Algeria has always had an approach based on shared prosperity that goes beyond its borders, taking into account the important issue of regional integration of infrastructure projects, particularly in the context of NEPAD.

Today, the financial stresses resulting from the drop in oil prices that began in 2014 pose some acute challenges for Algeria, in terms of economic diversification and accelerated structural reforms aimed at improving the institutional structure, introducing the principle of performance-based budgeting, and redirecting available resources towards economic growth.

For the Algerian economy, the success of the diversification process depends in large part on the industrial sector’s progress. Algeria has adopted a new growth model based on a sustained industrial growth policy and greater liberalization of initiatives to achieve the growth rates required for a more diverse economy. Algeria’s industrial policies will be reorganized along four strategic lines: support for sectors with comparative advantages, support for sectors that have already built comparative advantages, a targeted substitution strategy, and support for the development of industrial activities in sectors with significant export revenue elasticity over the long term.

The African Development Bank’s role in accompanying African countries as they industrialize seems fundamental. In this context, we must highlight the effort to use this institution through its Highs 5s, which count industrialization among the five strategic priorities, along with energy, agriculture, regional integration and improving the quality of life for the people. The African Development Bank’s continental scope gives it prominence in providing appropriate responses to the development challenges faced by Africa.
The theme of the Annual Meetings this year is Accelerating Africa’s Industrialization. What are the expectations for Busan, and more broadly, what can we learn from the Korean development experience?

South Korea created a sound economic system by betting on its most valuable resource: its people. Both the Government of Korea and Korean families realized the value of education and invested in it to extraordinary levels. This bet resulted in producing and training the engineers and workers needed to develop manufacturing-based industry. Thanks to this, the economy flourished. Education from the earliest age and advanced technical training are the great lessons from the Korean experience.

In your opinion, how can Africa’s industrialization be accelerated to trigger inclusive growth on the continent and to create jobs?

We must understand and better use our very rich ethnic and cultural diversity as much as the natural resources that are available almost everywhere on the continent. Development should be based on public policies to establish educated, healthy populations by offering challenging, high quality public education, health and well-being, and launching the most appropriate industrial clusters for each specific territory as a function of their competitive advantages. In general, the population of the continent is very young, which makes the development process urgent. We must be able to provide opportunities for our youth before young people become one of our worst demographic and economic nightmares.
capital by internal and external investors and the system whereby these investments can access benefits and other facilities. This is done alongside a recently approved competition law favoring investors, and effective judicial action to combat malpractice and corruption. Those are just some measures that have been taken. In addition, the country has engaged in a structural adjustment process regarding macroeconomic policies that most international and multilateral partners consider important, doable, and of great value for our future.

_Africa has the lowest levels of carbon emissions, yet it bears the brunt of climate and environmental change. What must Africa do to avoid environmental degradation as it seeks to further industrialize?_

We are, indeed, at an environmental crossroads. However, we cannot actively embrace an attitude of avoiding pollution at all costs. There is an environmental bill to be paid that drastically enhances the living conditions of current generations but should not irreversibly penalize future generations. This decision must be taken now through appropriate laws inspired by those global initiatives and good examples that are already in place. We know, for example, that agro-industry is a sector that urgently needs attention given its high pollution levels, but we as a continent cannot afford to foreclose this industry altogether. The same is true for other industries that produce marketable goods, which could allow us to reduce our external dependence. In short, I think that we cannot let ourselves be paralyzed by the issue. We can commit to structural measures, the force of law, and in educating our populations to avoid further environmental degradation to our planet. That is our collective heritage to the future generations.

_A recent study commissioned by the Bank shows a staggering USD 42 billion gap between men’s and women’s access to finance across Africa. As your country pursues industrialization, how can the Bank help to ensure equal access to opportunity for women?_

In political agendas and employment policies, it has been possible to establish minimum gender quotas. However, I am not sure that it is economically efficient to establish identical quotas in access to financing. We know that in our social reality, women play a decisive role as entrepreneurs of small businesses that support families. While micro finance banking would be more appropriate in this context, it has not yet been fully effective because there is no basic financial culture that allows women to take advantage of these opportunities. Therefore, I would bet on effective education for financial inclusion to take advantage of the entrepreneurial character that African women demonstrate daily.

_Africa is at the forefront of the digital revolution, particularly in terms of mobile banking. In what other ways can the digital revolution advance the High 5 priorities?_

I am not an expert on this subject but there is a gap of sharing and tutoring. Providing communities with some knowledge or with distance tutoring that supports family agriculture and improves health education could be a way forward. For example, I have heard that UK hospitals and patients receive diagnoses and prescriptions remotely from India. The lack of hospital units in our country and the lack of medical specialists could in many cases be mitigated by good digital connections with specialists in the principal hospital centers. The Bank can stimulate the emergence of projects that make these and other virtual realities possible. Unfortunately, it is not possible to share food, electricity, or water digitally, but we can share knowledge and experience.

_What is your vision for Africa 15 years from now and what role do you see for the Bank in achieving that vision?_

I run the risk of expressing wishful thinking. But I can envision a place where all children study for at least nine years, where more than half the young people are sufficiently literate to learn a technical/professional skill that enables them to open a small business, where diseases such as malaria, yellow fever, cholera and AIDS are scourges of the past or are no longer the main cause of death on the continent, and where people with their own cultures and backgrounds, can live healthier and longer lives. The Bank’s strategic High 5 priorities, on their own terms, can help to achieve this future transformation.

_Would you consider to be the key social and economic challenges facing your country, and what role do you envisage for the African Development Bank?_

We still have many challenges in the social arena related to demobilization after the war. We have lived in peace for 16 years but many thousands of former combatants need government support. Some of this demobilized human capacity can still be channeled into productive sectors where professional skills are quickly adopted. We urgently need to implement agriculture and infrastructure sector projects that can benefit from this workforce and from our youth. All projects that enable young people to qualify are also urgently needed, since the inactive population of young people is becoming one of our major collective challenges. Our education system must offer quality education to respond to demographic growth of almost one million people a year. The health sector also needs to ameliorate its capacity to serve people and eradicate endemic diseases that have already been eliminated in some countries in Africa. There are many areas were the Bank has the opportunity to help. It is already doing so in some areas.

_In light of the Bank’s mission to accelerate the development of Africa, where do you stand today on a general capital increase for the Bank to allow it to deliver on its goals of improving the lives of Africans?_

The proposed increase will allow the Bank to provide the necessary resources to ensure the sustainable development (looking at the High 5s of governance) of its activity.

- We agree with the terms of the Board of Directors’ proposal, as they are in line with the Bank’s statutory provisions. However, an increase should imply the following:
  - Installments should not be doubled as many countries have not yet paid their previous increase.
  - The Bank should have a greater presence in the regional member countries, which is to say have offices.
  - The Bank could accelerate its processes of approving and implementing projects in different countries.
  - The disbursement process could be less bureaucratic and more appropriate to the dynamics and legislation of each country.
HARTWIG LOEGER

Minister of Finance

Enhancing the Potential of SMEs and Regional Markets for Successful Industrialization

The theme of the Annual Meetings this year is Accelerating Africa’s Industrialization. What are your expectations for Busan, and more broadly, what can we collectively learn from the Korean development experience?

We expect the Annual Meetings in Busan to deepen the Bank’s strategy on industrialization and to sharpen the way forward for its implementation. Although the Korean experience is very unique, it can partly serve as an example in industrialization also for African countries. In my view, the most important features of Korea’s industrialization are an adequate industrialization policy, a focus on education with a strong link to economic development as well as job creation and dedicated good governance.

How can Africa, in industrializing, avoid the challenge of non-inclusive growth that seems to be symptomatic of some of the more advanced economies?

While it is important to develop some advanced industries with high productivity as part of international value chains for competitive international markets, small enterprises processing local raw materials and serving the domestic and regional markets in Africa should be given the same consideration in industrial policy. Also formalizing the informal sector, which provides the bulk of employment in Africa, requires a lot of attention. By upgrading small formal and informal sector enterprises and improving their productivity as well as labor conditions, the domestic demand will be strengthened, thus enabling enterprises to produce more and to employ more people. A diversified SME-sector is most likely the best provider of employment. Regional economic integration is essential for creating larger African markets.

Bio

Hartwig Loeger has been Minister of Finance of the Federal Republic of Austria since December 2017. He previously served for many years as the Chief Executive Officer of Uniqa Austria Insurance Group, Austria’s largest enterprise in the insurance sector, before which he held several leading positions in the private sector. Mr. Loeger studied at the Economic University of Vienna, Austria and at the University of St. Gallen in Switzerland.
Which of the Bank’s strategic priorities do you consider to be the most critical at the moment?

The High 5s represent five areas of development that have to interact and take place simultaneously in order to achieve progress in contemporary African countries. The question is not which one comes first, but at what speed a simultaneous, balanced development of all five areas can take place. The speed depends on a number of factors, of which governance should be mentioned first.

What is your position on a general capital increase for the Bank to allow it to deliver on its goals of improving the lives of Africans?

The question of a capital increase for the Bank is not only a question of demand. Of course, demand is huge. But it is also first and foremost a question of capacity to deliver. The funds being available at best are too scarce to be spent with less than optimal effectiveness because of inadequate implementing capacity. It is not the spending per se that is beneficial for Africa’s poor, but development results on the ground. The discussion of a capital increase should be centered around the Bank’s delivering capacities, on progress in the field, on human resource management in the Bank, and on project performance.

What must Africa do to become a more attractive destination for foreign direct investment?

Peace and political stability combined with efficient good governance including the proper rule of law are the preconditions for the free flow of FDI. On that basis, strengthening domestic markets and advancing Africa’s economic regional integration might attract significantly increased long-term FDI in the real sector.

Africa has the lowest levels of carbon emissions yet it bears the brunt of climate and environmental change. What must Africa do to avoid environmental degradation as it seeks to further industrialize?

Environmental degradation and climate change will always hit where they occur, and always impact the poor in particular. Decisions on industrialization and energy choices taken today will result in future costs. It is important to be frank and honest about them. One might not be able to avoid all of these costs, but one has to take them into consideration, minimize them, and reflect them in feasibility calculations of investment projects. Investments in fossil energy will lock a country in for many decades to generating high and increasing costs for the future. Going for environmentally friendly, climate-saving technical solutions, which are available abundantly nowadays, will pay off in the medium and longer run.

How can the Bank help ensure equal access to opportunity for women?

Dedicated loan programs for women may help in certain situations, but will not change the situation fundamentally. Only empowering women in general in African societies will reduce gender inequalities, in the finance sector as well. Empowering women not only will generate increased gender equality but it is essential for economic and political development in general.

In what other ways can a digital revolution advance the Bank’s strategic priorities?

The productive penetration of societies by digital technologies will bring along a wide variety of benefits, most evident in economic development/industrialization, in services, and in public administration. To reap these benefits, the population and youth in particular have to become acquainted with digital technologies in courses and schools, the barrier to access these technologies should be lowered as much as possible and broadband internet should be expanded to the utmost extent. The Bank can obviously play a role in that.

What would you consider to be the key social and economic challenges facing Africa, and what role do you envisage for the African Development Bank?

Economically the key challenge will be both to develop internationally competitive industries for exports and to strengthen domestic and regional markets for the products of the local SME sector. Regional African trade must increase significantly, supported by enhanced regional economic integration. Local SMEs producing for domestic and regional markets are more labor-intensive and cater for jobs. On the social side, the challenge will be to generate sufficient own revenues to finance transfers and the social infrastructure needed to fight extreme poverty and to stem undue social inequality. The role of the Bank should be to assist African countries in their industrialization process and in developing domestic and regional markets, to help generate domestic revenues, to support the building of social systems, and to achieve gender equality, sustainability, and inclusiveness.
Economic growth in Africa has been flourishing over the past few years, despite the challenges in some countries on the continent. This economic dynamic is occurring for a number of reasons.

**Reforms always bear fruit**

Politically, Africa has seen nearly thirty presidential elections over the past three years, with voters expressing as many different ambitions as there are electorates. I’d like to discuss these ambitions, particularly those of Benin’s government for the past two years. Our countries need more reforms, economic growth, and resilience, better distribution of that growth and more effective anti-corruption efforts. In Benin, President Patrice Talon’s government has implemented an Action Program (PAG), Benin Revealed, to “sustainably transform Benin’s economic and social development.” This program is a set of high-priority programs, flagship projects and institutional reforms that will cost approximately USD 18 billion.

**Bio**

Mr. Bio Tchane is currently Senior Minister of Planning and Development of the Republic of Benin since 2016 following the election of His Excellency Patrice TALON as President of Benin Republic.

Prior to that, Mr. Bio Tchane has held senior positions in the Central Bank of West African States and also served as Director of the African Department of the International Monetary Fund (IMF) and President of the West African Development Bank (BOAD). Mr. Bio Tchane is recognized for his leadership qualities and his reforms regarding transparency and the fight against corruption when he served as Minister of Economy and Finance of Benin.
Benin in line with the High 5s

Benin’s PAG demonstrates the government’s belief that it is possible to build a strong, resilient Beninese economy that creates good jobs and reduces unemployment, poverty, and inequalities. This vision of Benin’s government is perfectly in line with the Bank’s ten-year strategy based on the High 5s, specifically the Feed Africa priority. An analysis of the PAG’s framework shows that eradicating hunger, ending malnutrition, and increasing agricultural productivity alone represent close to 70 of its projects. Light up and power Africa has its own counterpart in the PAG where 24 projects address this issue. The goal is to achieve energy self-sufficiency by 2021, with a total installed capacity of 600 MW compared to 20 MW in 2016. In April 2016, our first goal was to eliminate load shedding by December 2016, which was accomplished. By developing its electricity generating capacity, Benin’s aim is to have the means to become a competitive, attractive economy, creating conditions that are favorable for investment. This is why the country is focusing progressively more on development through industrialization. Promoting special economic zones and building infrastructure that connects Benin with surrounding countries to exploit its potential as a transit country will consolidate this industrialization strategy.

Jobs are the solution to the problem of poverty

Benin’s government is convinced that job creation is the primary way in which public policies can reduce poverty. However, we are also aware that targeted social policies are needed so that every citizen can participate in the results of growth. Establishing Insurance to Strengthen Human Capital is part of this effort. This project’s goal is to fairly and equitably increase capacity and access to basic social services and economic activity by the Beninese people, especially the poorest. Once again, Benin is in perfect symbiosis with the Bank’s Improve the quality of life for the people of Africa strategy.

We need a bank with a strong financial base

As a whole, the Beninese government’s ambitions are perfectly in line with those of the Bank’s High 5s. Like other countries on the continent with limited access to financial markets, Benin needs a strong bank with significant resources. Only a strong bank with a good financial base and greater flexibility can support Benin and these other African countries. We therefore strongly support a substantial increase in the Bank’s capital.
Bio

- Minister Esteves Pedro Colnago Junior became Brazil’s Minister of Planning, Development and Management in April 2018, having served as Deputy Minister since April 2017 and previously as Alternate Deputy Minister and Program Director.
- Currently, he is the Chairman of the Board of Directors of the Brazilian Development Bank and a member of the ELETROBRAS Board of Directors. He was on the Board of Directors of the Brazilian Agency of Guarantees and Guarantor Funds from 2014–2016 and Chairman of the Casa da Moeda Board of Directors from 2011–2015.
- From 2011–2015 he worked at the Ministry of Finance as Program Director, as General-Coordinator from 2005–2011 and from 2004–2005 as Coordinator at the Secretariat of Economic Policy.
- From 1996 to 1998, Minister Colnago Junior was a Finance and Control Analyst in the Secretariat of Nacional Treasure after which, he worked as an Analyst at the Central Bank of Brazil.
The Brazilian economy and prospects for increasing interactions with Africa

In 2016, the Brazilian government adopted a comprehensive agenda to restore short and medium-term confidence in the Brazilian economy and to provide the necessary foundation to increase its growth potential over the medium and long-term. The array of measures includes structural reforms, targeting fiscal balance and sustainable growth, administrative measures allowing for efficiency gains and modernization of the State and public policies, and changes to the regulatory and infrastructure legal frameworks.

The first relevant step was the approval of a Constitutional Amendment creating the New Fiscal Regime, which established a spending cap for the federal budget. Congress also passed new rules aimed at making Brazilian labor laws more simple and flexible. Enterprise-crushing regulations are being lifted. A public-private partnership investment program aims at increasing the participation of the private sector – including foreign investment – in infrastructure projects. Legislative changes to reduce the complexity of the Brazilian tax system are being considered.

The government promoted changes in the regulatory and infrastructure legal framework, such as the Law on Land Regularization, the Unitization of Oil Fields and the revision of local content requirements, the revision of Pre-Salt rules, reducing Petrobras’ required investments, and the establishment of regular bidding rounds in the oil and gas sector. Moreover, a priority agenda was set and is being pursued to further address existing constraints to the economy. It includes, among other issues, the simplification of Social Contribution taxes, Central Bank autonomy, a new public finance law, the privatization of Eletrobras, the strengthening of regulatory agencies, the reduction of the payroll tax break, a recovery program for state-owned companies, and the update of the General Telecommunications Law.

The recent macroeconomic results reflect the aptness of the current policy orientation. After two years of economic decline in 2015–2016, Brazil started a new cycle of economic growth in 2017. The signs of a healthily recovering economy are widespread. Led by investment and household consumption, GDP posted 1% growth, registering positive results in every quarter. The labor market is recovering, and households’ total real income and average real income are on the rise. The current cycle has allowed interest rate cuts: the Central Bank’s base rate is now at the lowest level in the country’s history, reflecting lower inflation levels and reaffirming the successful inflation targeting regime. Household indebtedness has undergone an adjustment process and credit conditions are improving significantly. The Brazilian economy is now far more resilient and able to withstand turbulence. The floating exchange rate regime ensures quick adjustments in Brazil’s current account. Trade balance is at a record high, and the current account deficit has declined consistently. At the same time, foreign direct investment in the country remains steady, at levels that allow for a consistent flow of funding to the current account. Finally, high foreign reserve levels guarantee the sustainability of foreign accounts.

Continuing progress on the reform agenda promoted by the Brazilian government will enable the country to advance towards taking greater advantage of its economic and social potentials. Underlining this agenda is the view that effective, sustainable growth can only be brought about by a series of structural reforms that cement fiscal responsibility, inject dynamism into the economy, expand productivity, improve confidence in the legal system, and reduce dependence on state-run stimulus measures.

In order for Brazil to strengthen its prospects for sustainable long-term development, it is also imperative for it to deepen its relations with partners around the world. As a continent with vastly promising economic and social development with which Brazil has historic ties and shares cultural traits that contribute to its lively social fiber, Africa is an obviously relevant partner. Brazil and African countries can work and advance together in overcoming enduring challenges and setting a development trajectory that delivers improved living conditions to our people.

Brazil has achieved great productivity and profitability in agriculture enterprises in the Brazilian cerrado, an area that is similar to the African savannahs, developing production techniques, equipment, and machinery that can certainly contribute to Africa’s looming agricultural expansion. Brazil’s experience with family farming in various biomes, which account for the bulk of produce consumption in the country, can also serve the development of policies and programs to improve conditions for and integrate African smallholder farmers into local economies in a sustainable manner. And agricultural development in different spheres can underpin industrial development, creating or further developing value chains that create jobs, generate wealth, and improve people’s lives. Beyond that, there are many more opportunities in a number of sectors, such as energy, particularly given Brazil’s expertise in large and small hydro plants, transport infrastructure, national budget management and urban development. Opportunities abound for more intense relationships and greater cooperation, commerce, and investment across the Atlantic.
How do you see the partnership between the African Development Bank and Burkina Faso?

When I saw the recent regional African Development Bank reports, I realized that, in fact, the Bank’s performance was being underestimated. From 2010–2017, the African Development Bank doubled its funding to countries eligible under the African Development Bank arm. It multiplied its initiatives by a factor of 17 to countries eligible under the African Development Fund arm. Compared with similar institutions in terms of resources made available to countries against administration and personnel costs, file processing times, and funding approvals, the African Development Bank makes us proud.

In Burkina Faso, we are very glad to see that the African Development Bank supports the priorities selected by our government in our National Economic and Social Development Plan. The Bank listens to countries and does not impose its own vision. Independent studies have shown that the High 5 priorities identified by the African Development Bank represent 90% of the Sustainable Development Goals. The African Union 2063 agenda will have a similar impact. The Bank, therefore, is in step with our countries’ priorities, with the international agenda, and is also responsive to the priorities of the African continent overall.

In Burkina Faso, thanks to the African Development Bank, we have given the poorest of our people access to energy, water, and sanitation, without of course neglecting all the infrastructure needs in the area of regional integration. I refer to such issues as the regional roads between Burkina Faso and Niger and Burkina Faso and Togo. There is good reason to be proud of the Bank. It is agile, it listens to its customers, and it is very flexible.

What is your vision in this context – the context of Africa? What do you think the role of the African Development Bank will be in the medium term?

Africa is a continent of potential. We have heard a lot about the awakening of Africa in recent years. The potential is there. What we need is support. It’s as simple as that. As a continent, we are capable of reversing negative trends. Here, the African Union plays an important role. The leadership of our Heads of State is there. We are not going to continue to hold out our hands, and it is obvious that official development assistance is becoming scarcer. In any event, it won’t be official development assistance that helps us take our countries forward. We are going to mobilize our domestic resources and even contribute. There is a saying back home where I’m from, that if you want someone to rub your back, have a shower and make sure that you at least wash your face. That is what we are doing on our continent, with the support of the African Development Bank.
What are your thoughts and impressions about what the bank is doing to help accelerate Africa’s economic and social development?

When we say “what the Bank does”, it is “what we do,” because the Bank has included us in the various development projects in our respective countries. This also means, of course, that it is about the development of Africa. We think it is absolutely right that the Bank should be working alongside us on projects to benefit vulnerable populations, and which also contribute to the image of a fast developing Africa, an Africa that does not always trail after the other regions of the world.

The theme of the Annual Meetings this year is Accelerating Africa’s industrialization. What are your expectations for Busan?

There are many significant expectations. If we are talking about speeding up the industrialization of Africa, the continent also needs to carefully target the areas where it really wants to industrialize, because it is not merely a question of talking about industrialization. We have to talk about industrialization that is profitable for Africa. In the past, we saw industrialization projects that were carried out but which have now vanished. Why is that? It is because they were not well thought through. Speaking personally, I want to see industrialization that genuinely enables Africa to develop, to be fully able to meet the challenges of what it sets out to do. I want to see industrialization that does not make do with merely imitating what is done elsewhere, but which really targets what is necessary and will turn a profit.

What can we expect to learn from Korea?

Not all Africa lives at the same pace. There are differences from country to country. Each country should first work out in what way it resembles Korea and where it differs. We cannot simply say that since Korea has succeeded, if Africa applies the same principles or mechanisms, then it too will succeed. We need to read the signs of the times and look at the context in which we find ourselves. That said, Korea can indeed be an example to us to show that it is possible. Yes, it is possible. Korea succeeded and we can succeed too, without falling into the trap of copy-and-paste.
The nature of work is changing. Driverless trucks are transporting goods from factories to warehouses. Vehicles are driving themselves. 3-D printers are producing T-Shirts and sneakers faster than their human counterparts can. Robots are replacing humans in industrial assembly lines in food processing plants, automobile factories, and aviation plants. Farms are being automated; advanced robot prototypes are planting and harvesting a range of crops. Stores are being replaced with online sites where we can buy clothes, book airline tickets, order pizza, and pay for everything electronically. Alexa, your virtual assistant developed by Amazon, can turn on the television to your favorite channel and then play soothing music to help you fall asleep. And, yes, she will also turn off the lights.

This is not the brave new world of the future, but our world today. These changes have profound implications for how we work and live. Welcome to the 4th Industrial Revolution where the confluence of artificial intelligence, robotics, 3D printing, the Internet of Things, biotechnology, and block chain technologies are modifying how we have worked since the previous industrial revolutions.

It is all about jobs. Each year, 10–12 million African youth enter the workforce where only 3 million formal jobs are available. Youth fill less than a quarter of all jobs created; the youth unemployment rate is double that of the rates for adults. High youth unemployment has created challenges. Forty percent of the young people who have joined the ranks of
rebel and terror groups cite lack of economic opportunity as their key motivation. Many youth also migrate in search of jobs especially in Europe, often illegally aided by criminal smuggling networks, a particularly dangerous enterprise. In 2015, over 3,500 people, many of whom were young, died in the Mediterranean while trying to make this perilous journey.

The poor jobs situation for African youth is rooted in three main factors. First, job growth in Africa’s formal sector has not matched the pace of graduation from secondary and tertiary institutions. Second, many youth are ill-prepared for the jobs that are available because they have not acquired the skills that employers require, either because their education is of poor quality or because they are specialized in areas other than those demanded by employers. Third, youth lack the social capital, networks and experience needed to compete in the labour market.

**What implications will the 4th industrial revolution have on the continent’s already challenging jobs situation?**

**The challenges.** Jobs are more likely to be automated in developing countries because they tend to be more routine in industries that tend to be more labour intensive. As robots and artificial intelligence change the economics of manufacturing, automation is eliminating the advantages of cheap labour and leading to the relocation of operations to developed countries. Falling prices for robots are making them more easily available for manufacturing. As the cost of capital falls, industries will find it more efficient to re-shore manufacturing activities from Africa and elsewhere. Recent evidence from the US suggests that this leads to a loss of roughly 126 African jobs per re-shored company; between 2010 and 2015 approximately 250,000 jobs were re-shored to the US. The expectation of Asian manufacturing moving to Africa because of rising labour costs rise in Asia no longer appears to be a viable long-term job creation strategy.

