

Opening Statement by Dr. Louis Kasekende, Chief Economist, African Development Bank Group

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Emmanuel Nnadozie, Director, Trade, Finance and Economic Division, UNECA

Invited Guests

Ladies and Gentlemen,

It is a pleasure for me to welcome you to the 2009 African Economic Conference organized jointly by the African Development Bank (AfDB), and the United Nations Economic Commission for Africa (UNECA), which, since 2006, has become a permanent annual feature on the African conference scene. I also want to express my appreciation to the Government and the people of Ethiopia, who are our hosts. I am also pleased to see a number of friends, peers, mentors, intellectual colleagues and clients who have taken time off their demanding schedules to attend this Conference. Let me extend a very special welcome to colleagues from the Africa Union Commission who are with us at this conference on the theme "***Fostering Development in an Era of Financial and Economic Crisis***". This theme is all the more important following the adverse consequences of the crisis on Africa as Emmanuel pointed out in his speech. There is need to get Africa back onto a growth trajectory necessary for achieving the Millennium Development Goals (MDGs), attaining the poverty reduction objective and ensuring that key public services are made available for the most needy in our society. These development objectives should also ensure equal opportunities for girls and women, ranging from education to access to maternal health care and employment.

Three years after our first conference in Tunis, we are gathered here today at a very critical moment in the global economic environment. When we met last year, the global financial crisis was unfolding and we used sessions at our conference to get a good understanding of the likely impact of the unfolding crisis on Africa. A year later, we have a much better understanding of the impact of the crisis on Africa. The crisis has already disrupted the lives of people in virtually all nations in Africa. Instead of an extended period of progress and growing prosperity following decades of reforms, we now face the prospect of another of Africa's "lost decade" for development. It could be many lost decades if, as a Continent and development partners, we do not make appropriate policy choices in response to the challenges we face. Indeed, we are yet to get a consensus on how to position Africa to take advantage of the recovery in the developed and emerging economies. This Conference offers us an opportunity to deliberate with foresight so that we can address the longer-term issues that have characterized Africa's growth performance for decades and find solutions that will help African countries restore economic and financial stability.

At a more global level within the economics discipline, economists are engaged in an interesting debate on the efficacy of market oriented policies and the extent to which they may be to blame for the crisis. These debates focus on the effectiveness of policy prescription proposed by economists and on whether the market-based systems provide us with "efficient" solutions for sustainable growth and development. There is an equally interesting debate on whether the crisis is the result of "market failures", in which the principle of self-correcting market-based systems is questioned, or a "regulatory failure" in which the fundamental market-based systems is effective, but where mechanisms for regulatory oversight are flawed. I would like to contribute to this debate in the economics discipline by placing the discussion in the perspective of the last three decades.

The policy prescriptions by the economics discipline have had mixed results in Africa to say the least. Just after the independence of most countries in Africa, the economics discipline prescribed "big push" and "state intervention" as means to industrialization. State intervention was justified

on the basis of perceived “market failure” in which monopolistic market structures, together with tariffs by developed countries, would impede developing countries from further economic development. Unfortunately, the result was a mushrooming of unproductive “white elephant” investments, which did not contribute to promoting development and reducing poverty.

In the 1980s, just in the aftermath of the oil shocks and debt crisis, till the beginning of 1990s, the economics discipline replaced the doctrine of “market failure” by “government failure”. The idea behind this approach was that government intervention was ineffective at best and destructive to welfare creation at worst. These policy prescriptions were also supported by structural adjustment programs embodied in the Washington Consensus. Again, some have faulted the policy prescriptions for failing to focus sufficiently on the long standing development challenges facing Africa. Indeed, the crisis has exposed weaknesses in the economic structures in Africa.

