



Opening Statement on the occasion of the 2016 Africa CEO Forum

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Your Excellency **Alassane Ouattara**, President of the Republic of Côte d'Ivoire,
Your Excellency **Daniel Kablan Duncan**, Prime Minister of the Republic of Côte d'Ivoire,
Your Excellency **William Ruto**, Vice-President of the Republic of Kenya,
Honorable **Members of the Government** of Côte d'Ivoire here present,
Captains of Industry,
Members of the Press,
Distinguished Guests,
Ladies and Gentlemen.

I am honored to attend this fourth edition of the Africa CEO Forum; my first as President of the African Development Bank Group. I wish to thank His Excellency Alassane Ouattara, President of the Republic of Côte d'Ivoire, and his entire government for accepting to host the 2016 Africa CEO Forum. This unique international meeting for African CEOs has brought together, in the beautiful city of Abidjan, hundreds of like-minded Africans, and friends of Africa, who share one common goal: the economic prosperity of our very dear and beloved continent.

We are gathered in this beautiful city of Abidjan just one week after the senseless killings of innocent souls at Grand Bassam. On behalf of the management and staff of the African Development Bank, we commiserate with the people of Côte d'Ivoire and extend our deepest condolences to the families of the deceased. We are here in the capital of one of the world's top ten fastest-growing economies. In a year when many countries faced decelerating growth rates, Côte d'Ivoire grew by 8.4% in 2015. This is not at all surprising to me: the Government of Côte d'Ivoire is doing the right things to support economic growth – large investments in infrastructure and real estate, reforms to improve the business environment – all key ingredients for strong growth. President Ouattara is indeed the CEO of Côte d'Ivoire Inc. The Bank has had the distinct honor to partner with the government of Côte d'Ivoire in implementing key projects such as the Henri Konan Bédié Bridge, the CIPREL combined cycle power project and the Azito power generation project. I wish to commend President Ouattara and his entire government for their policy focus and this stellar macroeconomic performance.

Excellencies, Ladies and Gentlemen.

Let me restate that the “Africa is rising” story is still alive and well. Yes, African economies are facing economic headwinds from the significant decline in commodity prices – be it oil,

minerals and metals or agricultural commodities. Receding demand from China and slow growth in Europe, whose economies account for a significant proportion of trade with Africa, has compounded current account deficits and domestic fiscal imbalances for many African countries.

But, African economies remain resilient. Just look at the facts: while the global economy is projected by the IMF and the OECD to grow at 3% this year, Africa is projected to grow at 4.4% in 2016 and accelerate its growth to 5% in 2017.

Africa is still the place to do business.

We have work to do to maintain and enhance our image as the investment destination of choice:

- On the fiscal front, ensuring that we do not undo the progress of the past two decades in terms of fiscal sustainability;
- On the production front, doubling efforts to transform African commodities locally to buttress the resilience of Africa's success story, and diversifying African economies, taking advantage of opportunities in sectors such as services and tourism; and
- In the business environment, addressing infrastructure deficits, breaking down those barriers to regional integration, and fast-tracking the implementation of key reforms.

Increasingly, African nations, taking advantage of the record low interest rates, have rushed to the international capital market to raise financing by issuing bonds. Between 2006 and 2014, African nations issued US \$26 billion worth of Eurobonds. This was prudent as long as real interest rates remained low, and sovereign credit ratings favorable. Despite increasing yields, bonds issuances by African sovereigns amounted to about US \$12 billion in 2015.

Of course, a rising Africa cannot be an indebted Africa. While the diversification of financing sources can be good, African governments need to be wary of the risks. Foreign currency denominated debt can quickly become unmanageable when currencies depreciate and foreign reserves are depleted. To avoid it, there is an urgent need to focus on macroeconomic stabilization and fiscal consolidation, broaden the tax base, and deepen domestic capital markets. We must ensure we do not fall again into the debt trap.