**The opportunities.** Rapid technological progress provides a unique opportunity for Africa to leapfrog and quickly reach higher levels of productivity. Technological developments in agriculture are particularly relevant as a large percent of employment in Africa is in agriculture. New developments in precision agriculture, based on automation and the Internet of Things, offer great potential for increasing productivity and speeding up structural transformation. In addition, Africa is already the world’s second-largest mobile phone market, and the pool of mostly young, successful entrepreneurs using these technologies is growing. At the same time, while the estimated costs of operating a robot, now between USD 10 and USD 30 per hour depending on its sophistication, remains relatively high, these costs are dropping. Given existing wage rates in Africa, a significant window of opportunity exists before robots become competitive. For example, an Overseas Development Institute study estimates that robots will become competitive in the furniture sector in Kenya only in 2032. There is, therefore, an important opportunity to train future workers.

**Policies matter.** Creating decent jobs requires policies that increase productivity and enable the reallocation of labour from traditional to modern sectors. Governments, in partnership with the private sector and the development community, must make high-quality education and skills development a top priority. Africa cannot meet the challenges associated with 4IR if only two percent of the total university-age population graduates with a degree in science, technology, engineering or mathematics. Business and entrepreneurship skills, complex problem-solving skills, social skills, process skills, system skills and cognitive skills are also in high demand. There is a need for job centres that can raise awareness about job opportunities, help job-seekers write résumés and prepare for interviews, and match job-seekers with employers seeking employees. Infrastructure is a key enabler of 4IR and higher Internet penetration rates can contribute to higher youth employment and greater productivity.

**Jobs are a top priority for the African Development Bank.** The need to create productive jobs is well recognized, but policymakers are less aware of 4IR technologies, their challenges and opportunities. The role of the African Development Bank as a provider of knowledge and technical assistance, a catalyst for private-sector development and investment, and as a financier of strategic job-related investments is therefore critical. The Bank’s Jobs for Youth in Africa strategy seeks to help the continent create 25 million jobs by 2025. This is an urgent priority. The future of Africa’s youth must not be to perish in the Mediterranean, but to transform their continent.
Bio

• Demographer, graduate in specialized higher education in demography at the Yaoundé II Institute of Demographic Training and Research in Cameroon in 1995.
• A large part of Félix Moloua’s career was spent in the technical direction of the Central Census Bureau.
• From 2007-2013, he was director of the ministry office for the Economy, Planning and International Cooperation. He has been Minister of the Economy, Planning and Cooperation since April 11, 2016.
After three years of political transition, the Central African Republic authorities, with the support of the international community, succeeded in assembling the conditions needed to hold presidential and legislative elections in February 2016. The people of the Central African Republic turned out in huge numbers to express their desire to end the tumult of the preceding years by supporting peaceful elections despite continuing tensions.

The return to constitutional order, strongly supported by the international community, is undergirded by the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic, and by several United Nations Security Council resolutions.

In addition, several actions were taken at the national level to resolve this crisis:

- A national reconciliation forum held in May 2015, with recommendations and a republican pact.
- Implementation of an inclusive monitoring committee.
- Development and adoption by the new authorities of a national Plan for Recovery and Consolidation of Peace 2017–2021, taking into account the principal recommendations of the 2015 Peace Forum, which was resoundingly approved at the Round Table of partners and investors held on October 17, 2016 in Brussels.

**Planned solutions**

Currently, the complete solution to this crisis must include the following issues. Politically, the Central African Republic Government must maintain an inclusive dialogue with all political-military players, taking the African Union option into consideration. Economically, the National Recovery and Peace Consolidation Plan reference framework must be implemented, emphasizing actions that will result in rapid and visible impacts that involve the people, so as to reduce extreme poverty. Reforms must be implemented in all sectors, particularly the justice system, to stabilize the business climate and develop the private sector. With regard to the health system, sanitation infrastructure must be built and rehabilitated country-wide by qualified personnel and with adequate equipment to facilitate access by the most vulnerable populations. Educationally, high quality education must be promoted in accordance with United Nations Agenda 2030 and the African Union’s 2063 agenda. Finally, regarding security, the defense and security forces must be rebuilt as garrison forces by providing them with adequate resources to secure borders and populations.

The Central African Republic must continue to count on the support of the international community in forming the Central African Armed Forces, whose deployment on the ground is just beginning.
In what ways do the actions of the African Development Bank add value compared to other development partners?

Expertise, expertise, expertise. I would have liked to answer this with three different words, but this one word warrants being repeated three times. And why should there be such an insistence on expertise? Expertise needs to be technical, legal, and financial. Technical expertise, because the Bank has the capacity to mobilize, it has the capacity to target existing funds of which we were unaware and that are development opportunities. Legal expertise, because our countries deal with some partners with greater capacity and that can impact projects. Our capacities are often limited and we sometimes make commitments that are toxic to our economies. The African Development Bank’s legal expertise helps us avoid these bottlenecks and difficulties. And finally, financial expertise, because the Bank has the capacity to make contracts and to mobilize funding that meets the development needs of countries like Chad. This is an added value that the African Development Bank possesses.

In light the mission of the African Development Bank, do you think a general capital increase is necessary?

Do you ask patients at a hospital if they need medicine? We need resources. Chad went to Paris in September 2017 to gather resources through partners and international investors under its National Development Program. If the African Development Bank, using its tools and expertise, wishes to mobilize resources to expand its portfolio to meet our development needs, we are its first supporters. It is simply a case of negotiating the feasibility for this to be managed in the best possible way and to be used rationally. We entirely subscribe to this initiative and keenly await its outcome to markedly increase the Bank’s capacity to provide grants and loans and to continue to support our country’s development.

What is most urgent for Chad in the field of development?

Chad’s most urgent development need is for people to be able to go back to work. If we make progress with this, it will mean taking advantage of possibilities and opportunities that already exist. If we set precise objectives, then the resources are there. We will be able to feed ourselves, sell the surplus and present ourselves to others with dignity, and not have to ask for aid. Only work pays.

What is your own vision for Africa?

My vision for Africa is nothing if not optimistic, because I love Africa, like all African compatriots. My country gives me hope. As Minister of the Economy, I am responsible for opening the door for the young people who will take on these responsibilities in the future.
What is Africa’s most pressing need and how do you think the Bank is responding to it?

The most urgent need is for youth employment, because our young people are an extraordinary asset, and this makes a difference if we compare Africa with other continents. We should take full account of our young people and meet their needs. And this is not simply their need to be fed, even if that is a must. We should also know how to respond, and this is something we can only do with the young people themselves. Some examples, such as that of School 42, are very interesting. This is a school that we should imitate, because it does not recruit on the basis of knowledge but on the basis of skills. And “skills” does not mean simply diplomas, but knowing how to do things. We know that Francophone schools put more effort into saying than doing. The school of today is the fab lab. School 42 is the latest innovation in the area of youth employment, in the mobilisation of skills, and this is the model to follow.

This school promotes the use of digital technology in an extraordinary way. This is the way forward that we see for the Comoros. When you are small and poor too, you have to know how to be smart. With the Korea-Africa Economic Cooperation (KOAFEC) Ministerial Conference and the African Development Bank, we are in the process of setting up a fab lab at the university. We would like to move quickly towards School 42, which only exists in France and the United States. This school is likely to produce results very quickly and it will be emulated.

In what ways are the Bank’s strategic priorities relevant and in what ways could they promote the development of your country?

The measure that I think should be accelerated and which is starting to take on its full meaning is regional integration. Greater regional integration means more connectivity and less isolation or an ultimate end of isolation. It means giving more thought to things that may not be obvious at first. Air links for example, such as those offered by Ethiopian Airlines, help strengthen intra-African integration as well as serve the whole world. They provide a model. The African Development Bank contributed a great deal to the development of such linkages. Various regional and sub-regional links connecting Africa with the other countries of the world are among the measures to be encouraged and supported. Regional integration enables two or three countries to implement viable strategic projects together. This does not mean that other projects should be neglected. The modernisation and internalisation of agriculture are essential. A country like Comoros produces vanilla and cloves, cash crops that could well be given registered designations (appellations contrôlées) and that could also, when processed before export, quickly move us up to being a middle-income country. With the transformation and industrialisation of agriculture, a country like Comoros can take off very quickly. ■
Bio

- Holder of a degree in business law and a degree in specialized higher education in banking and finance from French universities.
- Ingrid Olga Ghislaine Ebouka-Babackas has been a manager in a commercial bank in Brazzaville, Congo, and a senior manager in the General Secretariat of the Central African Banking Commission in Yaoundé, Cameroon, prior to becoming executive director of national financial institutions with the finance minister from 2011–2016, in Brazzaville, Congo.
- A mother of two children, she is a member of the Women of the Basin, vision and sustainable development, and an agricultural cooperative, Eswengele 5, bringing together five Congolese women with the primary goal of encouraging cocoa farming.
- Having lived for several years in Côte d’Ivoire and Cameroon, she is a fervent believer in African integration and the intermingling of ideas and people.

INGRID OLGA GHISLAINE EBOUKA-BABACKAS
Minister of Planning, Statistics and Regional Integration

The Congo, confronting the challenge of diversifying its economy

Put succinctly, economic diversification represents all actions undertaken by the government to develop, in a gradual and balanced way, the performance of all production sectors that can efficiently contribute to economic growth. It is one of the keys to absorbing the impact of external crises on the national economy.

For the past several decades, the Congo has attempted to prioritize diversifying its economy, which has been overly dependent on the petroleum industry (over 90% of its exports), particularly by developing and implementing five-year development programs.

While the Congo has made significant progress since 2000, and particularly since 2010, with average economic growth nearing 6.5% due to a deliberate policy on economic and social infrastructure and favorable worldwide crude oil prices, increased growth has not been followed by a profound transformation of production structures.

In addition, the reduction in oil prices per barrel during the second half of 2014 accentuated this macroeconomic imbalance and led to a drop in economic growth, resulting in an acute economic, financial, and social crisis in the Congo.
Consequently, over the past few months, the government has been designing the National Development Plan 2018–2022, the president of the Republic’s operational plan for the social program for the next five years, based on rational economic and budgetary choices that will increase the production base, create good jobs and preserve macroeconomic stability over the medium- and long-term. This plan is comprised of two strategic foci: in-depth reform of the educational system and skills training, and economic diversification based on agriculture in the larger sense, tourism, and related industries. Their implementation is coupled with strong measures aimed at stabilizing economic recovery, strengthening governance, mobilizing resources, preserving existing infrastructure and its profitability and improving the business climate.

In this process of diversification, it is fitting that the agricultural sector (agriculture, agroforestry, livestock, aquaculture, and fishing) has a predominant place, undoubtedly contributing significantly to the country’s industrialization by developing value chains. Goals for the agricultural and rural sector can only be defined and achieved by satisfactorily implementing appropriately targeted projects and programs, on the one hand, by how well the government understands the sociocultural characteristics of the major players, and the sector’s current challenges and, on the other, by its growth, measured using an ongoing, consistent system for the collection, analysis, production, dissemination and use of statistical data on agriculture.

However, the absence of reliable statistics, or the weakness of available statistics thwarts the ability to diagnose the situation and to design, implement and monitor development policies, programs, and projects for this sector. The challenge is to have the information base needed to drive the country’s industrial policy using reliable and up-to-date agricultural and industrial statistics. The multi-annual 2018–2022 production statistics plan poses a similar issue, with the completion of a series of surveys concerning industry, tourism, mining, land transport, and timber production. These statistics, centralized by the National Institute of Statistics, will assist in monitoring and evaluating the implementation of National Development Plan 2018–2022. An emergency statistics plan has been designed, calling for domestic and international financing, both bilateral and multilateral.

More generally, the financial requirements of ambitious and deliberate policies require significant mobilization of both public and private resources. In the context of implementing the Congo’s diversification strategy, the full involvement of the private sector and development partners is expected. The African Development Bank should be applauded for its substantial participation in the Congo’s institutional governance, communication infrastructure, and other areas.

In giving life to its ambitions for diversification, the Congo is counting on the Bank’s essential support more than ever and is looking forward to taking part in the Forum on Investment in Africa, held by the African Development Bank on November 7–9, 2018 in Johannesburg, South Africa, to leverage resources and finance its NDP 2018–2022. ■
The theme of the African Development Bank’s Annual Meetings is Accelerating Africa’s Industrialization. This theme is part of the third pillar of the African Development Bank’s five priorities and is a major focus of the Democratic Republic of the Congo (RDC) government program.

In my role as RDC Governor at the African Development Bank, I have high expectations that the implementation of the strategy will contribute to the acceleration of Africa’s industrialization, and offer proof of its economic and social takeoff. I recognize the need to operationalize the High 5s, the Bank’s ten-year priorities, specifically, Light up and power Africa, Feed Africa, Industrialize Africa, Integrate

HENRI YAV MULANG

Minister of Finance

Raising the country to a place of prominence

Bio

- Economist with solid international experience, Henri Yav Mulang was deputy cabinet director for the Presidency of the Republic prior to becoming Minister of Finance.
- Responsible for economic issues and reconstruction, the President of the Republic’s Five Projects, reform of the Congolese fiscal system, and the improvement of the business climate
- Since being appointed as Minister in 2014, the country has enjoyed macroeconomic stability with low inflation and very few variations in the market exchange rate. These achievements have been maintained through careful management of public finances, reasoned and selective expenditures directed towards the social, health and education sectors, which are also engines for growth.
- Deputy administrator of the Congo Business Federation responsible for revitalizing the activities of this employer organization.
reforms to create a more business-friendly environment. I also exhort the Bank Group to continue to focus on investments in infrastructure, particularly for energy, roads, water, and, in accordance with the development financing agenda, to innovate and mobilize private financing.

From this perspective, the Bank Group must continue to integrate and expand regional markets, work with other regional economic and political actors to overcome the obstacles that hinder cross-border trade and investment. By accelerating industrialization, Africa must make a real effort to diversify their exports and create added value for primary materials by developing efficient and competitive value chains.

The challenges common to most of the continent’s countries include weak revenues and budget deficits, with lower prices for primary materials, slowing growth, reductions in development aid and climate change. It is clear that by focusing on the five major priorities on which the Bank’s vision is based, Africa can become a destination of choice.

In any event, I am in favor of the general increase in the Bank’s capital to provide it with the means to accelerate African development and to improve the lives of Africans. As for the RDC, the ambition to industrialize on the continental scale is taking shape through the optimal exploitation of its resources, including water and energy as well as the earth and underground resources. This will strengthen its economy’s resilience and raise the country to a place of prominence on the continent.

The RDC is surrounded by nine countries with which it contributes to the expansion of trade through the diversity of the products it provides to develop value chains for much more highly processed products. Local industries will have greater capacity for growth in opportunities and the creation of a significant number of jobs.

Located at the continent’s heart, the RDC is a giant with tremendous potential in natural resources ready for transformation and its growing demand can benefit a large number of African countries. To achieve this goal, the RDC pleads for the development of its energy resources and, in particular, the Inga 3 project. From the point of view of diversifying its economy, RDC is heavily supporting development in the agriculture sector where its assets are many and varied: 80 million hectares of arable land, an immense river basin, a young and mostly rural population, and seasonal changes between equatorial and tropical climates. I encourage and guarantee equal opportunities for women to be able to benefit from financing as part of this emphasis on industrialization.
Ulla Tørnæs was appointed Minister for Development Cooperation in 2016. From February–November 2016, she served as the Minister for Higher Education and Science. In 2014, she was elected to the European Parliament for the Liberal Party. From 2005–2010 she served as Minister for Development Cooperation and from 2001–2005, she served as Minister for Education. She was elected to the Danish Parliament for the first time in 1994 and worked in the secretariat for the Liberal Party’s parliamentary group from 1986–1994. She holds a BA in English and French from Copenhagen Business School.
In the words of President Akinwumi Adesina, women are the backbone of Africa’s economies. Denmark’s Governor to the African Development Bank and Minister for Development Cooperation, Ulla Tørnæs agrees that the inclusion of women in the workforce should be a key component of all Bank activities. To accelerate Africa’s industrialization, the economic potential of women and men alike must be unleashed.

“Why choose gender equality as a top priority? Well, because it is the right thing to do. In addition, it is the wise thing to do. Global GDP will increase by 25% if women are given the same rights and opportunities in the sphere of work as men. Everyone stands to gain,” says Tørnæs.

The USD 42 billion gap between men and women’s access to finance across Africa clearly shows that there is an urgent need to address the gender inequalities in business and finance. Women and girls are strong resources with great potential to boost the economy. If this potential is not activated, economic growth and development will suffer. The ability of women to bring about economic prosperity is a key focus in Denmark’s development policy. This emphasis on gender equality is deeply rooted in the Danish way of life.

Tørnæs states, “Denmark has come a long way towards gender equality. People often say that this is because we are a rich country. I would argue the opposite – it is because of gender equality that we are a prosperous country. For instance, today Danish women and men are almost equally available for the labor market – 72% women and 76% men. This is good for our democracy and good for the economy.”

Denmark supports gender equality in entrepreneurship and access to capital through the Bank’s Youth Entrepreneurship and Innovation Multi-Donor Trust Fund as lead donor. The Fund serves as a spearhead accelerator for the Jobs for Youth in Africa Strategy in creating 25 million jobs, half of which should be held by women. Denmark also follows the Bank’s implementation of the gender equality policy markers across operations.

Another issue of concern to Denmark that also relates to gender is climate change. African women are particularly vulnerable to climate change because of their role in the agricultural workforce and the absence of other income-generating business opportunities. Although climate mitigation is an essential part of ensuring better opportunities and livelihoods for current and future generations, mitigation is not enough. Denmark believes that the Bank should aim for a larger share of climate adaptation efforts, for the sake of African women, men, girls, and boys. Accordingly, gender and climate must remain top priorities for Africa and for the work of the Bank as Africa’s industrialization accelerates.

“My vision is that by 2030 women and girls – even in the poorest areas of the world – should have the ability to enjoy their rights, fulfill their potential, and make their own choices in life,” says Tørnæs.
What does the future of Africa look like? How will the fourth industrial revolution shape the economies, jobs, and lives of tomorrow?

More than 2,000 entries were received from students, architects, engineers, designers, artists, entrepreneurs, agripreneurs, visionaries, IT gurus, tech experts and many others from all over Africa and from the diaspora. They were pessimists, realists, optimists and idealists, but all had one thing in common: love for the continent they are all working towards improving every day.

A panel of judges from the Bank reviewed the entries and selected four outstanding essays – two in English and two in French. The four finalists’ contributions were selected for addressing the theme skilfully, and with originality and creativity. (You can read the winning English-language entries on the opposite page. Congratulations to the French-language finalists, Ayi Renaud Dossair Alipoe and Cédric Aymar, whose entries are featured in the French language edition of the Governors’ Digest.) The two winners – one English-language writer and one French – and the runners-up in each language will be announced during the Annual Meetings.

Initiatives such the Africa of My Dreams contest place youth at the forefront of the development conversation. They focus the spotlight on the next generation of leaders with the creativity, talent, and passion to create a better future for Africa.
RAMATOU LY

I dream of a SKILLED African workforce with a strong academic foundation that can TRANSFORM and consume what it produces. A place where Nutella chocolate is made in Côte d’Ivoire and not in Italy, where L’Oréal shea butter soap is made in Burkina Faso and not in France, and where Levis 100% cotton jeans are made in Mali and not in China.

I dream of an Africa where the PRIVATE SECTOR invests in infrastructures, R&D, and STEM education programs to leapfrog Africa’s way into the 4th INDUSTRIAL REVOLUTION. Where the telecommunication companies equip every national public university with free Internet access to improving learning and teaching.

I dream of an Africa where the YOUTH is not neglected as a driving force for its development.

GERALDINE MUKUMBI

I. Jacarandas.
In 2017, I moved to Harare to do big girl things. Like most Zimbabweans, I was an unemployed graduate with a big dream – to write beautifully illustrated children’s books. I left the small mining town I called home, took my pens and notebooks in search of a space that would embrace my dreams.

My arrival coincided with the flowering season of Jacaranda mimosifolia. Jacarandas, as we affectionately call them, line the streets of Harare. In late August, they create a perky purple canopy over the city skyline and a pale sometimes dusty carpet of flowers on what is left of paved sidewalks. At this time of the year, the bustle and hustle of Harare is marked by a purple vibrancy.

Harare broke my heart.

There were no jobs. There was no cash. There was uncertainty everywhere. The state needed a villain so there was a crackdown on vendors. On random afternoons, I would see policemen in riot gear hauling away men who eeked a living selling wares on street corners. I saw women being chased. I heard the sounds of running feet. Once, I choked under the pungent smell of tear gas.

Harare was not kind.

II. Ubuntu.
For all the humanity we espouse as Africans, we have some of the most selfish leaders. Nothing reflects this lack of care more than our cities. They were never designed with the common man and equality in mind. Like most things, they are a part of a colonial inheritance we never asked for. They often feel like places to be survived.

When I think of the African city of the future, I am convinced that we need to create livable spaces. We can draw from other countries but, like Teju Cole, I am drawn to African cities that bear the ‘complexity of being their distinct selves.’ In this way, the salvation of the African century lies not just in smart cities, but in empathetic cities.

Pour clôre ces Assemblées annuelles 2018 à Busan, la Banque africaine de développement et le corps diplomatique africain en Corée célèbrent la Journée de l’Afrique.

Retrouvons-nous pour un après-midi festif en musique avec la vedette africaine

Richard Bona

Ne manquez pas ce rendez-vous !
What is your overall perspective on the African Development Bank?

From the perspective of Djibouti, our impressions are very good, because the African Development Bank has been a great professional partner in various sectors: electrical interconnection, roads and water and sanitation. These sectors are vital to a country like ours. We have a keen understanding of the true value of this effort and we will be very willing to contribute to the capital increase.

The theme of the Annual Meetings this year is Accelerating Africa’s industrialization. What are the expectations for Busan?

Our country does not have many natural or mineral resources and we have a very high unemployment rate, like many African countries. We think that industrialisation or light industry in Djibouti could be drivers of job creation. This is a central theme for the whole of Africa.

What do you consider to be Africa’s most urgent economic need and what in your opinion is the bank doing to provide solutions?

The most urgent economic need is that of meeting the demand to create jobs for all our young people. The African Development Bank has a programme called “Employment for Young People.” This is a good start on the part of the Bank, to respond to this major challenge for Africa of creating jobs for young people.

Which priorities could promote the development of your country?

The High 5s are very relevant priorities. For Djibouti, however, two or three are even more relevant than others. I would put regional economic integration first, because ours is a small coastal country on the Red Sea and the Indian Ocean. This means that it is a crossroads, a link between Africa and Asia. Its destiny is closely tied to the regional economic integration of Africa. Indeed, without working integration, our country cannot exist. All the investments that we have made are on a regional integration scale. And that is why this theme is so very relevant. Another relevant theme is that of lighting up and powering Africa. We are developing geothermal, wind and solar power, but we have not invested enough, and these are all costly investments. We are trying to solve this problem now, using the electrical interconnection with Ethiopia. We are currently investing heavily under the Light up Africa priority. This is also as meaningful to Ethiopia as it is to us.

Full video available on www.afdb.org/am
In 2019, Egypt will have completed a three-year structural adjustment program designed in cooperation with the International Monetary Fund. The front-loaded program that began with the floatation of the Egyptian pound on November 3, 2016 has already yielded impressive results. In less than eighteen months, it has eradicated the foreign currency parallel market, triggered a gradual compression in the twin deficits as a percent of GDP, and unleashed an export-driven acceleration in real GDP growth rates to 5% during 2017 — close to rates last seen in 2010. Most importantly, the negative repercussions of the reform measures, particularly in the form of rampant inflationary pressures, have been contained. The headline CPI inflation rate decelerated to a one and a half year low in February 2018 after having peaked in July 2017. In response, the Central Bank of Egypt slashed policy rates by 100 bps on February 15, 2018 in what marked the first rate cut since January 2015.

Despite the fact that we have not yet completed the program, the shift in investor sentiment has been remarkable so far. From early 2017 until end-February 2018, Egypt succeeded in issuing USD 11 billion worth of Eurobonds at favorable risk-adjusted rates and over 5, 10 and 30-year tenors. The sovereign 5-year CDS spread plunged to a six-year low of ca. 250 bps and the equity market benchmark index continued to post new record highs in Egyptian pound terms. Last but not least, the local and foreign currency sovereign credit outlook was upgraded from Stable to Positive.

Bio

Mr. Tarek Amer is the Governor of the Central Bank of Egypt (CBE) since November 2015. He was the leading architect of Egypt’s home-grown reform program linked to the International Monetary Fund and the driving force behind the country’s exchange rate reform. He has successfully led the reform agenda, which has reinstated financial stability and restored international reserves.

Before assuming his current responsibilities as governor, Mr. Amer was the Chairman and CEO of National Bank of Egypt. On a personal note, he lives by the mantra first spoken by business magnate Steve Jobs: “The people who are crazy enough to think they can change the world are the ones who do.”
While the scope of the structural reforms and magnitude of investors’ reaction may resemble the period following Egypt’s first floatation attempt in January 2003, the current program is categorically unique in its focus on instituting automatic stabilizers rather than simply restoring internal and external balances via one-off adjustments.

Starting in 2016, the CBE officially shifted to a flexible exchange rate regime and adopted the headline urban CPI inflation rate as an alternative nominal anchor. For the first time in its history, the qualitative price stability mandate embedded in the CBE, Banks and Foreign Exchange Law of 2003 was expressed in the form of an easy-to-follow numerical target. Specifically, in May 2017, the target annual urban CPI inflation rate was set at 13%, +/- 3% by the fourth quarter of 2018 as a step toward escorting it further down to the single digits over the medium term. In tandem, multiple instruments were deployed to achieve the disinflation target and firmly anchor inflation expectations. Policy rates were raised by 700 bps from November 2016 to July 2017 and the stance remained firmly tight until the CBE decided to execute a 100 bps cut on 25 February 2018. The reserve requirement ratio was raised by 400 bps to 14% and open market operations were deployed to absorb over half a trillion in excess EGP liquidity.