In the 1990s, the PRSP process was introduced and took center stage; issues such as national ownership were identified, still with substantial emphasis on macroeconomic stability as a key goal of economic policy. The idea behind this approach was that reforms can only work if there is broad support, not only at the top levels of the executive branch of government, but also within Parliament, lower levels of the bureaucracy, civil society and the private sector. This is why the consultation process in the PRSP is so critical. Although growth did pick up somewhat, poverty rates did not drop significantly. At this moment in time the results of these prescriptions are still not conclusive, but it seems that the PRSP is a shift back to the growth agenda.

The question we should ask ourselves is why do all these failed policy prescriptions have in common? All these policy prescriptions shared the laudable objective of attempting to stimulate growth in developing countries; their ultimate goal was to raise living standards in these countries. However, these policy prescriptions also share the blatant lack of awareness of the critical importance of country-specific circumstances in the design and implementation of policy interventions. As economists, we are challenged to find appropriate policies that can both address the structural constraints to growth in our countries while at the same time harnessing the potential of our economies in terms of natural resources and human capital. Appropriate policies must be country specific, sector specific, and industry specific; they must be sufficiently dynamic to adapt to changes in the national as well as the global economy.

Distinguished Guests, Ladies and Gentlemen

Let me now turn to the structural challenges that Africa faces; and these are many. There are challenges associated with unequal distribution of income and deep poverty, weak governance, lack of diversification; the ineffective use of natural resources; climate change; and many more. We need to identify policy options that will help Africa face up the challenges in a partnership between the academia, policy makers and development practitioners. However, let us not commit the same mistakes made in the past. We need to design interventions that are appropriate to country circumstances: “African solutions for African challenges”.

It was with this core objective in mind that the African Development Bank Group established this forum to act as a platform for debate between stakeholders and be a basis for practical solutions that are contextualized to Africa. This should feed into operations at country or regional level, not only in African institutions, such as the African Development Bank Group, the United Nations Economic Commission for Africa and the African Union Commission, but also into operations by bilateral and multilateral development partners. I want to also underscore that the Conference will be judged on the basis of results; the proceeding must be a source of practical solutions targeting development challenges facing Africa. The Bank Group is highly committed to the Conference. We

are joined by Executive Directors, Vice Presidents and other members of the Bank's Senior Management, economists from the Bank's operational complexes; the President will be joining us at the official opening ceremony. The presence of senior officials of the Bank Group is a testimony of the value we attach to this collaborative effort to generate knowledge and use it to improve the economic prospects of Africa.

Papers from the maiden conference in 2006 and the 2007 conference have been compiled into two books and special issues of the *African Development Review* which are available at this conference. A report of the 2008 Conference is also available. We promise to release the proceedings volumes of selected papers of the 2008 and 2009 Conferences in 2010. In addition, all papers are posted on the Bank Group's website.

As mentioned earlier, by the time of our last meeting in Tunis the crisis was still unfolding. You may also recall that in parallel to the conference, the Ministers of Finance and Governors of Central Banks held a one day meeting in Tunis. The Bank Group was tasked to monitor the unfolding crisis in addition to taking a lead in sharing knowledge across Africa on the crisis; help countries design mitigation measures; provide counter-cyclical financing to member countries and promote Africa's voice in international discussions of crisis response. In April 2009, we organized a follow up meeting in Tunis under the theme, "The Financial Crisis – Strategies for Mitigating Its Impact in Africa." The papers presented at that meeting have been compiled into a book which is also available at this conference.

Distinguished Guests, Fellow Economists, Ladies and Gentlemen,

My hope is that we can use this conference to deepen our understanding of the development challenges facing Africa so as to generate appropriate solutions to address these challenges. Let us fully exploit the partnership between the African Diaspora, policy makers, the academia in Africa and development practitioners for generating knowledge that can inform the design and implementation of solutions to Africa's problems. In particular, we must enlighten our policy makers as they seek to consolidate the continent's position in order to take full advantage of the post-crisis recovery and get back on a path of high and sustainable growth. We owe this to our regional member countries and the people of Africa.

I thank you.