Today, Africa generates about US \$500 billion in domestic taxes. Unfortunately, taxation is still hampered by ineffectiveness, inefficiencies and informality. There is a need to not only broaden the tax base, but also to apply taxation policies more effectively and use mobilized

resources efficiently in development projects. Local capital markets should therefore be strengthened to increase their liquidity. To this end, the African Development Bank is working to link four African stock exchanges – Casablanca, Johannesburg, Nairobi and Nigeria – to deepen financial integration and increase liquidity. The Bank has also established the African Financial Market Initiative (AFMI) to spur the development of financial markets across the continent. AFMI was responsible for developing the African Bond Fund and the African Bond Index – a joint venture with Bloomberg – to facilitate the issuance of sovereign and corporate bonds on African markets. We need more of such initiatives.

In the same vein, we must also tap into and securitize remittances for development. Remittances to Africa have risen from US \$11 billion in 2000 to over US \$62 billion in 2014, exceeding by far Official Development Assistance inflows. Also, sovereign wealth funds' assets managed in Africa rose from US \$114 billion in 2009 to US \$162 billion in 2014. Pension funds currently stand at US \$334 billion. With all these resources, Africa can finance its own development, and doing so enables it to decide its own direction and pace of growth.

Excellencies, Ladies and Gentlemen.

In the face of global economic challenges, it is those African countries with diversified economies that are succeeding in weathering the economic storm. While the current situation is challenging, it also presents great opportunity, especially for resource-rich countries, to diversify their economies away from the export of raw commodities. We have, on many occasions, witnessed the commodity boom and bust cycles derailing the economic development of African countries. Such situations come with lessons and it is time for us to start processing our commodities on our continent.

Africa is well endowed with both mineral and non-mineral resources. It holds about 30% of global gold deposits, accounting for seven out of 10 of the world's top diamond-producing countries. It also accounts for over 80% of global platinum production. It is a large exporter of several agricultural commodities, including cocoa, coffee, tea and cotton.

It is simply not acceptable that the development of such a rich continent remains at the mercy of economic developments across the globe. In Nigeria, where oil revenues account for 75% of government revenues and 90% of total exports, the current slump in oil prices has left the country's economy in a liquidity crunch with low foreign currency reserves. Although accounting for more than two-thirds of global cocoa production, African farmers receive only

3% of the overall revenue from the processing of cocoa (US \$100 billion annually), with the rest going to multinational corporations and their distribution chains outside Africa. Such examples are not far off. Côte d'Ivoire, the world's leading cocoa producer, processes only 2% of its cocoa into chocolate locally. I know that the governments of Côte d'Ivoire and Nigeria are committed to changing this situation. Now is the time, the time for Africa to move up the value chain.

Ladies and Gentlemen, allow me to point out that the diversification of African economies also entails exploiting the opportunities presented by Information and Communication Technologies (ICTs) on the continent, transforming it into a services hub. Africa's tourism potential also remains under-exploited. It accounts for less than 10% of GDP in most countries. High transport costs, driven by protectionist policies in the airline industry, and high transaction costs, including for visas, are preventing the sector from reaching its full potential. Travel within Africa is more difficult, indeed more costly, than travel from Africa to Europe, America and the Middle East. African countries must take action to lower travel costs and make tourism competitive.

Excellencies, Ladies and Gentlemen.

In this drive to diversify African economies, the private sector has a critical role to play. Indeed, the private sector has grown rapidly and played an important role in the continent's remarkable economic growth over the past decade. Africa's 200 largest banks have increased their combined assets to over US \$1.5 trillion – almost 75% of the continent's overall GDP. The combined turnover of Africa's 500 biggest companies reached US \$700 billion in 2014 – almost a third of the continent's overall GDP. These figures are impressive, but there is still more room to post more impressive results.