Institutionalizing reforms is key to success

However, it is critical to note that the institutionalization of automatic stabilizers within the realm of monetary policy would have been futile without a priori institutionalization of fiscal policy reforms. The shift to a full-fledged value-added tax regime and the imposition of caps on the annual increase in civil servant compensation during the second half of 2016 were indispensable in putting a lid on annual government borrowing requirements. Similarly, the steady upward adjustment in energy prices since July 2014 is earmarked to eventually morph into a flexible fuel-pricing regime that is tied to international crude oil prices.

The institutionalization of these monetary and fiscal measures effectively means that Egypt has activated a wide range of shock absorbers that were historically deployed on an ad-hoc basis and typically under duress. These stabilizers should dampen the amplitude of boom/bust cycles going forward versus a history characterized by periods of rapid, yet unsustainable, growth followed by periods of a painful unwinding of internal and external imbalances. As the outlook for macro volatility is credibly contained, the country’s risk premium automatically declines, which is what the steep compression in CDS spreads across different maturities reflected throughout 2017 and even more so in 2018.

In 2018, the CBE intends to bookend the institutionalization of monetary policy reforms with the issuance of a new CBE, Banks and Foreign Exchange Law. The underlying philosophy of the new law is to foster competition among banks as the most effective route for attaining higher rates of financial inclusion. In a country where only a small fraction of its population of approximately 95 million people has access to formal financial services, financial inclusion is instrumental in alleviating poverty, unleashing the productive power of the community, and providing financial as well as technical support for young talent. In addition, the new law will firmly carve out the CBE’s operational independence and introduce effective corporate governance norms, with the ultimate objective being institutionalizing the cornerstones of banking sector stability after having succeeded in institutionalizing the building blocks of monetary stability.

It is a fact that institutionalization of reforms is key to success. However, the ability to institutionalize reforms centers on the willpower of policy makers rather than on technical work and policy decisions. Reforms are driven by conviction, determination, the ability to secure political endorsement, mobilize public consensus, and nurture the community’s mindset to accept unconventional measures that ultimately foster social welfare and economic stability. In 2016, the CBE stepped out and decided to shoulder the responsibility and act upon it. The results surpassed both our expectations and our aspirations.
Can you tell us about development progress in your country?

Ethiopia has really made a lot of progress in terms of accelerating and transforming its economy toward industrial development. We are pursuing a five-year plan for industrial development and aim to become a manufacturing hub of Africa within the next ten years. This is our vision, and the mission is to implement a detailed plan. Thus, I can say that industrial development has already started. We have so far identified the key areas that are of comparative advantage for Ethiopia. Examples are leather textiles and food processing, where Ethiopia has a large advantage in providing raw materials for industrial development. That is number one.

Second, we have created or identified special economic zones, which we call our industrial parks. We have so far developed about ten industrial parks, three of which are already completed. All our investors are in, and we have started production and also exporting in this process.

The third area is agro-industrial processes. We are now planning to set up 17 parks all over the country. We have already started with four pilot agro-industrial parks and their construction has started. The government has contributed the resources, but we have also mobilised huge resources from the private sector. Public-private partnerships are one of the means we are using to expand industrial development in Africa. So, we manage to attract huge foreign direct investment in implementing industrial development. Some private sectors have fully owned industrial parks and are putting them to work. So there is really a lot of industrial development activity going on in Ethiopia, and we expect this to yield results very soon.
RÉGIS IMMONGAULT

Minister of the Economy, Forecasting and Sustainable Development Programming

What’s your take on the partnership between Gabon and the African Development Bank?

It is a renewed and adapted partnership. To be more precise, there was a time between 2010 and 2013 when there was some sluggishness in the partnership. Since 2014, however, it has grown stronger. Since the Country Strategy Paper was written and implemented, taking account of the country’s needs, we have defined a strategic focus for Gabon’s economic programs. The African Development Bank is one of our most important if not the most important partner today. In the Economic and Financial Reform Program that Gabon applied and implemented after the oil crisis, the African Development Bank has been our main donor by providing budget support and support for developing specific growth sectors. Gabon is aiming for inclusive and sustainable growth.

The African Development Bank has set five strategic priorities called the High 5s. Do these priorities seem relevant to you?

These priorities reflect the concerns of various countries. The High 5s are relevant to Gabon, because our country has operated up until now by valorizing rentier systems. Oil has been the main motor of growth for the Gabonese economy. However, while it did bring revenues and developed infrastructure, it has not been able to foster inclusive growth. Since 2010, we have focused on structural changes to the economy to go higher up the value chain, to be better integrated into international trade, with a multiplier effect for the creation of wealth and jobs. Employment is essential.

By feeding the Gabonese people, by feeding Africa, we are offering opportunities to young people. By giving Africa energy, we are making it possible for industrial and economic units to establish themselves in Africa and to develop programs for producing goods. All this has a virtuous effect and establishes a strong, endogenous economic system. Integration is essential, because we have had the misfortune of witnessing the weakness of South-South trade. The population of Africa is growing and we have a middle class that will have higher incomes in the future. Let us capture this demand to establish a system to strengthen the production of tradable goods.

What do you think the role of the African Development Bank will be in the medium term?

Until now, what has predominated in Africa are crises: the debt crisis, the commodities crisis, and so on. It is time now for a transition. If we read and hear that this century is going to be Africa’s, we cannot be content with clichés. Let us put all this into action, taking account of all the potential that we have.

All these policies, all these structural reforms must really happen now for this really to be the African century. We must take our place in history. To achieve these reforms, we need the African Development Bank, first for its expertise, because the Bank has a vision and it has knowledge. We also need the Bank for financing. Its operations produce a leveraging effect with other partners. This is essential, because the Bank understands the problems of Africa. In Africa, in the African Development Bank, we have Africans. We have other partners as well, but the Bank’s strategies are designed in a way that is appropriate to the problems of the continent. This is why we believe that the African Development Bank should be a launching pad for an entire dynamic of financing for the countries of Africa.
The Bank has had a long-standing relationship with The Gambia. How relevant has this been?

This has indeed been a long-standing relationship. The African Development Bank has financed a lot of projects in the country and the latest one is the Trans-Gambia Bridge, which is a major international, regional project between The Gambia and Senegal which helps provide access to the other regional countries in West Africa. So far, all the relationships and projects have been of very good value to the country and have supported people in agriculture, and other ways such as through institutional support. It has been a very positive engagement between the country and the African Development Bank.

Are the Bank’s strategic priorities in tandem with those of The Gambia. If so, how?

Regarding the High 5 priorities, it is as if you’ve taken them from our own national development program. We have a challenge with rural electrification, and we have been battling a lack of energy and suffering from old generators and very poor distribution lines that contribute to an energy loss of about 26%. Consequently, we also have a challenge with light industrial development. So, it’s a major challenge. I’m happy to say that the African Development Bank has been partnering with us and strategically helping us to deal with this challenge.

At the same time, infrastructure is crucial. Our road networks are very poor and the sanitation and disposal infrastructure is dismal as well. Institutional infrastructure is a priority. Also, we import almost 80% of our domestic staple food, which is rice. This means we are unable to feed ourselves. Once again, this is a huge challenge. The paradox is that we have the land and water in abundance. What we need are investments and new agricultural technology to increase production in order to feed ourselves. It’ll save us billions of dollars that are expended on annual food imports. If we are going to improve people’s livelihoods and reduce rampant poverty, we need to engage our people and put them to work, especially by improving agriculture. Over 70% of our population engages in agriculture, so if you develop and commercialize agriculture you’re also generating and increasing incomes. These are all very relevant and important for us.

For The Gambia, is a general capital increase in line with some of the needs you have just described?

The challenge is that for any development or investment, you need resources. The Bank has identified these priorities and they align with the priorities of the African governments. The challenge is to fund it. Now, one way is this capital increase. So, The Gambia is fully supportive of the increase in the capital of the Bank. Despite all the difficulties we are facing, if we increase the Bank’s capital it will help increase capacities to solve many of the problems we are facing today.
BUSAN, A GLOBAL SMART CITY IN A HURRY TO CHANGE THE WORLD

By Dr. Victor Oladokun, Director of Communication and External Relations, African Development Bank

Leadership is the ability to anticipate the future long before it arrives and the capacity to bring the future into the present.

Korea and the city of Busan are proof positive that exemplary and visionary leadership make a difference. Fifty years ago, recognizing that futures are by no means pre-determined but simply a function of a choice between multiple scenarios, Korea embarked on an ambitious transformative process.

At the root of Korea’s development has been massive investment in education and infrastructure. Critics once scoffed and insisted the investments were either too ambitious or too expensive, and therefore unsustainable. Ultimately, dogged determination, fiscal discipline, and a laser focus on the future helped change the country’s trajectory irreversibly.

Fast-forward to 2018 and the results are astounding. Known as Korea’s second city, Busan has 4,000 kilometers of roads that will soon become interactive, 107 square kilometers of urban rail, 41 shipping container piers, 3,795 wireless zones that provide internet access for all Busan residents, and a fast-growing technological ecosystem that has successfully combined the worlds of finance, R&D, academia and the private sector. The end result is a gross regional domestic product of USD 69.56 billion!

Busan, like the rest of Korea, has moved rapidly beyond the confines of first and second industrial revolutions that were driven by machines and electricity – and, for that matter, past the third, information-based industrial revolution as well. Not content with the status quo or the accolades that have so deservingly been lavished on it, the city is shaping the future of Korea as the world’s leading Smart City. This city, in a hurry, is accelerating its transition into the mental – or fourth – industrial revolution.

Busan is intuitively aware that cities and countries that dominate the mental revolution (defined as mobile data, value creation through artificial intelligence, cloud storage and analysis, and data collection and distribution through the Internet of Things) will ultimately conquer related industries such as:

- Intelligent transportation systems – traffic/accident information and smart parking
- Virtual reality: games, training, education, and sports
- Robotics
- Drone-enabled emergency and rapid response systems, port monitoring, air quality control, water pollution, and smart farming via thermal imaging
- Mobile: e-banking, mobile rail, e-tax, bus schedules, taxis, and fintech to support business startups.
- Innovation clusters: film and video; finance; and ocean (STEM and marine science tech)
- Intelligent logistics
- ICT-based health care
- Urban regeneration
- Energy/environment (smart buildings, mist spraying, CO₂ emissions)

Korea’s industrial experiences will not always be suitable or easily transferable for every African country. Nations grow and are transformed based on their own peculiarities.

However, Africa and other regions of the world must recognize that technological, economic, and social realities are changing rapidly. The fourth industrial revolution is already here. It will shape economies, make certain industries extant, create new job and entrepreneurial opportunities, and lead to quantum changes in creativity and innovation.

If you’re wondering what the future will look like, you’ve already seen it. Busan provides abundant clues.

Bio

• Maria Flachsbarth is Parliamentary State Secretary to the Federal Minister for Economic Cooperation and Development.

• Her political career started in 2002 as a member of the German Parliament. Recently, she served as Parliamentary State Secretary to the Federal Minister of Food and Agriculture between December 2013 and March 2018.

• Ms. Flachsbarth completed combined doctoral and postgraduate studies at the University of Veterinary Medicine (TiHo) and also was awarded PhD in Veterinary Medicine in 1990.

MARIA FLACHSBARTH

Parliamentary State Secretary to the Federal Minister for Economic Cooperation and Development

Industrialization for Inclusive and Sustainable Development

The theme of the Annual Meetings this year is Accelerating Africa’s Industrialization. What are the expectations for Busan?

Industrialization is not an end in itself. The true measure of progress and development must be people’s quality of life – their health, education, political participation and individual freedoms, particularly equal rights for women. We in the international community have embraced noble intentions in the Sustainable Development Goals. Our industrialization strategies must always take those goals as their point of reference. We need to make industrialization sustainable and inclusive so that all Africans can benefit.

How can Africa, in industrializing, avoid the challenge of non-inclusive growth that seems to be symptomatic of some of the more advanced economies?

When economies undergo major change, policy-makers have a duty to ensure that nobody is left behind. It is unacceptable for some people to be left in poverty and destitution when national income is actually increasing. If Africa can use the many innovative business ideas that have emerged, many of them out of sheer necessity, to drive the development of their national economies, then it has a massive opportunity. So priority must be given to developing and spreading these innovations, particularly by putting in place inclusive finance systems and education systems.

The African Development Bank is playing a leading role in pushing for enhanced transparency and good governance. In this regard, what must Africa do to become a more attractive destination for foreign direct investment?

Public corruption – twinned with rent-seeking in economies where the central motivation is holding on to power – means that political and business elites have set themselves up nicely in systems that, for them personally, are extremely lucrative but are in fact economically inefficient. The Compact with Africa forged under Germany’s presidency of the G20 and the Marshall Plan with Africa turn the spotlight on efforts to improve the environment for investment. That is something for which governments themselves are
primarily responsible. The African Development Bank has a very special role to play in this context. With its knowledge of the region and the credibility it enjoys, it can analyze the root causes of the situation and chart a viable and inherently African reform path.

Africa has the lowest levels of carbon emissions, yet it bears the brunt of climate and environmental change. What must Africa do to avoid environmental degradation as it seeks to further industrialize?

As Africa progresses along the path to industrialization, its hunger for energy must somehow be satisfied. But by opting for renewables rather than fossil fuels, it has the chance to make that path a “clean” one from the outset, not least by turning to off-grid solutions. African governments must also take care to avoid using more lenient environmental regulations as a selling point to investors in global value chains. While there may be short-term gains, they would come at a high price. Because in fact the climate-smart restructuring of society and the economy in itself offer great development potential. We are helping our partners to harness that potential and are pleased that the African Development Bank is also engaging as part of the global NDC partnership.

A recent study commissioned by the Bank shows a staggering USD 42 billion gap between men’s and women’s access to finance across Africa. How can the Bank help to better ensure equal access to opportunity for women?

A society that fails to give women opportunities to shape their own lives is putting its own future at risk. Equal access to financial services is vital; it allows women with good ideas to build successful businesses. Under our presidency of the G20, we launched the Women Entrepreneurs Financing Initiative in order to close that financing gap. The African Development Bank has similar initiatives. When funding local banks, the Bank should ensure that their lending prioritizes women managing small and medium-sized businesses.

Africa is at the forefront of the digital revolution, particularly in terms of mobile banking. In what other ways can the digital revolution advance the High 5 priorities?

There are many areas in which programmers, researchers, and the business community are using the continent’s growing mobile networks to overcome development obstacles and achieve broad-based industrialization. We need to support those pioneers and develop them into a strong digital middle class. I am pleased that the Bank is already in discussions with our “Make IT” initiative, which is supporting IT entrepreneurs in Africa. But even though digitalization can create new jobs, a digitally based industry 4.0 can kill them elsewhere. Africa is therefore well advised to ensure that the process of industrialization is put on a diversified footing from the outset. Even cheap wages may cease to be a selling point for Africa in just a few years if 3D printers make factories redundant across the world. That is why Africa needs to launch an investment drive in education (particularly digital education) in order to ensure that enough people are trained up in the digitally based professions of the future.

What is your vision for Africa 15 years from now and what role do you see for the Bank in achieving that vision?

In many places, there is already a palpable sense that change is happening and the continent’s image is already being transformed. The African Development Bank’s main task is to support the younger generation in taking on those interested only in defending their current positions of power and to realize their vision of a better future. Impressive investment commitments have been made and must be even more rigorously tied to the creation and preservation of global and regional public goods and progress on good governance. As the “Africans’ Bank”, the African Development Bank has a particular duty in this respect – not to Africa’s governments but primarily to its people. A local and diversified private sector, a process of industrialization that is both ecologically and socially sustainable, political and economic participation of currently marginalized groups, access to education and health for all, and gender equality – all those remain for me the central criteria by which we can measure the success of that vision.
Are the High 5s clichés or strategically relevant?

The High 5s basically also align with the Africa 63 goals and also the SDGs and I think it’s been determined that if we are able to accomplish the High 5s that’s 90% of the SDGs that will have been accomplished. For us it is really human capital that is at the heart of all of this, it’s about people. How do you feed them? How do you give them energy? How do you integrate the region? The idea of quality of life, that is what we ministers of finance are concerned with, how to improve the quality of life of our people. So it’s relevant, in my mind it’s a master of stroke that the African Development Bank has come up with and we should begin to weave it into the way we structure our budget in each country because it’ll lead to a societal transformation.

There are divided opinions about the merits or demerits of a general capital increase. As Governor and Finance Minister, what’s your opinion?

I think that the fundamental question is really the need for capital in all of the High 5s that you have mentioned. And I’m not sure the question is whether we should increase but really how much we should increase it by. An anticipated USD 170 billion may be needed for the High 5s annually. Clearly, we have to ante up. The challenge is to find new ways of doing that. Ghana feels strongly that we should change the charter for the ADF so that we can go to the markets. Donor funds are receding and there’s a tremendous amount of money in the private sector, within which about USD 40 trillion are either underperforming or getting very low yields. So how do we figure out a way to crowd in that type of capital and support what we have to do? I think we should all be bullish about our support for the need of the capital increase.

The President of Ghana has taken a strong position on aid. What is his vision in this context?

President Akufo-Addo has made it very clear that Ghana has to move beyond aid. Africa must move beyond aid. So that has to be our focus, which also means the transformation of the structures that we must create as a society of self-confident people with dignity, and the ability to leverage our resources in a manner that allows us to create prosperity for all. The most urgent issues are jobs and generating appropriate revenue for the policies we want to implement.
Light up and power Africa

Even though demand for energy is rising rapidly, about 635 million Africans still live without electricity. Through the New Deal on Energy for Africa, the African Development Bank is working to unify efforts to achieve universal access to energy.

Feed Africa

More than 70% of Africans depend on agriculture for their livelihoods. If its full potential is unlocked, agriculture will vastly improve the lives of millions and provide business and employment opportunities across the value chain for Africa’s workforce.

Industrialize Africa

A persistent lack of industrialisation is holding back Africa’s economies. Today, the Bank supports African businesses to expand viable markets beyond small national borders; focuses on regional value addition; builds on Africa’s natural resources; and expands regional consumer markets.

Integrate Africa

The Bank’s Regional Integration Policy and Strategy is focused on the movement of goods, services and people. We continue to support regional connectivity (transport and ICT), implementation of regional and continental trade agreements, and strengthen regional financial markets.

Improve the quality of life for the people of Africa

Africa’s economic growth has not been rapid or inclusive enough to create sufficient jobs or improve qualities of life. The Bank is committed to scaling up technical skills so that African economies can realise their full potential in high-technology sectors.

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KANNY DIALLO

Minister of Planning and International Cooperation

Rural electrification to improve living conditions for women in Guinea

Over 50% of Guinea’s population has no access to modern energy services. Rural populations are principally affected. At approximately 3%, the rate of access to electricity is among the lowest in the West African sub-region. Poverty, which predominates in rural areas whose poverty rate is 67.4%, primarily affects women who have the fewest productive resources, especially electricity.

Bio

- Kanny Diallo is involved in the essential reform of the development management system in Guinea to restore the Planning, Programming, Budgeting, Monitoring and Evaluation chain, improve statistical governance and strengthen Guinea’s cooperation with its technical and financing partners.
- Prior to joining the Guinean government, Kanny Diallo was with the African Development Bank, where she worked for most of her professional career. She began her career with the International Monetary Fund, and then worked in the World Bank’s Projections and Macroeconomic Analysis Department.
- A development economist following university studies in France and the United States, Kanny Diallo holds a degree in finance and international trade from the American University in Washington, D.C. and an MA in Economic Science, specializing in international relations and development from the University of Paris X-Nanterre.
The energy deficit significantly affects living conditions for rural women by lowering their productivity, creating underemployment and hindering income growth. In the agriculture sector, post-harvest losses are enormous due to the lack of small conservation and processing units for food products. There are numerous examples of the negative impact of rural women’s inability to access electricity.

To address this situation, the National Plan for Economic and Social Development (NPESD) 2016–2020 set a goal of improving residents’ access to high-quality energy services. The strategic options to achieve this objective are centered along two lines. The first strategic line is to provide access to modern energy for the largest number of people; the second is to reduce dependence on fossil fuels.

To accomplish this, the government has set the following priorities for 2016–2020, the period covered by the NPESD: private sector involvement in providing electricity to rural areas by subsector deregulation; the establishment of an appropriate legal and regulatory framework to encourage the development of rural electrification, and building the capacity of the Decentralized Rural Electrification Bureau.

The planned priorities are designed to increase women’s access to energy services in order to strengthen their ability to produce income. Plans call for increasing access through large-scale use of decentralized mechanisms such as micro-hydroelectricity and multi-function platforms.

These NPESD options are consistent with the African Renewable Energy Initiative, supported by Alpha Condé, President of the Republic of Guinea. In addition, the NPESD is completely in line with the African Development Bank’s 2013–2022 ten-year strategy, and specifically with Light up Africa, one of the Bank’s five priorities. The alignment of these two strategic frameworks is an entryway for the African Development Bank to support, through its next Country Strategy Document, among other activities, energy access programs for people at the “bottom of the pyramid,” especially women.

Consequently, I plead for the effective implementation of the Bank’s New Pact for African Energy. Its conclusion will be to operationalize, at the state level, the five inseparable principles upon which it is based, specifically: “foster aspirations to solve Africa’s energy problems, create a transformative partnership for energy in Africa, raise funds at the national and international level to provide innovative financing to the African energy sector, assist African governments in strengthening policies, regulations and governance in the energy sector, and increase the African Development Bank’s investment in energy and climate financing.”
How would you describe Guinea-Bissau’s relationship with the African Development Bank?

Our cooperation dates to 1976. After becoming independent in 1973, Guinea-Bissau, a former Portuguese colony, had a whole range of infrastructure deficiencies. In particular it needed funding for the energy, education and health sectors. The African Development Bank helped in the education sector with our Education I and Education II plans and also with plans in the health sector. The Bank funded port infrastructure, roads, and energy sector projects. We have two ongoing projects. One is a food-crop agricultural production project and the other is an energy sector project for all distribution networks.

In what ways do the actions of the African Development Bank add value compared to other development partners?

The African Development Bank is our “central” Bank, and the experts who work at it are all familiar with the reality of Africa. We have a more natural mutual understanding when we are developing or discussing projects. And we know that the Bank’s ambition is to help countries achieve the Sustainable Development Goals by 2030. So, we benefit from flexibility, understanding, and responsiveness and we have a strong dialogue. The African Development Bank, which is our Bank, has been thoughtful about its role in African development. This is probably what distinguishes it from other multilateral institutions.

What is most urgent for your country in the field of development, and what resources are used to meet that need?

We have identified three urgent needs for Guinea-Bissau. The first is the energy sector, the second is the food production sector, and the third is industrialization, by transforming cashews, which we produce and export unprocessed.

What do you think the role of the African Development Bank will be in the medium term?

As of now, the Bank has achieved levels in its organization, restructuring and performance that earned it a AAA rating by the rating agencies, which means a lot. I congratulate Dr. Adesina on having led the Bank here. I am convinced that it will continue to evolve and hold the same place, play the same role and operate at the same level as other international institutions such as the World Bank and the Asian Development Bank.
EMPOWERING WEST AFRICA’S COCOA PRODUCERS TO DETERMINE THEIR OWN WAY FORWARD

By Atsuko Toda, Director for Agricultural Finance and Rural Development, African Development Bank

Chances are, the last cocoa product you ate, drank, smelled, washed in or rubbed on has a connection to West Africa. No other region comes to mind more than West Africa when one speaks of cocoa, from which chocolate, cocoa butter, cocoa cosmetics, cocoa powder, drinks and dozens of other products are derived. Côte d’Ivoire and Ghana are the world’s top cocoa producers, supplying 65 percent of the global cocoa market.

Cocoa is one of the most important cash crops for Côte d’Ivoire and Ghana in terms of its contribution to GDP, foreign exchange earnings, rural income and tax revenue. In Côte d’Ivoire, cocoa accounts for 25 percent of exports and 20 percent of GDP. Cocoa is harvested on around 2.5 million hectares of land — that represents more than half of the country’s cultivated soil. Côte d’Ivoire’s cocoa sector employs approximately 900,000 farmers, with an estimated 4 million Ivorians deriving their livelihoods from the crop, in part, for their livelihood, according to the Global Agriculture and Food Security Program. In Ghana, the cocoa trade supports 3.2 million people and 12 percent of GDP.

The cocoa sector’s growth trajectory has significant impact on Côte d’Ivoire and Ghana’s overall growth, macroeconomic performance and poverty reduction. But this African commodity market isn’t close to its full potential. Despite increasing volume of supply from the two countries and growing global demand, Côte d’Ivoire and Ghana endure falling cocoa prices and decreasing export earnings.

The governments of Côte d’Ivoire and Ghana are now asking fundamental questions about the status quo of cocoa policies, market structure and institutional arrangements. As the two countries have a significant global market share in cocoa, they are looking to collaborate to prevent deterioration in their terms of trade and to exercise their potential market power.

Strengthening the cocoa sector in these two countries is central to the transformation agenda. There is a need for dialogue to move toward implementation of collaborative solutions and real linkages for impact. At the African Development Bank, we are deeply committed to leading the way in enabling the realization of a transformational change in this sector.

The Bank’s Feed Africa strategy recognizes cocoa as a priority commodity and has identified a number of activities for its support. Considering Africa’s substantial global market share, the African Development Bank aims to provide institutional support to find solutions, new markets, value addition, and technologies, as well as agree upon regional and local public goods needed to enhance the global competitiveness of cocoa processing.

The stakes from regional collaboration are high, and there are many factors at play, such as the ability to evolve actual or potential cocoa production capacity, cocoa bean quality, and the market price West African beans can command.

The evolution of Africa’s cocoa trade depends on the willingness of Côte d’Ivoire, Ghana, and Africa more generally, to harmonize policies that affect export, local processing and marketing.

The African Development Bank stands ready to support African cocoa-producing nations to determine their own path forward in the global cocoa market.
Lessons from the Indian industrial model

The theme of the Annual Meetings this year is Accelerating Africa’s Industrialization. What are the expectations for Busan, and more broadly, what can we learn from the Korean development experience?

The theme for this year’s Annual Meeting is a very relevant one considering that the share of manufacturing in GDP and in exports is low in several African economies. I compliment the African Development Bank Group for having chosen this important theme for this year’s Annual Meeting. I would like to share some ideas on how the Indian model of industrial development would be optimally suitable for Africa’s industrialization. India adopted a planned development model in the initial years of independence. The Indian negotiations at the WTO during the challenging days in the run-up to the crucial ministerial meeting at Cancun in 2003. Mr. Jaitley is India’s Governor to World Bank, Asian Development Bank, New Development Bank, Asian Infrastructure Investment Bank and African Development Bank.

Bio

- Arun Jaitley is Union Minister of Finance and Corporate Affairs of Government of Republic of India. He is also Leader of House, Rajya Sabha (Upper House) in the Indian Parliament. As a Minister, he has pioneered the disinvestment programme in the country, helped usher in the new telecom policy, introduced biggest tax reform since independence i.e. Goods & Services Tax (GST) and brought about several legislative and judicial reforms.
- Mr. Jaitley has been Union Defence Minister twice, from May-November, 2014 & from March-September, 2017. As Defence Minister of the Union, he envisioned to upgrade & enhance combat potential of the forces by technological & ammunition upgrade. He steered the landmark strategic partnership policy in Defence and approved measures for enhanced combat-ability of Indian forces. He steered the Indian negotiations at the WTO during the challenging days in the run-up to the crucial ministerial meeting at Cancun in 2003.
- Mr. Jaitley is India’s Governor to World Bank, Asian Development Bank, New Development Bank, Asian Infrastructure Investment Bank and African Development Bank.
Africa should focus on skill development of the labor market, which would contribute to employment generation in the medium-tech and high-tech sectors. Appropriate skill development would position African nations at the high-end of the global value chain, and help reap the demographic advantages in the region. Such an approach would help contribute equitable growth and poverty alleviation in the long run.

The Bank’s strategic High 5 priorities are Light up and power Africa, Feed Africa, Industrialize Africa, Integrate Africa, and Improve the quality of life for the people of Africa. Which of these do you consider to be the most critical at the moment?

In our view, all five key strategies identified by the African Development Bank Group for the development of Africa are critical. However, it may be necessary to sequence the High 5s strategy based on the immediate needs of Africa. For example, agriculture provides livelihoods to more than 70% of Africans yet achieving food security in its totality continues to be a challenge for several African nations. Thus it is necessary to prioritize the Feed Africa strategy at the first instance. The next priority should be Light up Africa. It is estimated that about 635 million Africans live without electricity. Besides the growing demand for power to light up households, availability of power is a prerequisite for the industrialization strategy, which could be positioned in third place. Though Africa is rich in natural resources, value addition is not significant. Positioning African nations in the global value chain is an important strategy for generating employment and improving per capita income. The fourth priority could be the integration of Africa strategy. Integration is also very much necessary to strengthen the industrialization strategy further. The next priority could be improving the quality of life for the people of Africa.

In light of the Bank’s High 5s and its mission to accelerate the development of Africa, where do you stand today on a general capital increase for the Bank to allow it to deliver on its goals of improving the lives of Africans?

Funds are very much required in order to achieve the High 5s strategy. Funds could be raised through various means, including raising membership capital. However, other avenues could also be explored.

In your opinion, what must Africa do to become a more attractive destination for foreign direct investment?

As per the 2017 UNCTAD World Investment Report, FDI inflows remain unequally distributed across the continent – with only a few countries (Angola, Egypt, Nigeria, Ghana and Ethiopia) receiving 57% of the continent’s total FDI inflows. According to UNCTAD, the current inter-and intra-regional integration negotiations by African nations (such as the Economic Partnership Agreements with the European Union, the Tripartite Free Trade Agreement, and the Continental Free Trade Agreement) are expected to encourage FDI inflows across the continent in an unbiased manner. The African Union’s Agenda 2063 has highlighted the following aspirations:

- Inclusive and sustainable development
- Good governance, democracy, respect for human rights, justice and the rule of law
- Peaceful and secure Africa
- Cultural identity, common heritage, values and ethics
- People-driven development, unleashing the potential of women and youth
- Being a strong, united and influential global player and partner.

In essence, investors seek a stable political scenario and policy environment to safeguard their investments and enable commensurate returns. I am sure that measures taken to achieve all these aspirations would help attract FDI into Africa across all nations.

Africa has the lowest levels of carbon emissions yet it bears the brunt of climate and environmental change. What must Africa do to avoid environmental degradation as it seeks to further industrialize?

Global warming has impaired the climate risk that Africa has been facing, although Africa’s GHG emissions are only 4% of the world’s total. Almost all sub-Saharan countries are located between the two tropics and thus have a substantial potential to benefit from solar energy. They should join the International Solar Alliance (ISA) headquartered in India, to collaborate with each other and with other ISA member countries from other regions, to scale up the investment and technology transfer in solar energy. As of now, only 35 countries from Africa have signed up to join the ISA. More should be encouraged to join the Alliance. The Government of India has already indicated the availability of up to USD 2 billion out of committed funds for Africa towards projects under the ambit of the ISA. We welcome the swift utilization of this amount by the African countries.

The full interview is available on www.afdb.org/am
Japan and the African Development Bank (AfDB) Group have strong ties that span over 45 years. Joining the African Development Fund (AfDF) in 1973 as one of its original members, Japan joined AfDB in 1982. Japan is the largest donor in cumulative terms to AfDF and the second largest shareholder among non-regional member countries, with a voting power of 5.3 and 5.5 percent respectively.

Since the early days of Japan’s participation in the AfDB Group, Japan places AfDB at the core of its partnership in African development.

Japan is supporting the High 5s agenda of President Adesina, in particular, its 1st pillar, Power Africa. The Japan-Africa Energy Initiative (JAEI) is the centerpiece of Japan’s partnership with AfDB in this area, helping Africa achieve universal access to electricity. JAEI, launched at the African Union Summit held in Addis Ababa in July 2017, is a follow-up to discussions initiated by African leaders during the 6th TICAD (Tokyo International Conference on African Development) meeting held in Nairobi in August 2016. Japan stands ready to provide up to USD 6 billion for cutting-edge clean energy projects.

**TARO ASO**
Deputy Prime Minister, Minister of Finance, Minister of State for Financial Services

Japan’s long-standing partnership with AfDB: initiatives for inclusive and sustainable development in Africa
Bio

- Taro Aso has been serving as Deputy Prime Minister, Minister of Finance, and Minister of State for Financial Services since 2012. He has been elected 13 times to the House of Representatives (Lower House) since 1979 and served as Prime Minister, Minister of Foreign Affairs, and Minister for Internal Affairs and Communications.
- Previously, he served as CEO of Aso Cement Co., Ltd. and represented Japan in clay target shooting at the 1976 Montréal Olympic Games.
- He graduated from the Faculty of Politics and Economics, Gakushuin University. He was born in 1940 in Fukuoka Prefecture, Japan.

Investment in health systems is key to inclusive and sustainable growth – hence the critical importance for development partners to embrace Universal Health Coverage (UHC). Together with AfDB, Japan is partnering with the World Bank, the World Health Organization, and the Global Fund to promote UHC in Africa. The TICAD6 meeting held at Nairobi in 2016 saw the launching of a flagship report: UHC in Africa: A Framework for Action. Japan stands ready to support AfDB in its endeavors to step up assistance in the area of public health.

As highlighted by the G20 Compact with Africa, Japan believes that private sector development is key to achieving sustainable growth and eradicating poverty. The joint Japan-AfDB Enhanced Private Sector Assistance for Africa (EPSA) Initiative, launched at the G8 Summit in 2005, has been a cornerstone of Japan’s partnership in African development. Aid delivery under EPSA has reached over USD 3 billion, scaling up quality infrastructure while promoting private investment with long-term concessional ODA loans and grant technical assistance.

AfDB’s Tokyo-based External Representation Office for Asia (SNAR) is actively promoting investment to Africa from Asia, strengthening economic ties between the two regions. Covering AfDB’s 4 Asian member countries, i.e., China, India, Japan and Korea, SNAR has been organizing business forums and seminars to promote private sector investment to Africa. In the same vein, SNAR, in collaboration with the Asian Development Bank Institute, will be holding a side event on the margins of AfDB’s Annual Meetings in Busan, with a view to sharing experiences in Asia and Africa.

AfDB Group aspires to become the premier development financial institution of Africa. Key to this ambition will be to further consolidate AfDB’s internal capacity while strengthening partnerships across its membership. Upgrading the skills-mix of its staff will be critically important to ensure that AfDB remains relevant in the development community, providing adequate policy advice to its regional member countries while addressing their development needs. Also, a renewed focus on debt sustainability is required to safeguard development achievements over the years. Japan, on its part, is committed to participating actively in the strategic dialogue with AfDB Management and AfDB shareholders, both regional and non-regional. Japan looks forward to further developing its long-standing partnership with AfDB.

2019 will be a year in which Japan presides over the G20 while hosting the 7th meeting of TICAD, which originally started in 1993. TICAD has been a major international forum that is open to a wide spectrum of partners, including both regional and non-regional countries, international organizations, the private sector, and civil society, while encouraging Africa to be in the driver’s seat. Taking this opportunity, I would like to extend to you a warm invitation to the TICAD7 meeting, to be held in Yokohama, and look forward to inputs from AfDB.
What are your thoughts and impressions of what the bank is doing in working with member countries to help accelerate Africa’s economic and social development?

We are talking about the African Development Bank, which has been present and active in our countries for a long time. One of the big benefits that we have seen in Kenya is increased access to electricity. This programme has worked miracles, and today almost 70% of the Kenyan population has access to electricity, including and especially in rural areas. Do you know what that means? It means that in a simple shopping centre, people can do some small welding while shopping and by doing all those things they are creating jobs. Also, of course, having electricity is very good for education because children have reliable light so they can do their homework at night, and so on. Last mile access to power has been good. For transport, all the support we have received in terms of linking countries in the region, roads infrastructure and so on, has eased transport in our country and also neighbouring countries. I could go on and on about our many Bank initiatives, especially in the water area, where big things have happened, especially in small-scale irrigation. And, I believe the High 5s as a strategic direction are really what we need now to take these achievements to a higher level. We believe that with adequate funding and well implemented programmes, we shall be able to address some of the key challenges that Africa faces at the moment.

What do you consider to be Africa’s most urgent economic need and what in your opinion is the bank doing to provide solutions?

The big challenge that we now face is getting jobs. Jobs are something that no African country can say is not a national challenge. What the African Development Bank is doing with the High 5s, especially the push to industrialise Africa and transform agriculture is what we need. If we don’t solve this problem now, then we will certainly be charting a course for catastrophe. Africa’s young people are a huge resource for the continent, and we can become more productive by putting the youth to work that can now begin to produce. We just need to utilise this invaluable resource of ours more efficiently. Dealing resolutely with unemployment is a win-win pathway to take. We can get our though working and be productive, get more people involved in the transformation of our economies and reduce poverty.
totally transactional platform bringing together pension and sovereign wealth funds, institutional investors and the private sector to strategically leverage investments into Africa.

7-9 November 2018
Johannesburg, South Africa
Through the Africa Investment Forum, the African Development Bank is taking a new approach by offering a multi-stakeholder and multi-disciplinary platform that promotes collaborative leadership for Africa’s social and economic development. Stella Kilonzo, Senior Director of the Forum, talks about the innovative nature of the Forum, the development challenges facing the continent and a strong turnout at the inaugural meeting in November, 2018, in Johannesburg, South Africa.

**What is the objective of the Africa Investment Forum?**

The Africa Investment Forum is a multi-stakeholder, multi-disciplinary platform dedicated to advancing projects to bankable stages, raising capital, and accelerating the financial closure of deals. The goal is to enable African economies to effectively leverage the opportunities created by economic growth on the continent by bridging the gap between available capital and bankable projects, and leveraging strategic alliances and partnerships. The Initiative will help remove common obstacles to finance, especially those created by the false perception that investment in Africa is somehow more risky than comparable investments elsewhere.

The Africa Investment Forum is Africa’s investment marketplace. The Bank and its many partners are sourcing, screening and credit-enhancing deals through it, attracting co-investors, and facilitating transactions to close Africa’s investment gaps. This investment marketplace will reduce intermediation costs, improve the quality of project information and documentation, and increase active, productive engagements between African governments and the private sector. Essentially, the African Investment Forum offers investors access to a structured platform offering a suite of bankable, de-risked projects within an enabling environment.

**Who are the key partners?**

Our partners are development finance institutions, regional development banks, commercial banks, institutional investors,
project sponsors, financial intermediaries such as fund managers, investment banks, foundations, family offices, and governments that want to see a prosperous Africa.

Africa-based development finance institutions such as Africa Finance Corporation, African Export-Import Bank, the Development Bank of Southern Africa, Trade and Development Bank, and Africa50, have endorsed the marketplace. We are in advanced talks with the International Finance Corporation, the European Bank of Reconstruction and Development, the Inter-American Development Bank, the European Investment Bank, the World Economic Forum’s Sustainable Development Investment Partnership and the East Africa Trade and Investment Hub to partner with them around pipeline development, project preparation, and the development of a digital platform for connecting investors and projects.

Select private sector captains of industry continentally and globally are resoundingly supportive of this flagship initiative. We are working closely with business associations such as Initiative for Global Development and Corporate Council for Africa that are helping to promote the African Investment Forum.

What makes the Forum unique?

The Africa Investment Forum provides the best opportunity to date to change the rules of the game to encourage accelerated economic transformation in Africa. There will be no unnecessary speeches at the event sessions will primarily be organized around boardroom style discussions focusing on specific transactions. The Africa Investment Forum primarily aims to actively engage the private sector and facilitate investments in transformative projects across key sectors of strategic interest within Africa.

It will be all about transactions and getting them nearer to financial closure. An important aspect will be the follow-up mechanism put in place by the team and the implementation of an investment tracker to follow all deals that are going to be on the platform. To develop this digital platform, the Africa Investment Forum is partnering with other institutions to connect investors with deals on the continent.

The key distinguishing feature of this unique African marketplace platform will be its ability to mobilize private sector and policy interests to crowd-in identified curated investments in and into Africa. It will be a demonstration that will boost the confidence of African and international investors alike by profiling and closing transformational projects in strategic sectors in several African countries.

How much investment is the Bank targeting to attract to Africa via the Forum?

To put an exact number on this requires an estimation of capital available in areas of surplus and also the constraints to moving this capital to areas of need and impact within Africa. The Africa Investment Forum’s aims are to tilt the balance of globally available capital towards Africa’s critical sectors and attract a fraction of the USD 500 billion in net assets from African institutional investors and the USD 84.9 trillion in global assets under management.

For more information:
www.africainvestmentforum.com
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#AfricaInvestmentForum
DONG YEON KIM

Governor for the Republic of Korea, Deputy Prime Minister and Minister of Strategy and Finance

Annual Meetings will open new horizons for Korea-Africa economic cooperation

The 53rd Annual Meeting of the African Development Bank will be held in Busan, Korea in May 2018. This is the first time that Korea is hosting the event after joining the Bank in 1982, and the third time that an Asian country hosts, after China and India. About 4000 participants from 80 Bank member countries, international organizations and private sector businesses in Korea and Africa are expected to take part in the meetings.

Since the 2015 inauguration of President Adesina, the African Development Bank has focused on 5 priority areas for development: Light up and power Africa, Feed Africa, Industrialize Africa, Integrate Africa and Improve the quality of life for the people of Africa. Accelerating Africa’s Industrialization, theme of this year’s Annual Meetings, is in line specifically with one of these goals.

Africa is coming into the spotlight as the region that will lead the future of the world economy through rapid growth. Its enormous natural resources, rapid demographic growth and large consumer market will be the driving forces behind Africa’s industrialization.

Korea’s path from one of the poorest nations to an advanced economy, achieved through successful industrialization, provides an exemplary case of economic growth, making Korea the perfect place for the 2018 Annual Meetings. At the meetings, past efforts to industrialize Africa will be examined along with ways that can accelerate that industrialization.

Bio

- Dr. Kim was appointed as Deputy Prime Minister and Minister of Strategy and Finance in 2009. Prior to the appointment, he served as the president of Ajou University between 2015 and 2017.
- Dr. Kim was also Minister at the Prime Minister's Office from 2013 to 2014, and Vice Minister at Ministry of Strategy and Finance between 2012 to 2013. His political career started back in 1982 as a Deputy Director of National Assembly Special Committee on Budget Settlement.
- Dr. Kim holds a PhD and a Master’s in Public Policy from University of Michigan, and a Master's of Public Administration from Seoul National University.
Based on Korea’s development experience, I would like to suggest the factors that I think are necessary for Africa’s successful industrialization.

First is improving governance. For natural resources and other potential for growth to be translated into actual growth, a sound governance structure must be based on solid laws and systems.

Next is strong ownership. It is important to create an environment where recipient countries in Africa can grow on their own. This is essential in pushing for industrialization. To help Africa build the basis for growth with ownership, Korea will share its successful experience in economic development through the Knowledge Sharing Program.

Lastly, I would like to emphasize the need to invest in people, as people are ultimately the agents of industrialization. To develop human resources and capacity, quality education is important. Like the African proverb says, “it takes a whole village to raise a child.” So, too, does the development of human resources require the will of an individual together with support at the national level.

This year’s Annual Meetings are being held in conjunction with the Korea-Africa Economic Cooperation (KOAFEC) Ministerial Conference. The KOAFEC Conference, held every other year, provides a venue for ministers from Korea and Bank regional member countries to discuss economic cooperation and to present an Action Plan for the following 2 years. Through the KOAFEC Conference, the Korean government will prepare specific and tangible development projects that will strengthen the economic partnership between the two regions.

I hope that this year’s Annual Meetings in Busan will open new horizons for economic cooperation between Korea and Africa.
What are your thoughts on how the Bank can best support member countries like Lesotho?

The Bank must stay relevant to its members. To do so, it must be visible and present in member states. As a governor, as a finance minister, I should be able to call the office of the Bank in my capital. I shouldn’t call Abidjan, I shouldn’t call Pretoria, because it takes much longer. The Bank’s presence on the ground, in Maseru, Lesotho allows it to begin to understand the idiosyncrasies of our countries. In the southern region, where I come from, the fifteen or so countries that belong to SADC are very different economies. There’s no average you can do, there’s no average policy that can be relevant outside the Bank being there, understanding each member state differently. Even the middle-income countries of Southern Africa are vastly different in their economies.

So, the Bank is working very hard and I can see that it’s trying to begin to understand its members. But it is going to have to do a lot more and invest a lot more resources in getting closer to its own members.

What solutions can the Bank help provide to meet Africa’s most urgent economic needs?

I think jobs are at the top of the African agenda. We have the youngest continent, a very large share of our populations are youth, but it’s youth without jobs, it’s youth that are trying to run away from the continent, youth that are trying to run away from the most prosperous continent, from a continent in doubt with all kinds of natural assets. We must undertake policies that are necessary for our people to create jobs for themselves. This requires nurturing peace and stability, political stability; we must have good macro-economic policies and stabilize the macro-economy. And those are just the pre-requisites that we need to have in place at all times. We must be credible governments. The petrol of governments is credibility. You lose credibility, the car will not move regardless of how much you step on the pedal. You can announce the best policies but once you’ve lost credibility, you no longer have the ability to lead your people. And our credibility is not only about political and intellectual honesty. It is also about the competence to be able to do.

So today, in 2018, we have the benefit of looking backward and realizing that the policies of the past haven’t always worked, we have stuck too much to the untried, but frankly failed theories. We have not piloted and tested some of these things at a practical level. If you’re an African country and you want to accelerate investment, you may, in terms of conventional wisdom, go through this, doing business reforms pioneered by the IFC and the World Bank, and you have political stability, which for Africa sometimes is an issue. You have macro-economic stability, and when you are done, you expect investment to take place. And you look back and it isn’t taking place. So, you look again and find, “Oh, I need to do investment climate reform.” You do that, and nothing is happening, and you go back as, “Oh, I don’t have entrepreneurs with the financial muscle to invest.” But you need to line up all these ducks, so you have what it will take for investment to take place.
of all the wealth and untapped potential of Africa, its greatest asset may well be its youth. The youth population, estimated today at 420 million people aged 15–35 years, will nearly double by 2050 to 830 million. They are smart, dynamic, digitally adept, and eager to put their skills and talents to work. Each year, 10 to 12 million young Africans enter a job market that adds only three million formal jobs annually. Women seeking formal and informal jobs are particularly affected, as they often face greater barriers to opportunities.

The African Development Bank initiative, Jobs for Youth in Africa is designed to create 25 million jobs and benefit 50 million young people over the next ten years, giving them the skills they need to get decent and sustainable jobs.

“This is a huge opportunity for Africa,” says Akinwumi Adesina, President of the African Development Bank. “If we solve the problem of youth unemployment, Africa will gain 10% to 20% in annual growth. This means that Africa’s GDP will grow by US$ 500 billion a year over the next thirty years. Per capita income will increase by 55% per year until 2050.”

Currently, 66 million young Africans earn under US$ 2 a day, “less than the price of a hamburger,” Adesina points out. To put that into perspective, 66 million people is equivalent to eight times the population of Switzerland, six times the population of Belgium, and equal to the population of the United Kingdom, France, or Italy.

Since the launch of the initiative in 2016, the Bank has created 1.6 million jobs in various African countries and has supported 128,000 micro, small and medium-sized enterprises, including providing training opportunities for 625,000 youth.

“Youth are not Africa’s future, they are our present,” says Oley Dibba-Wadda, Director of Human Capital, Youth and Skills Development at the Jobs for Youth initiative. “When youth have the chance to succeed, economies across Africa will grow, job opportunities will increase, and the quality of life for the people of Africa will improve.”

Recently, the Bank hosted the 2018 AgriPitch Entrepreneurship Competition, which rewards innovative solutions to enhance productivity in the agriculture and agribusiness sector. The competition offers young entrepreneurs a unique platform to connect with other small and medium-sized enterprises, mentors and potential investors, and to show that agriculture can be lucrative and exciting.

The 27 participants included Ngozi, co-owner of Frotchery Farms, a fish-processing business that supplies dried fish products to hotels and supermarkets in Ibadan, Nigeria. After a rocky start in 2017, Frotchery Farms now sells about six tons of fish per month, and has received certification to supply supermarkets.

Aboubacar Karim, from Côte d’Ivoire, studied agricultural engineering in Canada and decided to return to his country to apply his knowledge to industry.

In 2017 he founded Investiv Group, which surveys and maps crops using drone technology, helping farmers quickly troubleshoot pests, diseases, and crop-related issues. The company employs a team of 30 staff under 30 that it deploys to various regions of Côte d’Ivoire.

As Ashish Thakkar, Chair of the Presidential Youth Advisory Group advising the Jobs for Youth initiative, puts it: “We are really lucky to be young people today on our amazing continent, where technology is growing at such a rapid pace and the digital transformation is taking place. This is our time to think creatively, to think innovatively, and to empower, inspire, and enable each other to transform. This is our time.”
Bio

Pierre Gramegna became Minister of Finance on December 4, 2013 and initiated major reforms to balance the budget and to align Luxembourg’s tax rules with international transparency standards. In 2015, he became the Chair of the Ecofin Council of the European Union during the Luxembourg Presidency. In 2003, he was the Director General of the Chamber of Commerce. In 1983, he joined the Ministry of Foreign Affairs. From 1996–2002, he served as Luxembourg’s ambassador to Japan and South Korea and was subsequently responsible for the Directorate of International Economic Relations at the Ministry of Foreign Affairs. Prior to joining the government, he was also a member of the executive board of several companies, including Cargolux Airlines International SA and the Luxembourg Stock Exchange. Pierre Gramegna studied law and economics at the Université Panthéon-Assas in Paris, and earned a postgraduate diploma of advanced studies in European Union law.

PIERRE GRAMEGNA

Minister of Finance

The Impact of Innovative Funding on African Development

Almost three years after the Addis Ababa Action Agenda called for additional financial resources to tackle extreme poverty and mitigate the effects of climate change, overall investment is not growing fast enough to set developing countries on the path to meeting the Sustainable Development Goals and the goals of the Paris Agreement.

This is especially the case in Africa, where despite improvements in economic fundamentals and remarkable resilience in 2017, there is still a large financing gap for infrastructure and insufficient growth in employment.

At the same time, the excess savings in many advanced countries could be channeled towards financing projects with a respectable rate of return in Africa instead of being confined to modest returns in the low interest rate environment of industrialized countries.

It is here that the role of the African Development Bank can come into full play, not only through its mandate to originate and
structure bankable projects in Africa but also by providing political and financial comfort to international investors interested in co-financing in an environment often perceived as excessively risky and volatile.

Luxembourg, on the other hand, with its large investment fund center (second worldwide after the US in terms of assets under management) and stock exchange listing more than half of the world’s green bonds, could play a significant role in mobilizing such private sector financing for Africa’s development.