We are well aware that the private sector is facing a number of challenges in its efforts to reach its full potential. The unsupportive business environment, huge infrastructure deficit, low access to financing, barriers to regional trade and movement of production resources, constitute the biggest challenges facing businesses in Africa today. The 2015 African Competitiveness Report suggests that competitiveness on the continent has barely improved over the past decade, despite the high economic growth. Africa is lagging behind other regions of the world in the areas of institutions, infrastructure, macroeconomic environment, health and primary education. In the 2016 Ease of Doing Business ranking, only one African country is ranked in

the top 50, while more than half of the continent is ranked in the bottom 50. These statistics clearly tell us we need to do better.

Progress being made, specifically in the area of reforms, to improve the business environment on the continent is a sure promise. In 2015, Sub-Saharan Africa carried out more reforms than any other region of the world, accounting for 30% of all reforms. Overall, 23 African countries moved up in the rankings, with Kenya making the biggest move (from 129 to 108) thanks to i) reforms to improve company registration processes; (ii) reforms to ensure faster property transfers; (iii) improved access to credit information; and (iv) improved public engagement on proposed regulations, among others. I applaud President Kenyatta and his government for these tremendous efforts. Rwanda has also recorded tremendous progress, emerging as the biggest reformer of the past decade when it moved up nearly a hundred notches in the ranking to 62 in 2016.

Improving the business environment is our core business at the African Development Bank. We understand that Africa's progress in terms of growth and resilience is intrinsically linked to its private sector's performance – the sector accounting for 80% of total production, 90% of employment, and two-thirds of total investments. For this reason, the Bank has launched specific initiatives to enhance financial support to private enterprises, and enhancing efforts to improve the business environment.

In 2015 alone, the Bank approved projects to the tune of US \$9 billion, with US \$2.2 billion for private sector projects. The Bank's 'AAA' rating enabled us to borrow at very competitive rates from the capital markets – funds that we on-lent to our Regional Member Countries and the private sector through a broad range of instruments. In the same year, the African Development Bank launched a US \$240 million Private Sector Credit Enhancement Facility, specifically dedicated to private sector operations in fragile states. We also recently rolled out new financial instruments to increase our private sector outreach. These include Partial Credit Guarantees that cover scheduled repayments of private sector lenders against the risk of default, and Partial Risk Guarantees that cover private sector lenders against government defaults.

The Trade Finance Program, launched in 2009, aims to reduce the trade finance gap, promote regional integration and boost intra-African trade by crowding in global banks and strengthening local African financial institutions. Over the past two years, the Bank has approved over US \$1 billion in trade finance lines of credit, risk participation agreements and

soft commodity finance facilities. We also recently established Africa50, a private-sector fund currently capitalized at over US \$845 million, to invest in infrastructure projects across Africa.

Excellencies, Ladies and Gentlemen.

The African Development Bank – your Bank – has raised the bar on its level of ambition for Africa. We have charted a bold and ambitious program we call the High 5s: Light up and power Africa; Feed Africa; Industrialize Africa; Integrate Africa; Improve the quality of life for Africans.

Light up and power Africa aims to solve Africa’s electricity challenge. Over 645 million Africans do not have access to electricity and 700 million go without access to clean cooking energy, with 600,000 dying each year from indoor pollution due to reliance on biomass for cooking. Without energy, there can be no economic development. Energy-sector bottlenecks and power shortages are estimated to cost Africa some 2-4% of GDP annually, undermining economic growth, employment creation and investment. Companies in Tanzania and Ghana are losing 15% of the value of sales as a result of power outages. We must close a US \$55-billion financing gap for universal energy in Sub-Saharan Africa by 2025. In this regard, the Bank has launched the New Deal on Energy for Africa with commitments to invest US \$12 billion over the next five years, and to leverage about US \$50 billion in public and private partnerships.

Feed Africa aims to address malnutrition, and lower the high food import bills of African economies. With 65% of the world’s uncultivated arable land, and more than 60% of its population involved in agriculture, Africa is poised to become a global food and agriculture powerhouse. We seek to partner with the private sector to change these contradictions. The continent’s food import bill of over US \$35 billion per year is in itself a compelling business opportunity case by the private sector. It is therefore time to change our approach to agriculture and consider it as a business to generate wealth and rapidly diversify our economies rather than a way of managing poverty.