In this respect, we welcome the news that progress is being made at the Bank regarding domiciliation, which so far has restricted the Bank’s cooperation with legal structures incorporated outside the African continent. In a world where institutional investors rely on well-established and regulated jurisdictions to set up global investment vehicles, we believe that the Bank is right to maximize the vast potential of international investors to help close Africa’s financing gap.

When it comes to tackling climate change for example, one of the most successful ways to raise money is through international capital markets, with debt securities issued by governments and private entities to finance their projects.

Luxembourg has been a pioneer in listing such green bonds: in 2007, when the European Investment Bank (EIB) issued the world’s first green bond, it did so in its home base. Many governments, multilateral development banks, and private entities have followed suit since and today, over 50% of such securities globally are listed on the Luxembourg Green Exchange (LGX), the first platform to exclusively list green bonds. This platform has since been expanded to list social and sustainable securities as well.

Bonds displayed on LGX have to comply with strict eligibility criteria, including labeling, the use of proceeds, and most importantly ex-ante review and ex-post reporting. The decision to introduce ex-post reporting as an entry requirement, going beyond current market standards, guarantees that securities on LGX are genuinely environmentally and socially sustainable.

This innovative trading platform has recently led the IFC and Amundi, Europe’s largest asset manager, to list on LGX a USD 2 billion green bond fund targeted at local financial institutions in emerging markets to issue their own green securities. Joined by EIB and EBRD, the IFC initiative is supported by a technical assistance program co-funded by Luxembourg, which provides training for local bankers and facilitates the adoption of international best practices.

Besides fixed income instruments, Luxembourg’s financial center is also the location of choice for sustainable investment funds, with a market share of over 60% of European impact funds and global microfinance assets. An ecosystem for raising money for sustainable development has been created through close collaboration between the public, private, and civil society sectors. In addition to the establishment of an independent fund labeling agency (LuxFlag), strategic partnerships with the likes of IFC and EIB have led to multi-tier financing structures, with first-loss guarantees mitigating private sector investment risk. A Climate Finance Accelerator facility was also set up by the government and private sector partners supporting innovative fund managers in fundraising with institutional and public investors.

With the African Development Bank adapting its rules to take full advantage of the opportunities in international capital markets, Luxembourg would welcome entering into similar collaboration ventures with the Bank. While we see the rationale for the Bank to increase its capital base over the next couple of years to become a bigger catalyst for development in Africa, it remains a fact that teaming up with institutional investors and pension funds will result in an even larger impact on the ground. In that regard, I fully endorse the Bank’s championing of the Africa Investment Forum to increase private sector cooperation and drive investment in areas of strategic interest. Luxembourg looks forward to accompanying the Bank on that journey.
VONINTSALAMA SEHENOSOA ANDRIAMBOLOLONA

Minister of Finance and Budget

Horizon 2030: Industrialization, the engine of Malagasy economic growth

Bio

- Vonintsalama Sehenosoa Andriambololona is Madagascar’s first female Minister of Finance and Budget.
- Economist by training and Treasury Inspector, graduate of the National Treasury School in Marne-la-Vallée, France, she has served the Ministry of Finance for 41 years. She held the position of Executive Director of the Malagasy Treasury from 1996-2003, and was Secretary General of the Ministry of Finance and Budget between 2009–2015.
- She strengthened reform projects within her ministerial department to provide efficient, effective management of public finances including changes to the tax and customs services to increase public resources, and reforms to improve the quality of public expenditures, governance and transparency in budget operations.
Madagascar missed out on the opportunities provided by the first two industrial revolutions. The country still has a model inherited from the colonial period characterized by the export of income-producing products, a low level of industrialization and an economy that is primarily agricultural. The industrial sector only accounts for 13% of the gross domestic product and 45% of exports and its competitive performance is 0.01, corresponding to 124th place worldwide. In light of the Grande Ile’s abundant resources, industrialization is the engine of Madagascar’s development. Industrialization should focus particularly on agriculture, energy, forestry, textiles and agricultural food production, mining, fishery and aquaculture sectors, which may provide the country with comparative advantages and, in addition, serve as the basis for strong future growth that is both sustainable and shared, through participation in national and global value chains.

The desire to create a diversified industrial basis that is dynamic and competitive, and an inclusive and sustainable engine of development in Madagascar, led the government to engage in structural reforms in 2014, as outlined in an Industrial Policy Document. The goal is to increase the industrial sector’s contribution to the gross domestic product by more than 25% by 2025 by implementing normative financial and fiscal incentive measures for industrial companies and for those that want to locate within an Industrial Development Zone.

Incentives

In 2017, to give the force of law to Malagasy industrial policy, the Law on Industrial Development called for the creation, development, operation and integrated management of Industrial Development Zones and strengthened the legal and regulatory framework so as to encourage economic development. This law also puts in place a National Industrial Development Fund, which is responsible for financially supporting all approved industrial companies by contributing its own funds, developing guarantees related to bank financing, and direct participation in and financing of research and development to support local industries’ capacity for innovation and resilience.

The training policy and the Law on the Financing of Professional Training reinforce human capital by improving the quality of local labor, allowing workers to participate in wealth creation given the demands of the country’s rapid and sustainable industrialization.

With respect to fiscal policy, incentive measures are aimed at reducing income taxes, providing property tax allowances for property used for industrial purposes, and a guarantee of tax and customs stability for a period of eight years. Reduced fees, through a standardized 5% customs duty for local industries, have been put in place to promote a solid industrial base and disseminate productivity-enhancing technologies.

Madagascar has policies encouraging energy transition to provide the industrial sector with the amount and quality of energy it needs at an affordable price to improve productivity and competitiveness. Incentive measures for approved industries to promote viable, sustainable and modern energy services, such as downstream VAT exemptions for local production, will allow Madagascar to establish an industrial development model that respects the environment.

Horizon 2030

To optimize and perpetuate the expected results, these incentive measures to promote industrial development must be accompanied by an appropriate budgetary policy. Efforts to strengthen basic infrastructure, improve human capital, sustainably manage natural resources, establish security, and provide access to renewable energy, must be unified to guarantee industrial expansion.

Madagascar will be a dynamic industrial area, an African “Shenzhen.” The Grand Ile is one of the countries with the assets required to develop highly labor-intensive light industry: there are abundant natural resources to supply industry, access to a vast regional consumer market and a large labor force. Its goal is to create a million jobs by 2030. For this, developing integrated industrial parks near competitive ports dedicated to agro-industry, textiles, leather and assembly, will provide decisive leverage.
When you project into the future, what do you see development wise?

On the partnership between Mali and the African Development Bank, I should start by saying that my view is very positive. Positive in connection with the results that we have achieved, thanks to this partnership, over almost forty years. More importantly, this is a view that I think is slowly becoming more optimistic. Our partnership with the African Development Bank dates to 1970. Since then, it has given support in key sectors of our economy. Thanks to this help, we have made major progress in terms of our development. And the results are visible today. When we project into the future, I see the Bank’s ongoing structural and institutional reforms, I see only positive things, because performance and results go hand-in-hand with these reforms.

Do you think a general capital increase is justified?

This call to increase capital is important. Every African country should accept, encourage, and support it. When we look at the context of a changing world, we see that Africa must rely on itself. Official development assistance is currently facing difficulties. Traditional donor countries are, themselves, facing crises or difficulties. Aid is naturally being reduced. It is important for the African Development Bank to be able to have its own resources, which are primarily resources that member states should provide. I strongly encourage this call for capital and I invite every country to respond positively to it. The issue is knowing what will be done with the resources. They will need to be leveraged to seek other funding on the capital markets.

What is most urgent for your country in the field of development, and what resources are used to meet that need?

The most urgent needs that Mali faces are security-related. And the best way to address them would be through greater development. You don’t necessarily respond to a security challenge through force of arms. You respond by providing an alternative to the young people who are thirsty, who ask to be educated, to enjoy good health, and to have work. Our number one priority in the context of the security challenge facing us at the moment is to find solutions to move towards greater development that offers economic opportunities to the young people who need them so much.
What do you consider to be Africa’s most urgent economic need and what in your opinion is the bank doing to provide solutions?

With regard to identifying a most urgent economic need for the continent, we are spoilt for choice. The High 5s cover the essence of Africa’s urgent and pressing needs. In first place, the way I see it, we need to feed Africa so that there is no more famine, so that there are no more hungry mouths. The second need is to invest, especially in infrastructure, most especially in energy and transport. The third is to diversify the economy to establish the foundations for sustainable development. And all this should be done without neglecting the social sectors that are fundamental to all sustainability.

In light of the Bank’s priorities and its mission to accelerate the development of Africa, where do you stand today on a substantial general capital increase for the Bank, to deliver on its goals of improving the lives of Africans?

Looking at the African Development Bank’s current ratios, at its portfolio, and most of all, at the roll-out of its new High 5s strategy, in terms of requests for projects and applications from the various countries, it is clear that the Bank faces a challenge. Its current finances are limited and it is at risk of finding itself faced with a choice that will be very hard to make. It can breach its current ratios and financial strength and, in so doing, lose the international AAA rating that enables it to easily raise funds. Or, it could roll back on this drive, on this dynamic mission that it has committed to with the implementation of the High 5s. And, I think that we do not have the right to contemplate this second scenario. The ideal thing would be to pursue this general capital increase and to use the major multiplier effect that will be generated to increase the Bank’s fund-raising possibilities. Just as the previous capital increase, the sixth, made it possible to considerably increase the ability of the Bank to mobilise funds, I think that this one comes at exactly the right time to give impetus to the Bank’s work in the field of financing for Africa.

What can we expect to learn from Korea?

Korea is an example, an economic model built on economic conditions that were initially comparable to those of Africa. Today, it is a country at the cutting edge of technology. We can learn from the Korean journey. Why shouldn’t we have a Samsung, Hyundai or Kia manufacturing plant somewhere in an African country? Korea is certainly the example that we ought to follow.
MOHAMMED BOUSSAID
Minister of the Economy and of Finance

The High 5s in Morocco

This first edition of The Governors Digest, Accelerating the Industrialization of Africa, to be published at the African Development Bank Annual Meetings in May 2018 in Busan, Korea, offers us an opportunity to highlight the Bank’s constant, steady support to our country for our economic and social development initiatives. It is also an occasion for us to share with readers the Moroccan experience of the African Development Bank’s five main priorities that are part of the implementation of its Ten-Year Strategy (2013–2022). In particular, it allows us to describe our experience with Industrializing Africa and Light up and power Africa.

Bio

- Mohamed Boussaid holds an engineering degree, industrial engineering option, from the Ecole Nationale des Ponts et Chaussées (ENPC) in Paris, and a Master of Business Administration from the ENPC International School of Business.
- At the beginning of his career, he worked as an engineering consultant at the Commercial Bank of Morocco, then served as executive vice-president of a chemical production and trading company.
- A member of the National Rally of Independents (RNI), Mohamed Boussaid worked in various ministries – Public Works, Agriculture, Equipment and Environment and Tourism and Handicrafts – before being appointed Minister of Economy and Finance in 2013.
Industrialize Africa: the Moroccan Experience

In 2014, Morocco set up the Industrial Acceleration Plan to boost the pace of the industrial sector to strengthen its position among emerging nations. This very clear road map assigns several general objectives to the Moroccan industrial sector for 2020:

- The creation of 500,000 jobs, half of which come from foreign direct investments and the other half from the renovated national industrial base.
- A nine-point increase in the industrial share of gross domestic product, from 14% to 23% in 2020.
- Equilibrium in the balance of trade.

The Industrial Acceleration Plan is based on three major areas: developing ecosystems, establishing support tools and strengthening international influence. To make the vision reality Morocco has appealed for the Bank’s support. The Bank has always assisted our country’s reform efforts to build a strong, inclusive, competitive and job-creating national economy.

Standing behind our country in its efforts to accelerate its industrialization, the African Development Bank provided a USD 200 million programmatic loan for phase one of a support program to speed up industrialization in Morocco.

The program aligns with the first pillar of Morocco’s 2017–2021 Country Strategy Paper, to “support for green industrialization by small- and medium-sized enterprises and the export sector”, which is entirely in line with the Government of Morocco’s priorities.

This program contributes directly to two of the Bank’s five priorities, the High 5s —of Industrializing Africa and Improving the quality of life for the people of Africa — and adheres to the green and inclusive growth objectives of the Bank’s Ten-Year Strategy for Africa (2013–2022).

It has been structured around two main themes: support for the competitiveness of the industrial base, seeking to bolster the promotion of industrial investment and export of industrial products, and support for financing industrial activities by financing small medium industry development and facilitating business start-up financing and green financing.

Light up and power Africa: the Moroccan Experience

In 2015, pursuant to the Royal Directives, Morocco reviewed the energy sector strategy that it had adopted in 2009 to strengthen its autonomy by raising energy dependency rate to 82% by 2030. The strategy set a goal of 42% for the share of renewable energies in the electricity mix by 2020 of a capacity of 6000MW including 2000MW for solar, 2000MW for wind and 2000MW for hydro. Similarly, it set a target of 52% for the share of renewable energies in the electricity mix by 2030 – a capacity of 10,000MW divided between solar 4500MW, wind power 4200MW and 1300MW for hydro – by implementing the Moroccan Solar Program and the Moroccan Integrated Wind Energy Program.

The Bank, like other donors, supported Morocco in implementing the Moroccan Solar Program, launched by His Majesty the King in November 2009, at an estimated cost of USD 9 billion and managed by the Moroccan Agency for Sustainable Energy, especially through a contribution to financing the Noor I, Noor II and Noor III plants of the Noor Ouarzazate Solar Complex.

The Bank also granted Morocco a loan of USD 240 million1 to finance the innovative Noor Midelt Solar Complex project that should contribute to the goal of increasing the share of renewable energies in the national energy mix to 42% by 2020 and to 52% by 2030. This project is part of the first pillar of the 2017–2021 Country Strategy Paper on Green Industrialization and is aligned with Bank’s strategic priority of Light up and power Africa. It will also facilitate the two other priorities to Industrialize Africa, and Improve the quality of life for the people of Africa.

Overall, this project contributes to realizing the New Deal for Energy in Africa, covering 2016–2025, which includes, among others, a flagship program is to install a total production capacity of 10GW renewable energy sources by 2025.

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1 This loan is paired up with a loan of 25 million from the resources of the Clean Technology Fund
What are your thoughts and impressions of what the Bank is doing in working with its regional member countries to help accelerate Africa’s economic and social development?

The Bank has already done a lot. It has financed infrastructure, it has financed and been very engaged in developing agriculture, and it has financed several projects. There is just one aspect where I believe the Bank should invest more and that is training the population. I believe that the Bank is in fact making that investment. The Bank has already changed its approach in some projects to include farmers in training while at the same time developing service provision projects. The combination of these two factors creates a level of sustainability for the projects that we have been developing jointly. This is an important change and we would like to see the Bank continue in this vein. The other aspect, from the perspective of focus, is prioritizing and focus: The Bank has always had a good vision: irrigation infrastructure, drainage infrastructure and various other actions that it has developed. However, in all of this, and given project complexity, investments became very costly because they took a lot of time. In realizing this, the Bank has been developing procedures that aim to facilitate project design and implementation and we appreciate its position.
What should Africa’s main priorities be?

The first and most important priority is feeding Africa. We need to find solutions to feeding people. The second, due perhaps to the characteristics of my country, is energy, which is extremely important. These are extremely important among the priorities you referred to, which are all important.

I have always said that education is an essential factor for development. However, if it were a question of choice, I would choose feeding Africa and increasing energy production. With energy we will be able to industrialize the country, increase productivity and everything else. Farm workers’ food production is, as I said, a major concern. They have a good yield one year and sell everything and a bad yield the next year leaving them with nothing to eat. We need to find ways of preserving what we produce. Preservation and creating an industry to transform produce is agro-processing. To create an agro-processing industry requires private sector investment, and this is where the Bank comes in. Looking at financing methods and how economies are being transformed, we see a huge shift from what were government projects to a situation where many projects, even those in traditionally public sectors, are now frequently implemented in collaboration with the private sector.

O Banco já fez muito, financiou infraestruturas, financiou e engajou-se muito na questão do desenvolvimento da agricultura, financiou vários projetos. Há apenas um aspeto que acho que o Banco deveria investir mais, que é capacitar as pessoas. E penso que está fazendo esse investimento. Nós temos alguns projetos em que o Banco fez já a mudança da abordagem e passou a incluir os camponeses, os produtores em processos de capacitação ao mesmo tempo que desenvolvia os projetos de provisão de serviços. Essa combinação desses dois fatores permite dar sustentabilidade aos projetos que temos estado a desenvolver conjuntamente. É, portanto, uma mudança importante e gostaríamos que o Banco continuasse nessa linha. O outro aspeto, do ponto de vista de focalização, de priorização e focalização, o Banco teve sempre uma boa visão: infraestruturas de irrigação, infraestruturas de escoamento e várias outras ações que desenvolveu. Mas, nisso tudo, e por serem projetos complexos, levava-se muito tempo e acabava tornando o investimento feito em um investimento muito dispendioso por causa do tempo. E o banco, percebendo isso, tem estado a desenvolver formas processuais que vêm a facilitar a concepção e a implementação dos projetos. E nós apreciamos essa posição do Banco.

E qual é a opinião do Senhor sobre o que o Banco vem fazendo em parceria com os países-membros para acelerar o desenvolvimento socioeconómico da África?

A primeira e mais importante é Alimentar África. Precisamos de encontrar soluções de como é que alimentamos as pessoas. A segunda, talvez, por causa das características do meu país, a questão energética é importantíssima. Mas é verdade que todas essas que se referiu aí, essas prioridades são importantíssimas. Disse, desde sempre, a educação de um povo é fator base para o desenvolvimento. Mas se me disserem o que é que eu escolheria, se for uma questão de escolha, escolho Alimentar África e incrementar a produção de energia. Com a energia a gente vai conseguir industrializar o país, a gente consegue aumentar a produtividade. A produção de alimentação dos camponeses, como eu disse, o grande problema é que em uns anos eles produzem bem, e depois vendem tudo. Outros anos produzem mal e não têm o que comer. Precisamos de encontrar formas de conservar a produção. E a conservação da produção é instalando a indústria que transforma aquela produção, é aquilo que chamam agroprocessamento. Então, a indústria, quem pode instalar é o sector privado, e aí entra o Banco. Quando olhamos para as modalidades de financiamento, as economias e aquilo que é a transformação da própria economia, nós vemos que há uma mudança muito grande de projetos que outrora eram projetos iminentemente do governo para uma situação em que muitos projetos, até em sectores que tradicionalmente eram públicos, estatais, muitos projetos passaram a ser implementados com a colaboração do sector privado.
Africa has experienced significant improvements in human wellbeing over the last few decades. Life expectancy rose from 53 years in 1960 to 72 years today thanks to improved nutrition, better healthcare, and access to safe drinking water. Primary enrolments have risen to 80% from 52% in 1990. 95% of Africans now own a mobile phone, and tech start-ups are increasingly common in African cities. These encouraging figures are the fruit of many years of joint efforts.

The continent still faces multiple challenges including high population growth, state indebtedness, and social, economic and political instability. Other challenges include unmet needs and human rights concerns, the vulnerable and unequal position of women, ongoing conflicts in several areas, and lack of economic opportunities for young people. All of this jeopardizes the livelihoods and prospects of millions of young people, pushing them into poverty and causing massive forced displacement and irregular migration.

An additional challenge, whose effects we are already starting to see, is climate change, which will have a disproportionate impact on Africans. The UN Security Council has already recognized water scarcity, one effect of climate change, as a root cause of conflict.

Bio

- Sigrid Kaag started her career with Shell International in London and the UN Political Affairs Section of the Ministry of Foreign Affairs. She subsequently held a series of international positions: Programme Manager and Head of Donor Relations at the United Nations Relief and Works Agency in Jerusalem, International Organization for Migration in Geneva.
- Mrs Kaag also served as senior UN adviser in Khartoum and Nairobi. She continued her career at UNICEF, where she held various positions in New York and Amman. Mrs Kaag then served as Assistant Secretary-General for the UN Development Programme in New York.
- Mrs Kaag, as UN Under-Secretary-General, led the mission to eliminate chemical weapons in Syria. She then became Under-Secretary-General in Lebanon with responsibility for all UN activities in the country, specifically the implementation of UN Security Council Resolution 1701.
- In 2015 she received an honorary doctorate from the University of Exeter. She was awarded the Carnegie Wateler Peace Prize in 2016 in recognition of her efforts and the results of her work in the Middle East.

Africans’ window of opportunity for carbon-free, inclusive industrialization

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Opportunities

These challenges are all linked to the central theme of this year’s Annual Meeting, Industrialize Africa. I believe that this theme should be divided into two sub-themes: Carbon-free Industrialization and Inclusive Industrialization.

In the very recent past, Africa skipped the phase of developing a landline phone network by moving straight to mobile connectivity, going from lagging behind to leaping ahead. Now it has a major opportunity to be the first region in the world to industrialize with minimal adverse effects on the climate and on its ecologically rich and unique environment.

The African continent has the greatest potential for solar power. Its long coastline offers great opportunities for wind and wave power. There are ample opportunities for geothermal energy and biomass. Moreover, recent rapid technological developments have made renewable energy a more economically feasible investment than fossil fuels. These developments also offer new solutions to the challenges of industrial development and to those faced by individuals, making it possible to reach people in remote areas, off the grid.

Africa will soon count two billion people with a median age of 18. It will have to provide 20 million new jobs each year. Industrialization has the potential to play a major role in creating these jobs and providing decent livelihoods. Focusing on inclusive industrialization will ensure a fair distribution of these new opportunities for growth.

Positive trends

In adopting the SDGs, world leaders recognized that ending poverty goes hand in hand with economic growth. All countries played a part in developing these goals, and they apply to every nation. Clearly governments cannot face this challenge alone. The private sector is needed as it provides 90% of the jobs in developing countries. As Africa’s development bank, the African Development Bank is uniquely positioned to come up with homegrown solutions that take advantage of the continent’s enormous labor potential and of worldwide technological development.

Last year, the Bank made a record level of investments in renewable energy and set the goal of investing 40% of its yearly volume in climate-relevant projects. It is encouraging to see the Bank take on this role. I also welcome its renewed attention to including women and young people in its private sector investments. The enhanced focus on fragile and conflict-affected countries is equally valuable.

I call on the Bank, as a major institution with substantial impact and great economic and social responsibilities, to sustain these positive trends and to lead by example.

In view of the recent allegations of sexual intimidation and misconduct in international development organizations, I would like to emphasize the importance of the Bank’s Ethics Committee. I welcome the recent attention given to raising awareness about these issues at the Bank. I would also underscore the high priority that must be given to respecting the Bank’s safeguards to ensure the prevention, identification, and mitigation of harassment, exploitation and intimidation, especially of women.

I hope that Africa’s recent improvements in human wellbeing are only the beginning. With the help of the Bank, the continent can be a leader in demonstrating to the world the possibility of carbon-free and inclusive industrialization.
What can we learn from the Korean development experience?

In the early 1960s, Korea’s GDP was less than that of most African countries where today, it is a developed country. Korea did this by pursuing State-led industrial policy. It picked specific sectors and targeted them with government support and painstaking reforms. This helped ensure that giants such as Samsung, Hyundai, and LG become some of the biggest innovators in the world. While in Busan, I look forward to learning the lessons of this remarkable success.

The Bank’s strategic High 5 priorities are Light up and Power Africa, Feed Africa, Industrialize Africa, Integrate Africa and Improve Quality of Life for the People of Africa. Which of these do you consider to be the most critical for your country?

All the High Fives are crucial for Africa, and all are mutually reinforcing. I say this because with electricity, we will power food processing and storage plants enabling us to feed Africa. With electricity, we can industrialize Africa and export goods manufactured in Africa to other African countries, enabling us to integrate Africa. With vital investments in education, we will find it easier to manage industries and to build and maintain our infrastructure facilities, thereby enhancing our quality of life. Taken together, the High Fives will enable us to create jobs and reduce poverty.

Bio

• Mrs. Adeosun was appointed as Minister of Finance of Nigeria in November 2015. Prior to the appointment, she played senior roles in various institutions including British Telecom Plc and PricewaterhouseCoopers in the UK.
• In Nigeria, she served as Managing Director at the Chapel Hill Denham Group until 2010 when she started her own consultancy - The Quo Vadis Partnership. Mrs. Adeosun is qualified as a Chartered Accountant, and also a member of the Institute of Chartered Accountants Nigeria.
• Mrs. Adeosun obtained a master degree in Public Sector Financial Management from the School of Oriental and African Studies, University of London.
Opinions differ on the issue of a general capital increase. What’s Nigeria’s perspectives?

Nigeria strongly supports the General Capital Increase because of the immense development support it will bring to Africa. With a GCI, the Bank will maintain its AAA rating and continue to lend to African countries at lower interest rates, enabling them to realize significant savings from interest costs. Some African countries are already at risk of debt distress. A GCI will enable them to borrow at cheaper rates than they are currently doing from commercial partners, and prevent another debt crisis. With a GCI, we can bolster the African private sector and ensure that lower income countries benefit from the Bank as much as richer countries do. We support the GCI because it will enable the Bank to take its leadership role in helping Africa achieve the Sustainable Development Goals and the African Union’s Agenda 2063. The High Fives, which all our countries support, are some of the best means to achieving these ambitions. A GCI will contribute to adequately funding the High Fives.

Africa has the lowest levels of carbon emissions, yet it bears the brunt of climate and environmental change. What must Africa do to avoid environmental degradation as it seeks to further industrialize?

Nigeria is a big proponent of industrialization powered by cleaner energy sources. This is why it has an ambitious set of INDCs under the COP-21 framework in which renewable technologies are part of the energy mix. In the spirit of COP-21, Nigeria has also insisted that countries should bring all their energy resource endowments into play in meeting their industrial energy needs. Coal-rich African countries should be allowed to use coal for their industries albeit with the necessary technological support (e.g. clean coal technology) to ensure proper carbon capture and storage so to minimize greenhouse gas emission and their impact on the environment. Gas-rich African countries such as Nigeria should power their industries with gas. African countries rich in wind, such as Morocco, should use this renewable alternative. Our point here is that since Africa is responsible for less than three percent of greenhouse gas emissions, it should not be penalized and denied the chance to develop under the guise of preventing climate change.

Nigeria is a firm believer in climate justice. That Africa contributes the least to and suffers the most impact from climate change serves as an imperative for all countries to honor their COP-21 commitments, including transferring financial pledges of up to USD 100 billion to the developing world for adaptation, mitigation, and technology. We have not seen this money thus far. Promises made should be kept.

What is Nigeria doing to become a more attractive destination for foreign direct investment?

In 2016, Nigeria was ranked 169 of 190 economies in the World Bank’s Ease of Doing Business. With a view towards making Nigeria more conducive for starting and growing a business, the Buhari Administration established, in 2016, The Presidential Enabling Business Environment Council, an inter-ministerial effort chaired by Vice President Yemi Osinbajo. The reforms pushed by this Council have yielded some impressive results. For instance, you can now register your business, pay your taxes, and process building permits all online. As a businessperson visiting Nigeria, you can get a visa on arrival. In just one year, Nigeria has jumped 24 places to 145 of 190 countries in the Ease of Doing Business ranking, and is one of top ten improved countries. And we have only just begun.

What is your vision for Africa 15 years from now and what role do you see for the African Development Bank?

I look forward to an African continent at peace with itself and economically integrated through free trade, a continent where citizens can travel unfettered with an African passport, in which every country has achieved the Sustainable Development Goals, where no children are out of school and where maternal and infant mortality are a thing of the past. I look forward to a continent that can feed itself, with industries humming and with all villages lit up. Can all this be achieved in 15 years? With determination, we can be well on our way.

What would you consider to be the key social and economic challenges facing Nigeria, and what role do you envisage for the African Development Bank?

We have a lot to do in Nigeria regarding power, roads, ports, education, private sector development, environmental protection, agriculture, and health, etc. These development imperatives will cost more than we, and all DFIs such as the Bank, can afford. Beyond money, therefore, what Nigeria needs from the Bank is knowledge and expertise. We expect the Bank to rise to the occasion in the area of knowledge products and not play second fiddle to other players.
Bio

- Jens Frølich Holte has been State Secretary, Ministry of Foreign Affairs since 2017. Before the appointment, he served as Cst. State Secretary at the Ministry of Transport and Communications in 2017.
- He also made contributions as a political adviser at the Ministry of Climate and Environment from 2013 to 2017, and at the Conservative Party Parliamentary Group between 2011 and 2013.
- Mr. Frølich Holte obtained a Master’s of Science in Economic History at the London School of Economics and Political Science (LSE) and a Master’s of Science in Economics and Business Administration (siviløkonom), at the Norwegian School of Economics (NHH)

JENS FRØLICH
State Secretary, Ministry of Foreign Affairs

Toward an inclusive development model: the importance of policy and fiscal space

The theme of the Annual Meetings this year is Accelerating Africa’s Industrialization. What are the expectations for Busan, and more broadly, what can we learn from the Korean development experience?

In 1960, GDP per capita in South Korea was at the same level as in sub-Saharan Africa. Since then, South Korea has achieved rapid economic growth. Currently, GDP per capita is equivalent to that of Spain.

One important feature of South Korea’s development is the emphasis on labor-intensive industrial exports. Rapid economic transformation was achieved by moving labor to sectors with greater productivity than in the agricultural sector. Structural change was welcomed and the growth in exports made it possible to quickly increase imports of equipment and other technology.

A number of policies contributed to South Korea’s rapid economic growth. Various export barriers were removed. There was also a strong emphasis on ensuring predictable and stable terms for investments and industrialization initiatives. Korea put great emphasis on securing a solid foundation for the manufacturing sector, but each country needs to base its growth trajectory on its comparative advantages.

A comprehensive program for family planning was one of the factors that contributed to the rapid decline in fertility from six children per woman in the early 1960s. This gave a substantial demographic dividend through a rapid improvement in the dependency ratio, which in turn translated into improved schooling and increased national savings. The Bank’s Annual Meetings in Busan provide a good opportunity to reflect on what Africa can learn from the Korean experience.
How can Africa, in industrializing, avoid the challenge of non-inclusive growth that seems to be symptomatic of some of the more advanced economies?

Non-inclusive growth is a challenge that may affect every economy. Africa needs a balanced growth model, basing economic growth on exploitation of comparative advantages and equal opportunities for citizens in both rural and urban areas.

In the manufacturing sector, the emphasis should be on creating a stable environment for long-term investments and providing a skilled labor force. A well functioning manufacturing sector requires adequate education through secondary school and improved technical and vocational training programs in collaboration with employers. A stable and adequate supply of electricity is also essential.

In agriculture, broad-based growth can be facilitated by targeting weak points in the value chain and improving sector-specific framework conditions that increase the competitiveness of the whole value chain as well as for individual enterprises/farmers. Increased digitization in agricultural production and marketing, e.g., by making price information available to all farmers and entering into contracts, can also help broaden growth in the sector. And most importantly, it is vital that women be fully included in the formal economy, and able to participate on equal terms.

The Bank’s strategic High 5s priorities are Light up and Power Africa, Feed Africa, Industrialize Africa, Integrate Africa and Improve the Quality of Life for the People of Africa. Which of these do you consider to be the most critical at the moment?

A very good question. I’d say “Feed Africa” and creating enough jobs for the masses of unemployed, underemployed and young people entering the labor force are the two most critical challenges. Creating enough jobs will also improve the quality of life for most people. The two most important drivers for job creation are a reliable power supply and industrialization.

In light of the Bank’s High 5s and its mission to accelerate the development of Africa, where do you stand today on a general capital increase for the Bank to allow it to deliver on its goals of improving the lives of Africans?

Norway sees a clear role for the Bank in implementing Agenda 2063, the Sustainable Development Goals and the Paris climate agreement. We welcome an open discussion on how to finance these efforts in the coming years. While our thoughts at this stage are preliminary, Norway is favorably inclined to a 7th General Capital Increase and we look forward to participating in the discussions in Busan. The main focus must be on helping African countries reach their development and climate goals. At the same time, the Bank must explore all options to maintain its financial strength and improve cost effectiveness.

The ability of the Bank to deliver a strong pipeline is critical. This means achieving a clear development impact and adequate bank financing as well as continued focus on the Bank’s institutional reforms.

Governments in the region should also take measures to increase domestic resource mobilization, enhance financial transparency and fight illicit financial flows. The Bank’s role in promoting improved framework conditions, calling for transparency and fighting corruption is key. Norway encourages active follow up of the Bank’s strategic framework on illicit financial flows from Africa, which was approved in 2017.

The African Development Bank is playing a leading role in pushing for enhanced transparency and good governance. In this regard, what must Africa do to become a more attractive destination for foreign direct investment?

Most important is to reduce the perceived and real risk of investing. Key factors include: a stable and predictable policy regime; stable and sound macroeconomic conditions; ease of transferring profit and dividends; a favorable business environment (including reliable energy supply) and transparent government contracts, e.g., in extractive industries; and putting an end to corruption and rigged markets that give disincentives to broader investor groups.

Read more on afdb.org/am
Unlocking the Potential of Investment in Innovation and Industry
We fully support the Bank’s High 5s as the strategic framework guiding its work towards the acceleration of Africa’s economic transformation for the next few years, as well as their alignment with the African Union Agenda 2063 and the Sustainable Development Goals. In this regard, we welcome the highlight given to “Industrialize Africa” during these Annual Meetings in Busan. African countries have indeed an untapped potential to develop their industries, boost economy and trade and generate employment.

As a matter of fact, all countries are aware of the role that a robust industrial sector can play in achieving economic growth and prosperity – that is true not only for African countries but also for other regions in the world. The economic paradigm that has prevailed for an excessive length of time centered almost exclusively on the production of commodities must be swiftly altered in order to allow African countries to climb significantly in the global value chain, fostering a diversification process in which the industrial sector will have a paramount role.

As President of the Eurogroup where the Ministers of Finance of the Euro Area member states discuss matters relating to their shared responsibilities related to the Euro and economic growth, I've also been witnessing the relevance of promoting growth and jobs for the Euro Area member countries. Back in Europe we have been working to implement reforms aimed at increasing the resilience of our single market, including eliminating barriers in access to finance. Similar challenges are also very present in the Bank’s regional member countries, which are relying on partners such as the Bank to tackle them.

The path to overcome these problems lies in structural reforms, availability of information, clarity of legislation, creation of a friendly business environment based on the formation of fair, accessible and transparent markets of regional scope, and above all the political will to implement favorable policies. African countries need to assess their comparative advantages and incentivize the creation of national industries that can substitute imports and even aim at becoming exporting industries.

Portugal congratulates the Bank for embracing the private sector as a key player in achieving its goals and vision. Encouraging further private investment in African countries is essential to boost diversification and generate more resilience to external and commodity price shocks.

Investing in countries’ production capacity is also intrinsically related to access to sustainable finance (bearing in mind countries’ debt sustainability assessment), investment in education (human capital) and in the means of production. Innovation is also a key piece in this puzzle.

Portugal is a reference in the promotion of innovation and technology, ranking 6th on the world’s 2017 Commitment to Development Index (https://www.cgdev.org/commitment-development-index-2017) with a particularly strong performance in the technology, migration, and environment components. Technological innovation is an area that can bring many benefits for SMEs and start-ups in terms of quick and efficient access to financial services, reduction of costs, lowering barriers and promoting regional integration. It can also enhance competition and financial inclusion (for instance, through easiness of mobile payments and better internet penetration).

The Bank has a major role to play in providing these enabling conditions (in particular finance) and providing technical assistance and policy advisory services to accelerate industrialization in its Regional Member Countries. In order to be a partner of excellence and increase its capacity to deliver results, the Bank will have to make smart interventions based on its competitive advantages but also partner up with other relevant actors.

For the last decade, Portugal has been carrying out bilateral technical assistance activities with its African partners, aimed at improving institutional capacity in public finance management and thus having a positive impact in unlocking the potential for investment in innovation and industry. Joining up our strengths and competitive advantages could really bring an increased added value to the support canalized to these countries in a wide range of areas, therefore contributing in a meaningful way to their economic and social progress.

Bio

• Dr. Mario Centeno Centeno was elected as President of the Eurogroup on 4th December 2017 by the Euro area finance ministers. Since 21st December 2017, he also serves as Chair of the Board of Governors of the European Stability Mechanism. In November 2015, he was sworn in as Finance Minister of the XXI Constitutional Government of the Portuguese Republic. Before that he held several positions in Portugal’s Central Bank where he started as an economist in 2000.
• Mr. Centeno is an experienced economist and University Professor. He has a strong academic background with two Masters (one in Applied Mathematics, by ISEG-UTL in 1993, and a second one in Economics, by Harvard University, USA, in 1998) and a PhD in Economics, by Harvard University, USA, concluded in 2000. He is an author and co-author of several scientific publications, books and book chapters related to his areas of interest, such as Labour Economy, Econometrics, Microeconomics and Contract Theory.

Portugal has an historical and evolving relationship with Africa and a longstanding partner of the African Development Bank Group. I have been the Governor for Portugal at the Bank Group for the last two and a half years. When I first got to know the Group, I found an institution that is crucial for the development of the African continent playing a pivotal role to improve the living conditions of the African people. I am extremely proud to be able to contribute to that aim on behalf of my country.
What are your expectations from Busan this year?

Last year, we concentrated more on the agriculture side. This year we are focusing more on building more industries. These industries will be able to drive trade and domestic production. They will generate the jobs that we need, especially for our young people. So, we are confident that our industrial parks, the way they are structured, with special economic zones, will help drive growth. Industrialisation will provide jobs on the continent. That makes focus on industrialisation critically important. It is where value is added, and that is why we very much appreciate that the Bank has chosen this topic for us to discuss in Busan.

What do you consider as Africa’s most urgent need, and what is the Bank doing to address that need?

Well, these are the needs that we all have. Each country is, of course, different from the other and we will all have needs that differ but some that are common to us. The needs are different because we are not the same country. But the areas that the Bank has chosen as priorities, in terms of agriculture, linking Africa, connecting African countries to each other, through integration, by lighting up the continent through energy – all these priority areas are very critical. What we talked about at the meeting is that in terms of obtaining the SDG’s in terms of Agenda 63, the agenda of the Bank is a big contributor to succeeding in terms of achieving those goals to which we are assigned. So, it is very important. It is a response to the needs of the African countries. It is also the area that we endorsed as governors of the Bank. We are now moving quickly to see how we can make these goals a reality by mobilising more resources.

What do you think about a general capital increase for the Bank and how would that work to transform Africa?

We very much appreciate what the African Development Bank has done on the African continent. It has improved significantly. The Bank has completed a thorough reform process. It has restructured itself, and decentralisation has brought the staff closer to where the projects are being implemented. This has been helpful in terms of implementation. We have also seen the efficiency of the Bank improve significantly, and I think the capital increase discussion has come at the right time because it is the time Africa is reforming, the time when the continent needs more resources than previously provided. And this is where we need more and more partnerships with the private sector, more partnerships with other development partners. This is thus a fortuitous time for us to have started the capital increase discussion. We want to see how this capital increase can provide more resources from the private sector and also from the different markets. So, yes, this has come at the right time, and that is why all of us, as governors of this Bank, the African Development Bank, are here to support the general capital increase.
What are your thoughts and impressions of what the Bank is doing in working with its regional member countries to help accelerate Africa’s economic and social development?

Until now, the Bank has played an important role in terms of its policies in many areas – agriculture, providing people with electricity, and reinforcing the capacity for good governance. But I think the Bank can do much more. It should act as a catalyst for other investments in Africa, guiding the other multilateral and bilateral partners on Africa’s needs at this time.

The African Development Bank has identified five strategic priorities, called the High 5. Do these priorities seem to you to be relevant and in what ways could they promote the development of your country?

To choose these five priorities, the Bank undertook a detailed study of African countries. These are relevant priorities and what Africa needs at the moment to raise it to another level. My country has these needs, so these priorities are also our priorities. We believe that the Bank can play quite an important role in this area. It is worth pointing out that my country is small and has a population of around 200,000. As an island, it suffers from insularity. I have taken the opportunity to ask the President to consider São Tomé and Príncipe in a different light and to create a very specific program for small, insular countries that are very fragile and have many problems that are often different from those of the big countries on the continent. We are talking about the need to create basic infrastructure in energy, water, the health sector, and even in terms of entering the country, meaning ports and airports. These are the basic conditions for a country to develop.

E qual é a opinião do Senhor sobre o que o Banco vem fazendo em parceria com os países-membros para acelerar o desenvolvimento socioeconómico da África?

Até então, o Banco tem tido um papel bastante importante com a sua política em vários domínios, portanto, a nível de agricultura, a nível de electrificação da África, a nível do reforço da capacidade de boa governação. Mas acho que o Banco pode fazer muito mais. O Banco pode ser um catalisador de outros investimentos para África orientando um pouco os outros parceiros multilaterais e bilaterais, vis-à-vis às necessidades que África tem nesse momento.

O Banco Africano de Desenvolvimento identificou cinco prioridades estratégicas, os “High 5”. Essas prioridades parecem relevantes? E em que maneiras poderiam promover o desenvolvimento de seu país?

Ao escolher essas cinco prioridades o Banco estudou detalhadamente os países de África. Dáí que elas são relevantes: elas são aquilo que África precisa neste momento. Elas são as prioridades que poderão levar África para outro patamar. O meu país, como um país africano também, tem essas necessidades, essas prioridades também são as nossas prioridades e pensamos que o Banco poderá jogar um papel bastante importante nessa matéria. Destacar que o meu país é um país pequeno, com cerca de 200 mil habitantes, mas por ser uma ilha, ela sofre de problemas de insularidade. Eu fiz questão de pedir ao presidente que olhe para São Tomé e Príncipe de forma diferente e que haja um programa muito específico para países pequenos insulares que tenham muita fragilidade e tenham muitos problemas, que muitas vezes não são os mesmos que os países grandes do continente. Nós estamos a falar da necessidade de criar as infraestruturas de base, a energia, água, sector da saúde, mesmo a nível da porta de entrada para o país - estamos a falar de portos, aeroportos - que são as condições básicas para que o país se desenvolva.
The Kingdom of Saudi Arabia is among the leading countries that offer financial assistance to enhance development in developing countries as it provided nearly USD 152.3 billion of aid or approximately 1.2% of its GDP in the last seven years, exceeding by far the 0.7% target set by the UN. The offered assistance includes grants to implement development projects, urgent relief assistance, mitigation of disaster consequences, and loans to boost development in developing countries. Within the framework of its incessant efforts to reinforce development in partner countries, Saudi Arabia comes second in the world in terms of foreign workers’ remittances.

Bio

- Since August 15, 1995, Governor for the Kingdom of Saudi Arabia at the African Development Bank
- As of 2009, Representative of Saudi Arabia and Chairman of GCC Cooperative Committee for Gaza Reconstruction and Representative of Saudi Arabia and Chairman of the Board of Directors of The Arab Investment Company
- Since May 2006, Chairman of the Board of Directors of the Arab Bank for Economic Development in Africa
- From July 2004–Aug 2010, Chairman of Board of Directors of the Saudi Industrial Development Fund
- Since September 2002, on the Open Arab University Board of Trustees
- Since 2001, Vice Chairman and the Managing Director of the Saudi Fund for Development
- Since December 2000, Representative of Saudi Arabia and Chairman of the Administrative Committee for Al-Aqsa and Al-Quds
- Since October 2001, Representative of Saudi Arabia at the Arab Gulf Program for Development
- From May 2000–April 2008, on the Arab Fund for Economic and Social Development Board of Directors
- Earned his B.S. in Civil Engineering from King Saud University in 1975 and a Master’s of Civil Engineering from the University of Michigan in 1979
Relationship and Cooperation

Saudi Arabia has had strong ties with Africa for decades. Historically, it has been supportive of Africa in all aspects, socially, economically and politically, as well as developmental and humanitarian aid during different stages of history to achieve prosperity and development in the continent. For instance, the Saudi Government launched its special program in the early 1980s, “The Saudi Program for Drilling Wells and Rural Development in Africa” as a response to the drought that hit Africa during that period. The goal of the Program is to mitigate the effects of drought in African rural regions by drilling wells for potable water. An amount of USD 100 million was allocated for this program in its first phase.

As a result of the success achieved by the first phase of program projects in various African countries, and given the continued drought in subsequent years in other regions in Africa, and being aware of the importance of the program’s continuation to include other countries and regions in Africa, four additional phases with a cumulative amount of USD 330 million were allocated. The fifth phase was carried out in 2017 with an amount of USD 100 million.

Saudi Arabia considers the importance of economic cooperation with Africa as well as political stability as a repository of rich resources in various fields including agriculture, mining and industrial production, trade movement and value-added investment partnerships. According to the report issued by the United Nations Conference on Trade and Development, the volume of trade between Saudi Arabia and African countries in 2014 amounted to USD 18.2 billion of which USD 14.9 billion were Saudi exports to Africa, and USD 3.3 billion of Saudi imports.

Investment Cooperation

In terms of investment cooperation, Saudi Arabia is willing and seeking to boost investment in Africa, and in this regard, the Saudi Government has launched “The long-term initiative strategy” to support investment abroad for the production of rice, wheat, barley, corn, sugar, green fodders, and animal resources. The investors will have the right to export at least 50% of the farmed production to Saudi Arabia.

Development Cooperation

In terms of development cooperation with Africa, Saudi Arabia has contributed to the capital funds of Arab, Regional and International Development Institutions such as the Arab Bank for Economic Development in Africa, the Islamic Development Bank Group, OPEC Fund for International Development, the African Development Bank Group, the International Monetary Fund, the World Bank Group, and others. All of those institutions are working hand in hand with African countries to implement development projects and programs with the objective of achieving economic and social development in the continent.

Since the inception of its activities up to the end of 2017, SFD has financed 373 projects and economic programs in Africa in the sectors of transportation, communication, agriculture, energy, industry and mining, with a total amount of USD 7.7 billion, accounting for 52.41% of the SFD’s total cumulative commitment.

Saudi Arabia, and through its main bilateral channel SFD, provides its development assistance to developing countries in the form of soft loans and technical assistance and will continue to work and cooperate with African countries and partners to support comprehensive development in the continent.

In partnering with these countries, the Fund employs the concept of togetherness and solidarity to assist in overcoming the shortage of resources, and to support countries in difficult circumstances. It is part of the policy of the Kingdom of Saudi Arabia to support poor nations around the world by extending its experience in the development field. The Kingdom, in general, and the Saudi Fund for Development, in particular, are well aware of the difficulties encountered by the governments of the African countries in providing for the basic needs of their nations and ensuring prosperity for their countries.
In what ways do the actions of the African Development Bank add value compared to other development partners?

First of all, the African Development Bank is our Bank. I cannot say this strongly enough. It is the African Bank. Our countries need every partner. The world of today is globalized. With the Bank, what we have seen most is the speed with which projects have been executed and the effectiveness of disbursements. The fact that we have a Bank with its headquarters on the African continent is significant, as it experiences the realities of the African people, and this is a plus. Many of those in leadership roles in the Bank previously occupied such roles at important levels in their countries. This too is an advantage for understanding the concerns of the African people.

In light of the African Development Bank’s mission and Africa’s needs, is it time for a general capital increase?

The African Development Bank must be supported. The Bank is highly ranked by the ratings agencies, at AAA. This is extremely important. Our countries have enormous resource mobilization needs. For this reason, it is important to us to support the Bank and to increase its financing capacity. The only way to do this is by increasing our participation. In addition to its AAA rating, let’s remember that investing in the African Development Bank is eminently profitable. The Bank has the capacity to lend you four, five, or six times the amount that you invest. I think that it is very important to stress this. From this point of view, we are supporting the goal of the Bank to increase its capacity through a capital increase.

What is most urgent for your country in the field of development, and what resources are used to meet that need?

What is urgent for Senegal can be found in the High 5 priorities. These correspond to the three strategic axes of Senegal’s development plan, Plan Sénégal Émergent, or Plan for an Emerging Senegal in English. What Senegal urgently needs is to transform its economy. It also urgently needs strong growth, which needs to be inclusive growth that creates jobs, redistributes income, and gives space to people, especially to young people. Finally, Senegal has an urgent need to be a peaceful country with a serious, virtuous governance.
What can we learn from South Korea in terms of industrialisation?

I am old enough to say that South Korea developed in the last 30 years. I think 35 years ago I was in university and most of the people in the school I was in were from Korea. They were all studying engineering in one big university in the United States. You couldn’t talk about South Korea then. I think it was very underdeveloped. I don’t know how it was rated 35 years ago, but today it is one of the most developed industrialised countries. I think we can learn a lot about the road they have travelled and what they have done differently. We have to learn a lot from them and from China at the same time. We can learn from the East more than we can learn from the West as far as Africa is concerned. I think we have to align our activities better with them than with the rest of the world. The industrialisation of the West was in the 1800s, but the industrialisation of the East was just a few years ago. There are still people who grew up in poverty who today run mega million companies. They can be found in South Korea and also in China. They have to be our source of information and inspiration so to speak. We are all looking forward to going to Busan and meeting with the rest of the world who are interested. Africa is the continent that still needs to develop; therefore, they are also looking forward to finding places to invest their money. So it is really a combination of where the resources and skills are and putting them together. Africa and Asia together will be the best, and we are looking forward to the meetings.

Are there differences from country to country with regard to the relevance of the High 5s?

I think some are more relevant to different countries that have different areas of emphasis. The very fragile countries like mine, Somalia, the area that we put a lot of emphasis on is Feed Africa... As you know, we have a lot of drought, and, therefore, a lot of famine. I think the last famine in Africa took place in Somalia. This is not today but very recently. This is the area on which we think the Bank is putting a lot of emphasis, and it is an area on which we ourselves also have to put emphasis. Feed Africa means, of course, literally finding adequate food for people. But if you go deeper, it is about managing one’s resources. Paradoxically, in Somalia where there is always a drought, there is also more water than anybody can use. There is more water and at the same time more drought. It is that unfortunate dichotomy that you find in Somalia and maybe in a few other countries. Somalia suffers from drought when people do not have adequate rain and suffer from a food shortage. I think all the other countries will find the rest of the High 5s to be more relevant, but given our reality, Feed Africa is the one that I find most relevant for us.
As SADC Member States, we remain committed to our strategic partnership with the African Development Bank. This we do through regular and structured dialogue with the President and management of the Bank. We are also partnering with the Bank in promoting particularly infrastructure development which is key to economic development, regional integration and growth. Specifically, the focus is on strengthening the realization of quality bankable projects.

Our symbiotic relationship is built around the objective of Africa’s development and a shared passion for the tremendous benefits that accrue from successful projects. We recognize that it is our duty to ensure that the Bank has the capacity and resources to carry out its ambitious High 5 agenda.

We are pleased that the Bank continues to make good on its pledge to be closer to its clients, and note its increasing profile in Southern Africa’s development landscape.

With the theme of Accelerating Africa’s Industrialization, my hope is that we will come away from Busan with even clearer ideas of how we must collectively accelerate Africa’s overall development and unleash its full potential.

We must take advantage of innovations in technology and infrastructure to leap ahead. For Africa to compete on a global level, there is much to be done on multiple levels. It will require focused political will, leadership, vision, and skilled capacity, that we are proud to observe at the helm of management of our development bank.

Korea provides a model of transformational development and an amazing ability to respond to global trends. In less than 45 years, the country has developed homegrown technological and infrastructure solutions to meet the needs of its people.

I commend the management of the African Development Bank for the stellar work it continues to do on our behalf and for moving the continental agenda forward. It is no accident that the African Development Bank has been able to earn and sustain a AAA rating. Our Bank is about people… helping people.

Today, as always, South Africa stands behind the African Development Bank, and looks forward to our continued fruitful collaboration.
importance that technology plays in industry. Information technology (IT) is crucial. We must be mindful of the fact that IT and technology in general is one of the most important areas that has helped develop the Korean economy and some other economies. We must therefore give special consideration to IT and develop our IT industries. The move now is towards the internet of things. We have to consider more IT training for our professionals, more research, and take care of innovative people. These are the people who have capabilities that are especially useful to us in putting technology to work for us. We are losing a lot of people who have technological know-how. They are fast leaving Africa for the West and to more developed countries. They are emigrating because we are not giving them enough care, and they are taking research capabilities with them to develop projects in other countries.

What is the Bank doing to accelerate Africa’s economic and social development?

I think if we can follow the plans that have been prepared by the African Development Bank, and if we can cooperate together to develop our inter-marketing in Africa, we will get to that desirable point. We need to develop our own markets to trade with each other more than we are doing now. So there needs to be more integration, more complementing of each other so that the benefits will not go outside Africa, but stay on the continent. This will help a lot. We must help each other to develop and provide markets for the products that we produce in Africa first, and then we allow others to come to the markets.

What are your expectations for the Annual Meetings in Busan?

There are many lessons to be learnt from the South Korean experience. To focus on agriculture alone is not enough. We have to be involved and ensure that a lot of value added is brought to industry. Although South Korea is not as rich as Africa in natural resources, they have been able to develop their country by developing their human resources and developing their different industries. We must learn from this experience. We shouldn’t stop with agriculture. There is no doubt that agriculture is important for Africa to feed its people, to raise our standard of living, but also, we have to consider the value added for our products by transforming our raw materials into finished products. When we do that is when we can look to the industrialisation of Africa. And this will also be one of the pillars and priorities of the African Development Bank – to industrialise Africa.

A starting point is energy, because without energy you cannot make industry. And then we will move to the other sectors for the industrialisation of Africa. We can bring a lot of value added for the African people and for development through more job creation. We have to think of first producing our own agricultural equipment and then to look to others. We must realise the great
What do you consider to be one of the biggest challenges Africa’s industrialization must surmount?

One of our major challenges in Africa is that we tend to be commodity-based, yet we sell these commodities when they are still raw. When it gets to industrialization, it means we have got to change this value chain and make sure that we can process these in here. Why should Switzerland produce the best chocolate when cocoa is produced in Africa? Why should diamonds be produced in Switzerland when they are produced in Africa? So industrialization is the key to whatever we do. Value addition in whatever we do will make sure that we spring ahead and are able to be competitive with the wealth out there.

What do you consider to be Swaziland’s most urgent need?

The urgent need right now is water harvesting because of climate change. Without water, you cannot industrialize; without water, you cannot feed Africa; without water, you will not have water and sanitation. So, it’s core in what we do. Second to that is energy, because they work hand in hand. The battles of the future I’m predicting will be centered on water. You can stay probably for a week without food, but you cannot stay for more than two days without water. I think the Bank is doing all it can. If I take the case in Swaziland, we have water-harvesting projects that have been financed by the Bank and I’m seeing a number of interesting projects. Because you don’t just look at damming water. You look at the spinoffs that arise out of that. Then you will be able to grow whatever crop enterprise you intend doing at your own time, rather than waiting for Mother Earth to say, “Is it raining today?” Because in some of our countries, there’s no rain. You only get rain maybe for three months, during the other times it’s dry. So, if you harvest the water you are able to channel it to the driest areas. Once we have channeled the water to the driest areas, that changes the face of the landscape and people can start being productive. Now you are feeding Africa. People will now have clean drinking water, now you have supported the community’s livelihood. So, I still believe that water for all intents and purposes is the key to the success of Africa. And the African Development Bank has been supporting countries whenever they come with projects on water harvesting. And, by the way, Swaziland will also be submitting two major projects on water harvesting and that’s why I believe strongly that it is very important.
No country has transformed without industrializing. Finance has been integral in this process. Africa’s effort to industrialize is dependent on financing, too. Development Banks play a role in making the finances needed to unleash the continent’s industrialization potential.

How can low- and middle-income countries, which are by definition limited in their fiscal base and capacity for domestic resource mobilization, finance their industrialization process? All African policymakers are confronted with this question. In searching for answers, they typically start with the observation that investment rates across the continent are generally low, and must be increased for their economies to grow, create employment opportunities, and combat poverty.

Some African central banks have tried to help stimulate national economies through monetary policy—especially during economic downturn episodes—by lowering interest rates and reserve requirements or purchasing...
The countries of the European Union (EU) initially contributed $50 billion in capital for the European Investment Bank, which currently borrows a further $420 billion and is therefore able to finance investments worth more than...

In February 2009, the African Union established the creation of an African Investment Bank “to foster economic integration and development through investment in development projects in line with the objectives of the Union.” Article 5 of the Protocol signed in Addis Ababa (Ethiopia) noted that “the Headquarters of the Bank shall be in Tripoli, the Great Socialist People’s Libyan Arab Jamahiriya,” which may not have helped the Union to move forward with the project.

Some African countries that have gained debt reduction through the HIPC (Highly Indebted Poor Countries) Initiative are now being lured into contracting new debt from non-Paris Club lenders, often on non-concessional terms. But most African central banks conceive their role as maintaining price stability, which they consider the best way of contributing to economic growth. Moreover, despite recent progress, the prevailing economic conditions in many African countries are still characterized by significant slack, high unemployment and underemployment, and the need for major reforms to improve the business environment. The magnitude of the economic challenges facing the continent and the uncertainty that has marked the lower growth period caused by declining prices of commodities are evidenced by the consistently high levels of capital flight, a phenomenon which is also accompanied by a new buildup in external debt.1

The traditional Keynesian strategy to deal with crisis situations where private-sector confidence and investors’ willingness to take risk and to spend are both low consists of complementing loose monetary policy with higher public spending or lower taxes. Restoring aggregate demand through government action is then seen as the most effective way of replacing private spending that has not taken place. Most high-income countries have done just that to combat the global recession. But that strategy may well work for business cycles and fail when it comes to confronting structural issues of growth and development of the types facing African countries. Furthermore, the prevailing conventional wisdom—codified mainly in the multi-year macroeconomic programs negotiated with the International Monetary Fund (IMF)—is one that advocates “expansionary fiscal contraction”.

As a result, many African economies currently find themselves in a conundrum: aggregate demand is still too low and there is no realistic perspective that it will increase sufficiently and rapidly enough to provide enough employment opportunities for poverty reduction. But it is financially, economically and even politically impossible to increase government deficits—not least because of IMF program constraints; and, even if central banks were willing and able to implement extraordinary loose monetary policies, this would not be effective to produce high, sustained growth. What is needed is therefore a development financing strategy that sustains demand without creating unsustainable fiscal deficits.

A straightforward solution would be the financial strengthening of African development banks—a general capital increase of African Development Bank (AfDB), for instance, and the operationalization of the African Investment Bank (AIB).2 Strengthening the financial capabilities of the AfDB and launching a well-functioning AIB would indeed help Africa meet two objectives simultaneously: it could provide much needed long-term financing to its economies thereby expanding and modernizing infrastructures (energy, transportation, telecommunications, water supply), while maintaining sustainable fiscal balance. Raising AfDB’s capital and making the AIB operational would not require African governments to increase their borrowing significantly. These development banks would stimulate confidence by supporting large-scale, regional investment projects and programs that create employment opportunities. But those investments would be made by the private sector or by some local governments, with the funding necessary being borrowed or raised by the AfDB or AIB—not by central governments. For instance, while an initial capital endowment would be required, perhaps on the magnitude of at least $50 billion dollars to make it credible, the AIB would be able to raise a sizeable multiple of that amount for its operations.3

Stronger development banks would go a long way to addressing the short-term market failures in private capital markets that currently exist and prevent African economies from getting funding for their development projects. The need to fund infrastructure projects is particularly important, as their benefits to society as a whole are typically much larger than their private financial return to their owner. Yet, let alone, private investors would not necessarily finance them. Moreover, the process through which public infrastructure projects are selected and funding allocated almost anywhere—especially in African countries—makes them subject to political pressure and elite capture.

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3 The countries of the European Union (EU) initially contributed $50 billion in capital for the European Investment Bank, which currently borrows a further $420 billion and is therefore able to finance investments worth more than $470 billion. While the EU has an economy almost ten times the size of the economies of Africa ($16 trillion in 2010), the same principle would work for the AIB if the institution is credibly set up and managed.
In these often authoritarian and unstable countries, the weak institutional framework, fuzzy budget rules, lack of transparency and accountability mechanisms, and the need to accommodate political cronies at all levels of government and beyond, often lead to random and costly decision making.

Development banks could also help implement Growth Identification and Facilitation (GIF) strategies for industrializing African economies. While African countries are typically small open economies that largely depend on trade, many of them have relied to a large extent on construction and real estate to sustain growth in recent years while manufacturing and exporting industries were lagging behind or even declining. By making long-term finance available for sound investment, development banks could support new export industries that reduce Africa’s dependence on foreign borrowing to pay for foreign products. Their support for projects and programs must be viable in strategic areas identified and appraised rigorously through GIF.

One puzzling finding from economic research is the observation that low investment has not been the major constraint on development in Africa. While the region’s total investment rate has been below that of developing countries in other regions, public investment rates is often not too much lower. “Any statement about whether African investment was the source of poor performance would therefore have to analyze the composition of that investment—and whether more public investment, an instrument under government control, would have benefited the continent”. Given that poor track record of public investment and the long history of failure of development banks across the developing world, the development banks would have to implement a rigorous, professional and transparent operational framework.

Learning from successful similar institutions, the AIB would operate on a “not for profit maximizing” basis and borrow on the capital markets to finance its projects. It would offer partial or full guarantee of repayment on bonds issued by investment projects—by bearing the risk, it would substantially reduce the cost of funding. The development banks would also issue their own long-term bonds with modest premium over US T-bills to raise money and finance large-scale projects directly. There are many good examples of institutional and governance setups that would allow the AIB to fund major infrastructure projects while consistently avoiding losses and maintaining a very low rate of delinquencies.

4 Besides the European Investment Bank, the list of well-known cases includes the German Kreditanstalt fur Wiederaufbau (KfW), the Korea Development Bank and the Development Bank of Japan.
The economic and social situation in Africa shows several trends that offer many interlinked opportunities and challenges. As a key multilateral actor in the development landscape, the African Development Bank’s role is to seize the former and to minimize the latter.

First, an important trend, sometimes labeled as an opportunity but mostly as a challenge, refers to Africa’s demographic curve. The continent has a young population with a growing labor force, which is an asset but also a potential source for instability. Young people will need to be educated and trained, as otherwise they will remain socially vulnerable and lack economic prospects, which is a root-cause for forced migration and extremism. The challenge consists therefore in turning potential into reality. In this sense, Switzerland sees the following priorities.

Bio

- Since October 2015, Raymund Furrer has been responsible for the Economic Cooperation and Development Division and the Delegate of the Swiss Government for Trade Agreements
- He heads the Swiss Business Hub in the Gulf Countries
- Since April 2014, he has been Consul General of Switzerland in Dubai
- In April 2008 and August 2012, he was the Head of the Multilateral Cooperation Division
- He has been the Senior Advisor to the Executive Director at the World Bank
- Head of Bilateral Economic Relations with Asia at SECO and head of a WTO section at the Federal Office for Foreign Economic Affairs
- First Secretary of the Swiss Delegation of the OECD
i. Decent jobs must be created and the employability of young people must be increased. We strongly encourage governments to exchange ideas constantly with the private sector to identify the needs and opportunities to boost Africa's development. The growing number of African countries embarking on private sector-oriented economic reforms is encouraging. Good governance and a sound business environment coupled with a skilled labor force provide the best incentives to attract foreign as well as domestic investors, leading to innovation and jobs.

ii. A growing population means growing infrastructure needs, putting more pressure on already weak structures. In particular, Africa's rapid urbanization presents vast challenges. Functional and pro-poor urban planning efforts must be stepped up to enhance African cities' competitiveness on the global stage. A stronger focus on improving the power supply, from renewable sources above all, is also of paramount importance. Finally, particular efforts are required to deepen regional integration and connectivity: Africa needs to build the physical and digital infrastructures to unleash its full trade potential.

iii. Technological change must be part of the solution. As this alters the composition of skills needed by the workforce, wise policy actions on education, labor regulation, social protection and income distribution will enable countries to best embrace this challenge. New technologies will then boost productivity and favor the emergence of new jobs. People already benefit from them, as exemplified by mobile technology. Across the income spectrum, all population groups now have access to a wide array of services previously not in their range. Basic financial services and mobile off grid technologies are excellent examples.

Second, key social and economic challenges relate to domestic resource mobilization, public financial management and good governance. The flow of taxes and other incomes to government treasuries is the source of any successful and flourishing State. Public spending must be prioritized along a strong outcome orientation. This is a condition to achieve maximum development impact.

Political stability, security, and a strong institutional framework are equally essential prerequisites across all African countries to realize inclusive and sustainable growth. Addressing issues of fragility must remain a priority. Countries must become more resilient to withstand economic and financial shocks, as well as the impact of climate change and natural disasters.

Finally, the rising debt level throughout Africa is of high concern. Public debt sustainability especially is a growing concern, as rising interest rates will limit future borrowings and increase the risk of default. We call on African governments, investors and donors to anticipate debt distress a decade after the HIPC-MDRI debt write off.

Multi lateral answer

The multilateral development banks have become a mainstay of international development cooperation given their proven record of accomplishment. Switzerland attaches high importance to the multilateral system and its constituting organizations and is a trusted partner of the African Development Bank. With its profound knowledge of the African context, the Bank is very well positioned to contribute to the development of individual countries as well as the whole continent. It must raise its game in achieving the Sustainable Development Goals and the Paris climate commitments.

The Bank must continue to focus on its strategic priorities and deliver on its institutional objectives. It must also prudently manage its financial resources and deploy existing resources more effectively. In recent years, the Bank has gone through an important structural change with its reform and decentralization process. Switzerland encourages the management of the Bank to dedicate maximum attention to its successful and timely implementation. Along with the decentralization process, we also see a potential for the Bank to increase its visibility and use its convening power to strengthen coordination among development actors.

The overall goal is the promotion of sustainable and inclusive growth. Therefore, Switzerland will always request that the Bank focus on development results by ensuring effectiveness and quality, rather than aiming at maximizing lending volumes. Absorption capacity and fragility in beneficiary countries have to be adequately reflected in the Bank's program.

Africa has many obstacles to overcome and many opportunities to seize. Switzerland recognizes the significant progress that Africa has made but much remains to be accomplished. We are committed to contributing to this process, and are convinced that the Bank can and must make the difference on the way forward. ■
PHILIP MPANGO

Minister for Finance and Planning

What are your impressions about what the Bank is doing to accelerate Africa’s development?

The Bank is doing a great job. It has helped us build roads to stimulate Tanzania’s development. We have a road that runs from a town called Eringa, part of the Great North Road connecting Cape to Cairo. It runs from Eringa through the new capital Dodoma, linking up with Arusha. You can now drive very easily from Dar es Salaam to Arusha in less than four hours. This is a stretch that used to take almost twice that time.

The African Development Bank has also helped us implement a number of power projects. In our second five-year development plan, we made the conscious decision to industrialize Tanzania in line with one of the Bank’s High 5 priorities. You cannot industrialize without power. We are currently embarking on the development of a new standard gauge railway that will cross Tanzania all the way from the major port of Dar es Salaam to connect with Uganda through Lake Victoria, and then all the way to Rwanda, and the Democratic Republic of Congo. So indeed, the Bank’s High 5s are well in line with the priorities of Tanzania.

What do you consider to be Africa’s most urgent economic need and what in your opinion is the Bank doing to provide solutions?

The number one challenge I think is infrastructure, broadly defined. This would include power infrastructure, and transport infrastructure. In order to get from Tanzania to West Africa, for instance, one must travel from Dar es Salaam to Dubai, and then from Dubai all the way across Africa from east to west to get to Accra. Why? Because we are not integrated. If we were integrated, we could tap deeper into the African market. But we can’t do that, purely because of the lack of infrastructure. There is a huge infrastructure gap that we continue to deal with. Second, there is the skills profile of the African continent. I think, at least drawing from the Tanzanian experience, we have a major skills gap across the board, and we need to work hard to make sure that our youth, our young people, who are our greatest asset, have the requisite skills. When we industrialize Africa, who do we put to work in those industries? We need to develop the kinds of skills and competencies required to employ our young people in industrial development. I think there are several battles we have to fight, but these two – the infrastructure gap and the skills deficit – are two of the most fundamental.
Do the High 5s seem to you to be relevant and in what ways could they promote the development of your country?

The discussion has gone beyond the relevance of the High 5s. These priorities are plainly relevant. The question now is how to achieve them, at what pace, and with what means. We are reflecting together on the capital increase along the same line of reasoning: how to ensure that we have the financial resources needed to be able to achieve these goals. The overall cost of the High 5s is very high, certainly well beyond the means of the Bank and the resources of individual countries. International mobilisation of support for Africa is certainly very important, but it is not aimed only at the success of the continent or the needs of African countries. It has a global dimension, because Africa is a global issue. The stability of the continent, the success of African countries and the prosperity of the African people are all important conditions for a more global worldwide success. Hence the relevance of taking an interest in Africa, in supporting development efforts, and supporting the actions undertaken by the African Development Bank. The same applies to world security, peace and stability. With the work that the Bank is currently doing, with every African country engaged in dialogue with our counterparts worldwide, there is a significant raising of awareness around this African challenge that is seen as a global issue capable of bringing opportunities for the people of Africa and the whole of humanity.

What is the Bank doing to help accelerate Africa’s economic and social development in your opinion?

The Bank is at the heart of this great movement for the development of the continent. It has the skills and it has gained the necessary experience. Today, it is unequalled in the field of supporting government and private sector development. The Bank plays a very important role. There are nearly 120 Bank projects in Tunisia in every sector. These are projects that have real impact on the lives of our people, our regions and our youth. Some USD 9 billion has been mobilised over four decades in Tunisia, and I can see that the Bank does an excellent job. Its performance is reflected in its results and by its very strong financial profile, which reassures us about its ability to continue to fully carry out its mission in future. To get to where it needs to be, we think that Africa now needs strong momentum for development, and the Bank is bound to be at the heart of this.

What do you consider to be Africa’s most urgent economic need and what in your opinion is the Bank doing to provide solutions?

The economic needs of the continent are certainly many, but it needs to develop a number of priority sectors. The Bank’s priorities are on the right lines, be this in terms of agriculture, food, energy, water… Water, for example, is a great challenge for a number of countries, including Tunisia, where water resources are becoming very scarce in some areas and abundant in others. We need to create complementarities, synergies. At the economic level, it is crucial to develop investment, especially private investment, which is still at very low levels, to be able to stimulate sustainable, inclusive and sustained growth. To do this, the Bank’s work would be very helpful in terms of payments.
Several African economies are on the verge of an economic takeoff. They need a new growth model, in which economic performance is not highly correlated with commodity prices. This requires strengthened structural transformation that has also manifested its benefits in Turkey’s success in becoming an upper middle-income country throughout the last two decades.

Turkey’s structural transformation is attributed to the diversification of its resources away from agriculture to manufacturing and the services sectors, promoting higher levels of growth and productivity. Compounded with rapid urbanization, progress in development has reduced regional disparities and improved social cohesion significantly.

Throughout this process, Turkey has also given utmost importance to fiscal discipline. Public sector reforms have resulted in a significant decline in our debt to GDP ratio, increased resilience to shocks, and helped allocate public resources to benefit the public. The resources that are no longer used for the debt service have been used to fill the gaps in areas like healthcare, education, and infrastructure.

**Bio**

- Mr. Osman Çelik is Undersecretary of the Turkish Treasury and AfDB Governor for Turkey. He worked as an economist in the State Statistical Institute (now the Turkish Statistical Institute) from 1986 to 1987. He functioned as Specialist and Chief Specialist, Project Evaluation and Preparation Department, Faisal Finans from 1988 to 1995. He was the Project and Marketing Manager at İhlas Finans between 1995 and 1999. He was an Executive Vice President in Anadolu Finans between 2000 and 2005. In 2006, after the merger of Anadolu Finans and Family Finans he continued his career in the Türkiye Finans Katılım Bankası as an Executive Vice President responsible for Loans before being appointed Executive Vice President responsible for Commercial Banking in October 2013, then General Manager of Türkiye Finans in June 2015. Mr. Çelik has been working as Undersecretary of the Turkish Treasury since June 29, 2016. Mr. Çelik graduated from the Department of Economics, Faculty of Economics and Administrative Sciences, Middle East Technical University.
Particular importance should also be given to infrastructure investments. Turkey’s dynamic private sector also played an instrumental role by benefiting from the supportive business environment, which helped the country achieve progress in economic and social development.

Turkey’s path to an upper middle-income country provides inspiration for reforms in African economies. Turkey has been and is always ready to take part in African economies’ transformation process. We have long-standing historical and cultural relations with Africa dating back centuries. Our 1998 “Opening to Africa Policy” is a product of this strong historical background. Since naming 2005 as the “Year of Africa”, Turkey has increased its resolve to deepen its engagement with Africa. The number of Turkish embassies in Africa almost quadrupled in 2018 to 41 from 12 in the early 2000s. Becoming a prominent carrier in Africa, Turkish Airlines now flies to 51 destinations in the continent. These developments are also reflected in Turkey’s total trade volume with the continent of about USD 19 billion, up from USD 7.5 billion in 2005.

Turkey strongly supports the international efforts that contribute to African countries’ quest for development. To this end, Turkey is actively involved in the work under the Compact with Africa, the recent G20 initiative, aiming to improve the investment climate and ensure sustainable economic growth in Africa. Turkey considers these efforts from a win-win perspective, and appreciates the G20’s focus on boosting private sector investments in Africa.

Membership in the African Development Bank in 2013 is another important milestone for Turkey-Africa relations. We are glad to observe the institutional reforms at the Bank to make it more flexible and responsive, to ensure sound financial footing to support Africa’s transformation, and to promote delivery of inclusive growth capable of generating significant job opportunities across the continent. In addition, the Bank provides a crucial platform for multilateral discussions that complements our bilateral ties with African countries.

Undeniably, Turkey’s bilateral relations on the continent have been strengthening in line with the needs outlined above. As the African proverb says “to walk a long distance, we need to walk together”. During 2010–2016, Turkey provided official development assistance of USD 21 billion to 170 countries, 10% of which was channeled to Africa. In 2017, Turkey ranked as the world’s second-largest humanitarian donor and the top donor country in proportion to its gross national income. Turkey’s bilateral development agency, Turkish Cooperation and Coordination Agency (TIKA), operates 21 program coordination offices in Africa. Here, I would like to refer to some leading activities of TIKA in Africa.

In Niger, TIKA built a maternal health and rehabilitation center, which offers health services for women giving birth in unhealthy environments and at young ages. In cooperation with TIKA, several health volunteers took part in the 22nd Niger Health Operation in the beginning of 2018. A fascinating picture came from this activity: a nurse who took part in this activity, while fulfilling her task in an operation for an African woman, helped that woman under operation by carrying her 10-month old baby on her back (photograph 1).

Besides TIKA’s assistance in Africa, Turk-Eximbank is also active on the continent and has provided more than USD 1 billion in financing to several development projects. The most prominent ones include USD 48.5 million to Dakar International Congress Center, which was identified as the Global Best Cultural Project by Engineering News Record (photograph 2); USD 300 million to the Awash-Woldia Railway Project, and USD 133.4 million to Ghana Drinking Water Treatment Project, which will serve more than 300,000 residents.

The journey we have taken together with Africa is long and we should leave no one behind. We believe that better and more sustainable infrastructure and accelerated industrialization are crucial to further growth and prosperity on the continent.

Sources: Official website of Turkish Cooperation and Coordination Agency (TIKA), 2018
Bio

- Mr. Kasaija Matia is Minister of Finance, Planning and Economic Development of Uganda. Before that, he was Minister of State for Finance and in charge of Planning.
- Between 2006 and 2010, he served as Minister of State for Internal Affairs. His political career started in 1981 when he became a member of the parliament, and since then, he worked as Deputy Director, Mass Mobilization at the National Resistance Movement Secretariat, Executive Director of the Departed Asians Property Custodian Board, and Political Mobiliser at the National Resistance Movement Secretariat. He has also worked in Shell and BP (U) Ltd as a Distribution Manager.
- Mr. Matia has also served as Governor at The World Bank Group, International Monetary Fund, the African Development Bank and the Trade Development Bank, formerly PTA Bank.

What can we learn from the Korean development experience?

While Africa’s economies have made substantial progress towards economic growth and poverty reduction, this growth has largely not been based on industrialization, but rather on commodity exports. As a result, Africa’s economies have been vulnerable to shocks such as the recent slump in commodity prices. The Busan Annual Meetings of the African Development Bank therefore present us with an opportunity to review our policies and actions, and forge ways on how Africa can position itself to a more sustainable growth path based on industrialization. There is no better place to learn from than the Korean experience. I am therefore keen to learn more on how South Korea was able to industrialize quickly and what helped the country reach the take-off point quickly among the Asian countries.

Can Africa’s accelerated industrialization be a trigger for inclusive growth and job creation?

Africa must look at its comparative and competitive advantages while designing industrialization policies and strategies. The continent has huge potential for agricultural and mining outputs, and has recently discovered substantial oil and gas deposits. Rather than export raw materials, Africa needs to add value to its commodities. Creating allied industries along commodity value chains is the key to increasing incomes, creating jobs, and inclusively supporting the livelihoods of 70% of Africa’s population that is dependent on agriculture.

The Bank’s strategic High 5s priorities are Light up and Power Africa, Feed Africa, Industrialize Africa, Integrate Africa and Improve Quality of Life for the People of Africa. Which of these do you consider to be the most critical for your country?
All the Bank’s High 5 priorities are critical for the economic growth and social development of Uganda. They are closely interdependent and need to be deployed in a holistic integrated manner for maximum impact and transformation. For instance, industrializing along agriculture value chains will need increasing agricultural production and productivity, investment in energy access and road connectivity, and creating regional markets.

In light of the Bank’s High 5s and its mission to accelerate the development of Africa, where do you stand today on a general capital increase for the Bank to allow it to deliver on its goals of improving the lives of Africans?

Uganda supports the recapitalization of the Bank for the dual purpose of expanding the lending capacity to meet the growing needs of Africa’s countries and to maintain a strong financial position which will help the Bank continue attaining its Triple A credit rating. The African Development Bank understands our needs better and is always available when called upon. However, our needs are enormous and increasing, and can only be met through a General Capital Increase.

What is your country doing to become a more attractive destination for foreign direct investment?

Over the last couple of years, the Ugandan Government has formulated policies, laws, and regulations aimed at creating a conducive environment for foreign direct investment and doing business in the country. The economy is fully liberalized and the government is committed to a transparent and strong economic governance systems. The government created the Uganda Investment Authority to attract and support investments, strengthened transparency in procurements to fight against corruption, is investing in infrastructure and energy access, and maintains a prudent monetary policy and strong banking system. Other examples of practical actions include the creation of a one-stop center for business registration and establishment, provision of investment incentives like a good tax regime, support for land acquisition for investment, and the creation of industrial parks.

Africa has the lowest levels of carbon emissions, yet it bears the brunt of climate and environmental change. What must Africa do to avoid environmental degradation as it seeks to further industrialize?

Africa will continue to be the least carbon emitting continent given its unrivalled potential for renewable energy and vast forest cover, which acts as sinks for carbon emitted elsewhere in the world. Even as Africa accelerates its industrialization, the threat of increased carbon emission is very low given that its industrialization is largely powered by hydro-electricity, a renewable energy source. Africa should continue exploiting its renewable energy sources, including the vast solar energy potential, and conduct its agriculture in a way that enhances environmental conservation.

A recent study commissioned by the Bank shows a staggering USD 42 billion gap between men’s and women’s access to finance across Africa. As your country pursues industrialization, how can the Bank help to ensure equal access to opportunity for women?

Uganda recognizes women and youth as key to driving economic growth, once they are adequately targeted and facilitated. Most women are employed in agriculture and have limited access to investment finance in the sector. Bank support to agriculture and agro-business will undoubtedly bring more women to gainful employment. In addition, there is a need to widen and deepen financial inclusion to target women-led SMEs. There is a need to develop incentives and regulation to encourage the private sector, including formal banks and appropriate technology providers to develop pro-women products, services and education to link women’s informal economic activities to the formal sector.

Africa is at the forefront of the digital revolution, particularly in terms of mobile banking. In what other ways can the digital revolution advance the High 5s priorities?

The digital platforms, particularly the internet and mobile phones, have enormous potential to accelerate Africa’s economic growth. For instance, the Bank supported the East African Payment System, which allows for real-time cross border payments and has greatly fostered intra-regional trade and integration with the East Africa region. Mobile money platforms have enhanced financial inclusion and helped small business growth. Mobile money can enhance access to credit for production while ensuring effective payment services for goods and services. I therefore challenge the Bank to continue investing in digital platforms as a critical infrastructure for economic growth and support smart partnerships between governments and the private sector to expand the reach of digital infrastructure.

What is your vision for Africa 15 years from now and what role do you see for the Bank in achieving that vision?

An Africa that is free from hunger, where there are employment opportunities for all, where poverty is no longer a threat to people’s lives, where there is inclusive growth, and well integrated in terms of markets and infrastructure.

What would you consider to be the key social and economic challenges facing your country, and what role do you envisage for the African Development Bank?

Unemployment, poverty, hunger, undeveloped infrastructure like the railway system of transport, unfavorable terms of trade, inequality of incomes.

The Bank could:

- Help to finance the creation of SMEs, which are crucial in creating jobs
- Help to finance the agriculture sector, which employs over 70% of Ugandans
- Devote more resources to financing the development of infrastructure, e.g., water, transport, and our railway system.
Green mini-grids: the UK and AfDB working together to bring energy access to Africa

PENNY MORDAUNT
Secretary of State for International Development

Over one billion people across the world have no access to electricity. Half of these people live in Africa. The lack of reliable, affordable energy is limiting both economic growth and human development. Without electricity, children cannot do their homework, women struggle to access new job opportunities, and health facilities cannot provide adequate care. Sixty per cent of African businesses say access to reliable power is limiting their growth and power outages are costing countries up to two per cent of their annual GDP.

We know that expanding access to energy in Africa is critically important for both improving people’s lives, and stimulating vital economic growth. However, growing the energy market is not without environmental and resource risks. Ninety-four per cent of the growth in carbon dioxide emissions to 2040 is expected to come from low and middle-income countries, and concerns are growing about local pollution. This means that it’s essential that countries find more affordable, clean, and accessible energy supplies to ensure that everyone can access the energy that will help them achieve higher incomes and standards of living whilst reducing local and global pollution.
Scaling up access to energy in Africa won’t be easy. The International Energy Agency has calculated that in order to achieve universal electricity access by 2030, a combination of grid extension, mini-grids and individual household systems will be needed. Mini-grids are proven to be the best method for reaching around 60% of those who are currently lacking access to power. These are small networks which can bring reliable power to communities that aren’t currently reached by a country’s main grid. Green Mini-grids (GMGs) are powered by either fully renewable or hybrid generation – reaching rural populations with sustainable, environmentally-friendly power.

This pioneering partnership with the Bank is a great example of the positive impact the Bank and our other delivery partners can have, and is successfully raising the profile of GMGs across the African continent. For example, over the last year alone, the AU’s endorsement of the GMG Africa Strategy has spurred Rwanda, Nigeria, the DRC, and Côte d’Ivoire to adopt their own new mini-grid policies. Through the positive progress of the GMG Facility, the SEFA team at the Bank are seen as the go-to team on GMGs in Africa and will continue to play a vital role in strengthening performance with stakeholders and partners in developing the mini-grids market across the continent.

By harnessing and sharing expertise across our partner organisations, the Bank and the UK are pioneering new and sustainable methods that are transforming the lives of even the hardest-to-reach individuals. We’re helping children get a better education; opening up opportunities for women and the most marginalised; improving provision of essential services such as healthcare; and allowing businesses to grow and trade. This is about delivering much more than power – together, we’re delivering vital economic growth with the potential to dramatically boost prosperity across the region, and we’re doing it in a way that protects the globe for generations to come.

Bio

- Penny Mordaunt has been Conservative MP for Portsmouth North since 2010. Previously, she worked for the Conservative Central Office, becoming Head of Broadcasting under William Hague.
- Director of communications at Kensington & Chelsea Council and the Freight Transport Association and a director of Diabetes UK, the Community Fund and the Big Lottery Fund.
- July 2014–May 2015, Parliamentary Under-Secretary (Department for Communities and Local Government).
- In 2014, appointed to her first ministerial post.
- 2013–2014, Parliamentary Private Secretary to the Secretary of State for Defence, Philip Hammond MP.
- In 2000, Head of Foreign Press for George W. Bush’s presidential election campaign.
- As MP she served on the Committees on Arms Export Controls and the European Scrutiny Committee (July 2010–July 2013); Defence Select Committee (November 2010–November 2013) and the Privacy and Injunctions Joint Committee (July 2011–March 2012).
In light of the Bank’s priorities and its mission to accelerate the development of Africa, where do you stand today on a substantial general capital increase for the Bank to allow it to deliver on its goals of improving the lives of Africans?

I think where we stand today is that we’ve had a very illuminating morning discussing for the first time with all the various governors and their representatives, the general capital increase itself. So, it’s the first time we’ve had a full brief on it and I believe that today has brought about a sense of engagement to start with, but also a shared belief that we really, really ought to be scaling up so many fold for us to be able to witness true acceleration and development in Africa. We have a team of people here starting from the President and the Vice President and all the various senior people, a sense of ownership and a level of passion that makes one think wow, finally we are going to see this acceleration that I talked about earlier. Secondly, the program is an ambitious one. And that ambition is stemming from the fact that if you are growing the next ten years, there’s so much capital that Africa needs to ensure that we can reach those goals that we’ve set for ourselves. And all of us have got demands. I as a country have got demands, and all the other countries have got demands, mainly stemming from infrastructure, from energy, and from agriculture. But recognizing that all of us, all the countries that own this Bank, together with the non-regional supporters that we have, all of us knowing and understanding that in fact Africa is the last frontier, and we need to take advantage of the resources that Africa has to ensure that we can bring about that accelerated growth.

The African Development Bank has identified five strategic priorities, called the High 5s. Do these priorities seem to you to be relevant and in what ways could they promote the development of your country?

They’re relevant indeed as I said, if you take for example the Feed Africa program and that is really stemming from ensuring that agriculture is being scaled up and with that agribusiness, that means that allows us build the value chains that we will want to put, for example, in the production of maize. Why can’t I go from maize into corn flakes? Why am I bringing somebody else that already makes cornflakes into my country? Whereas if I say let’s go from maize to corn flakes, we can do it. That is agriculture and agribusiness. If we look at the land-mass that Africa has, the population that Africa has, we must be able to feed our-selves. Otherwise we are importing from all over the place, and therefore exporting jobs. If we do it ourselves here, and we begin to feed ourselves, I see even the macro-level of the economy being much more manageable. My inflation is mainly food. If I’m feeding Africa and producing in Africa, I’m able to control from some of these inflationary pressures that are hitting our economies every so often. So those High 5s are very important in their entirety.
The Government of Zimbabwe has been implementing programs that resonate with the African Development Bank’s strategic High 5 priorities. The country’s priorities include food self-sufficiency, industrialization, inclusive development, investment in infrastructure and access to quality and affordable social services.

Food self-sufficiency

Agriculture is the mainstay of Zimbabwe’s economy. It remains key to promoting inclusive growth and food security at the household level given that the sector contributes to the livelihoods of at least 70% of the population. We have programs such as the Presidential Input Support Scheme targeting 1.8 million vulnerable households and Command Agriculture that have greatly enhanced access to finance and inputs by Zimbabwean farmers. As a result, Zimbabwe has made significant strides towards achieving food security.

Industrialization

Strategies to promote Zimbabwe’s reindustrialization are currently underway. It is noteworthy that Zimbabwe seeks to promote a private sector-led development strategy. The government has been facilitating the resuscitation of our industry through friendly fiscal and monetary policies including tax waivers on the importation of machinery and...
raw materials. Additional measures aimed at expediting the revival of the manufacturing industry include:

- Ease and reduction of the cost of doing business;
- Implementation of Special Economic Zones;
- Enactment of the Corporate Governance Bill with a view to facilitating the strengthening of institutions, improve service delivery and eliminate corruption;
- Streamlining regulations and policies affecting export processes and manufacturing in general;
- Implementing the Local Content Policy;
- Supporting the activities of SMEs by promoting linkages with the rest of the economy.

Zimbabwe is also prioritizing the implementation of the SADC industrialization strategy that seeks to achieve structural transformation of the SADC region by promoting value chain development in agro-processing and mineral beneficiation among others.

Investment in infrastructure

The Government of Zimbabwe has been supporting investments in critical infrastructural projects including:

- Power generation through public institutions and independent power producers;
- Irrigation infrastructure;
- Dams: the Government completed the country’s biggest inland dam in 2016;
- Airports including the new Victoria Falls Airport in order to promote tourism;
- Water and sanitation programs throughout the country.

There is, however, need for more investment in infrastructure. Our investment efforts are being constrained by limited access to sustainable long-term project finance.

Challenges negatively affecting Zimbabwe

Zimbabwe’s recovery process is being hindered by the following factors:

- External debt overhang;
- Infrastructural constraints;
- Adverse effects of climate change particularly on the activities of small scale agricultural activities.

Role that the African Development Bank can play in Zimbabwe

I, therefore, expect the African Development Bank to assist Zimbabwe in the following areas:

External debt resolution

The Bank should support Zimbabwe to resolve our external debt arrears. As part of our reengagement efforts, decoupling the debt service to the multilateral financial institutions will greatly assist in resolving the country’s debt.

Infrastructural constraints

Infrastructure plays a critical role in promoting economic development. Zimbabwe needs investments in energy, railways, roads, and Information Communications Technology. We look forward to the Bank’s support in the area of infrastructure development.

Our roads, water, and sanitation infrastructure in urban areas have been facing challenges due to the growth of the urban population.

Therefore, supporting investments in these areas will have a huge beneficial impact on the livelihoods of Zimbabweans.

Further, Zimbabwe is promoting development across the country as a way of both managing rural-urban migration challenges and of promoting inclusive development. To this end, the Government of Zimbabwe is repositioning Rural Service Centres and Growth Points as Industrial Hubs. This strategy requires substantial investments in infrastructure. Therefore, the Bank may provide financial and technical support to the Government of Zimbabwe in order to realize this dream. This strategy will greatly promote the activities of the disadvantaged members of our society including the youth and women.

Adverse effects of climate change

Agricultural productivity is being hampered by droughts. Further, our dams have been silting. The Bank can, therefore, assist with financing smallholder irrigation infrastructure and the desiltation of our dams.

His Excellency, the President of the Republic of Zimbabwe, Cde. E. D. Mnangagwa set the tone for Zimbabwe’s overall policy direction in his inauguration speech on November 24, 2017. This was followed by reforms that are contained in our 2018 National Budget Statement. The policy thrust was further reinforced by His Excellency, the President during his State of the Nation Address. Zimbabwe seeks to:

- Restore market confidence;
- Re-engage the international community;
- Promote discipline in the management of our public finances and the economy at large;
- Ensure policy consistency, clarity, credibility and predictability.
Industrialize Africa is the African Development Bank ambitious strategy to transform the continent, with economies moving from low to high productivity sectors, from agriculture to agro-industries, from raw mineral resources to high-value semi-processed and/or processed exports.

The Bank plans to help double the continent’s industrial GDP by 2025 by investing USD 3.5 billion per year over the next ten years through six flagship industrialization programs: 1) Fostering successful industrial policies; 2) Catalyzing funding in infrastructure and industry projects; 3) Supporting the growth of liquid and effective capital markets; 4) Promoting enterprise development; 5) Promoting strategic partnerships, and 6) Developing efficient industry clusters.

Cognizant of the Bank’s strategic role in promoting private sector growth in Africa, Independent Development Evaluation (IDEV) has, over the past two years, invested time and resources to uncover lessons and recommendations for effective private sector development in Africa. In collaboration with the Norwegian Agency for Development Cooperation evaluation department, IDEV organized a series of knowledge events: The first was held in Oslo, Norway on October 24, 2016, the second in Nairobi, Kenya from April 3–4, 2017 and the third in Pretoria, South Africa from October 30–31 2017. The peer-to-peer knowledge exchanges were based on the findings of our joint report Towards Private Sector-Led Growth: Lessons of Experience, which synthesizes the wealth of evaluative evidence from 33 recent evaluations carried out by both bilateral and multilateral institutions assessing various segments of public sector support for the development of the private sector (microfinance, private equity, public private partnerships, small and medium enterprises).

1 Independent Development Evaluation at the African Development Bank carries out independent evaluations of Bank operations, policies and strategies, working across projects, sectors, themes, regions, and countries. By conducting independent evaluations and proactively sharing best practice, IDEV ensures that the Bank and its stakeholders learn from past experience and plan and deliver development activities to the highest possible standards.
Held under the overall theme Private Sector Development in Africa: What works, What does not and Why? this knowledge and learning series enabled us to tap into the knowledge and expertise of a diverse group of stakeholders (ministers, government officials, private sector leaders, civil society representatives, representatives of multilateral and bilateral development agencies, academics, think tanks and the media) both within and outside the continent. From the exchanges, IDEV was able to glean the following practical and replicable solutions to address policy and institutional constraints to private sector growth, financing private sector development, supporting small and medium enterprises as growth nodes, as well as recommendations on how governments, development partners, and private sector actors can work to create shared value in Africa:

### On addressing policy and institutional constraints to private sector growth in Africa

- The private sector needs a clear legal and regulatory framework to thrive. Important issues to be addressed include security of property rights, access to credit, export-quota policies/constraints, tariff and non-tariff barriers, tax regimes, and requirements related to licenses, permits, authorizations and inspections.

- Mechanisms to promote structured dialogue and knowledge sharing between government entities and the private sector should be institutionalized. Engagement of the private sector during the early stages of project development and pursuit of public-private partnerships are promising avenues to improve strategic collaboration.

### On financing private sector development

- One of the key difficulties facing private sector development in Africa is access to medium- and long-term finance on affordable terms. This challenge can be addressed through foreign direct investment, (improved access to) local and regional financial and capital markets, and improved infrastructure. To enhance domestic resource mobilization efforts, Africa needs to build stronger financial institutions, improve regulatory frameworks, and strengthen transparency and accountability systems in the financial and banking sectors.

### On supporting small and medium enterprises as nodes of growth

- To leverage the potential of micro, small and medium enterprises as an important source of innovation and job creation, governments need to make more efforts to create a conducive environment that addresses the specific constraints of MSMEs. These include lack of access to markets and lack of access to finance.

- Lines of credit to commercial banks for on lending to MSMEs have not achieved their objectives. Therefore, other ways to incentivize the banking sector to ensure that adequate finance is provided should be explored. To further support MSMEs, innovative tools and instruments, systematic knowledge transfer and flexible tax regimes could usefully be considered.

### On how governments, development partners, and private sector actors can work together to create shared value

- Leadership (political will), implementation capacity, and institutional frameworks are essential for creating and advancing meaningful shared value. But of paramount importance is trust between the public and the private sectors. That trust can be built through structured and open communication, inclusive dialogue, participation and accountability, and through efforts on both sides to understand each other.

- Development partners can play a bridge role between the public and private sectors, acting as a broker/convener who understands both parties reasonably well and helps them to understand each other.

These lessons show that when it comes to private sector development, what Africa needs is a comprehensive strategy and not a gap-filling substitute. Regulatory reforms are a good start but they are not sufficient. Catalytic effects should be at the core of our project design, with particular attention paid to the sustainability of these operations. And as the continent’s premier financial institution, the Bank is well positioned to make a significant difference in private sector development, with operations and programs that focus on creating enabling business environments for shared growth and industrial sustainability in our regional member countries.

Rakesh Nangia
Evaluator General
African Development Bank
The resident Executive Directors of the African Development Bank Group serve a critically important function guiding strategy, policy formation, and operational oversight. Their key role in Africa’s transformation and the Bank’s ambitious High 5 agenda is invaluable.
2018 REGIONAL GOVERNORS’ MEETINGS

CENTRAL AFRICA
JANUARY 11

EAST AFRICA
JANUARY 12

WEST AFRICA
MARCH 5
The African Development Bank Group and our partners acknowledge the urgency of accelerating development on the continent. To achieve this ambitious goal, the Bank has identified five strategic development priorities known as the High 5s: “Light up and power Africa”; “Feed Africa”; “Industrialize Africa”; “Integrate Africa”; and “Improve the quality of life for the people of Africa”.

In order to implement the High 5s, the Bank requires greater engagement and stronger relationships with its Governors. Responding to this, President Adesina has made an official request for annual consultations between the Bank and its Governors.

President Adesina recognizes that Governors are dedicated to the cause of the Bank. “They are passionate about what the Bank does,” he says.

The first such dialogue in the Bank’s history, placing Governors from across the region at the centre of the conversation on Africa’s development, took place in Abidjan, Côte d’Ivoire on 11 January 2018. An additional four such conversations followed, covering all regions of the continent.
TRIBUTE TO
BABACAR NDIAYE
FIFTH PRESIDENT
OF THE AFRICAN
DEVELOPMENT BANK
“Farewell father, farewell to the ambassador of Africa’s development. May you rest in peace.” With these words, the President of the African Development Bank, Adesina Akinwumi, paid tribute to his predecessor, Babacar Ndiaye, on Thursday, September 21, 2017, at the organization’s headquarters in Abidjan, Côte d’Ivoire.

Babacar Ndiaye, who passed away on July 13, 2017, in Dakar, Senegal, was elected fifth President of the Bank Group in 1985, and then reappointed for a second five-year term in 1990.

In the presence of his widow, Marlyne Ndiaye, Adesina announced during a memorial ceremony that the auditorium of the Bank’s headquarters would henceforth bear the name of Babacar Ndiaye.

Adesina is expected once again pay to tribute to his predecessor on Wednesday, May 23, 2018 at the 53rd Bank Annual Meetings in Busan.

Indeed, the tribute to the late Babacar Ndiaye will be the highlight of the 3rd edition of “The Africa Road Builders – Babacar Ndiaye Trophy.”

Launched in 2016 by Acturottes, an Ivorian platform providing information on transport and roads, the Babacar Ndiaye Trophy aims to reward the best initiatives in road and transport infrastructure in Africa.

The first edition of the honourary award had been shared by King Mohamed VI, the former Ethiopian Prime Minister Haile, Mariam Desalegn, the President of Gabon, Omar Bongo, the Zambian President, Edgar Lungu, and the Ivorian President, Alassane Ouattara.

An icon, a mentor, a father

The Presidents of Rwanda, Paul Kagame, and Senegal, Mack Sall, were co-winners of the 2017 edition.

“This year, 2018, the presentation of the trophy takes on a very special character: it is the very first edition following the death of Babacar Ndiaye. We thank his successor, President Adesina, for agreeing to sponsor this edition, and to pay homage to the late Babacar Ndiaye,” explained Barthélemy Kouamé, Commissioner General of Africa Road Builders.

“Babacar Ndiaye was an icon of the African Development Bank. He was a father and mentor to each of us,” the current President of the Bank Group said during the memorial tribute. “He inspired us. With his passing, Africa has lost one of its greatest sons.”

A video retracing the life of the deceased and his rise in the Bank hierarchy, produced by the Department of Communication and External Relations of the Bank, will be screened during the Babacar Ndiaye Trophy 2018 award ceremony on May 23.

Ndiaye was among the very first African executives to join the institution. He then rose through the ranks progressively and became Head of Division, Director, Vice-President of Finance, then President in 1985.

It is also under his tenure, as Vice-President of Finance, that the pan-African financial institution obtained its first triple-A rating in 1984.

The former President also spearheaded the Bank’s capital increase in 1987, which jumped from nearly US $8.7 billion to about US $32 billion, an increase of well over 300 per cent.
To this end, the same year he began the process of opening the capital of the Bank to non-African States, he then successfully brought the Bank into the international financial markets.

A builder of institutions

Beyond his total efforts and attention to the Bank’s promotion and to provide it with solid foundations, Babacar Ndiaye worked to set up large pan-African institutions, such as the African Export-Import Bank Afreximbank, Shelter Afrique, and the African Business Round Table.

Even though housing and living conditions were not yet at the heart of urban and development issues in Africa, he encouraged the creation of Shelter Afrique, an institution dedicated to the financing of affordable housing on the continent.

Although he has devoted his entire life to serving Africa, Babacar Ndiaye did not forget Senegal, his country of origin. From 1972 until today, the Bank has invested nearly 1,400 billion CFA in Senegal.

“Senegal is proud of its son. Babacar Ndiaye did not leave: he is present in the depths of Africa. We can hear his breath in an Africa that is on the move,” the Senegalese Minister of Budget Birima Mangara, then Governor of the Bank for Senegal, had pointed out, quoting the poet Birago Diop.

As a sign of good relations between the Bank and Côte d’Ivoire, the country of the headquarters of the institution, three Ivorian Ministers were present in September at the tribute to the Bank’s fifth elected President.

“He was a friend of Côte d’Ivoire. Babacar Ndiaye will be missed by all of us. He will be missed by President Alassane Ouattara, who knows him well and who appreciated him very much. He was an ambassador of African development,” said François Albert Amichia, Minister of Sports and Recreation, who led the Ivorian Government delegation.

In July 2017, a high-level Bank delegation, led by Charles Boamah, Senior Vice-President of the Bank, and comprising Vice-President Amadou Hott (Power, Energy, Climate and Green Growth), and Acting Vice-President, Finance, Hassatou Diop N’Sele, attended the funeral of Babacar Ndiaye in Dakar.

Five key dates

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<thead>
<tr>
<th>Date</th>
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<tbody>
<tr>
<td>June 1930</td>
<td>Born in Kaolack in Senegal</td>
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<td>May 1985</td>
<td>Election as fifth President of the Bank</td>
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<td>May 2016</td>
<td>Launch of the first edition of the Babacar Ndiaye Trophy</td>
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<td>July 2017</td>
<td>Death of Babacar Ndiaye</td>
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<td>September 2017</td>
<td>The auditorium of the headquarters of the Bank named after Babacar Ndiaye</td>
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