Industrialize Africa will support African countries move up global value chains. In Sub-Saharan Africa, the manufacturing sector accounts for only 11% of output. Africa as a continent accounts for only 1.9% of global manufacturing. Adding value to various exported commodities will help. We see numerous opportunities for the private sector to take up, for instance, the manufacturing of construction materials largely imported from Asia. I would like

to emphasize that we understand that without infrastructure, and a conducive business environment, African manufactured goods cannot be competitive against imports from Asia. This is why ‘Light up and power Africa’ are, first and foremost, on the High 5s.

Integrate Africa tackles fragmentation of African economies, and will be key to driving industrialization. Today, Africa’s share of global trade is 3%. Regional value chains are a stepping stone into integration into global value chains. To facilitate this process, African governments need to ensure effective implementation of the numerous agreements in regional economic blocks and inter-regional blocs. The African Development Bank will continue to invest heavily in high quality regional infrastructure and work with member countries to remove “soft” barriers to effective regional integration related to trade and transit facilitation. Our recently launched Africa Visa Openness Index indicates that borders remain closed to African travelers, which increases the cost of doing business and stifles private sector activity.

Improve the quality of life for Africans: The essence of economic development is to improve the lives of people. Through the last High 5, the African Development Bank will accelerate investments in education, vocational training and skills development. The ‘Jobs for Africa’s Youth’ Initiative – a collaborative effort involving the Bank, the African Union and the UN Economic Commission for Africa – will be the centerpiece of our effort to improve quality of life for all Africans. Our goal is to equip Africa’s youth to enable them realize their economic potential through business incubation and financing. The target is to reach over 50 million young people over a 10-year period, and stimulate the creation of 25 million jobs. This youth employment initiative is also a response to brain drain and migration issues. For this initiative to succeed, the private sector, which accounts for 90% of jobs in Africa today, needs to play a pivotal role.

Excellencies, Ladies and Gentlemen.

The High 5s articulate bold ambitions that can only succeed through partnerships. We are already forging partnerships with governments, development partners, the civil society, and the private sector. For instance, in a multilateral development banks partnership forged in July 2015, MDBs committed to leveraging their balance sheets to extend more than US \$400 billion in financing over the next three years, and committed to working more closely with private and public sector partners to leverage more financing. I would like to underscore that MDB

development finance, which grew from US \$50 billion in 2001 to US \$127 billion in 2015, has leveraged US \$2-5 for each dollar invested by its shareholders, in new financing.

The African Development Bank also recently revisited its credit policy to better adapt to the needs of its Regional Member Countries. This has brought about more flexibility, more risk appetite, and innovative instruments to respond to our clients' need. In this respect, the African Development Bank is already working closely with the World Bank and the Inter-American Development Bank on sovereign exposure exchange, which we expect, will enable us stretch our balance sheet so that we can scale up lending to our clients. The African Development Bank is also streamlining its processes to better respond to your needs for co-financing individual projects or public-private partnership projects.

Excellencies, Ladies and Gentlemen.

The task to us is clear: African countries should accelerate their pace of growth and development, regardless of the global economic challenges. This can only be achieved by thinking big, acting big, and delivering big. The African Development Bank is ready for this task, and is there to support you.

The Bank is open for business with the private sector. We are diligently working to streamline our approval processes in order to better respond to your needs. Our aim is to become your preferred Development Finance Institution for funding, risk coverage and co-investment.

Let me conclude by urging all stakeholders to use the current global challenges as an opportunity:

- For African governments to implement those reforms that are not an easy sale during booms, diversify their economies, increase domestic capital mobilization and carefully manage foreign currency debt; and
- For the private sector to avidly exploit the opportunities these reforms are unearthing in the areas of agriculture, manufacturing, and energy investments.

The African Development Bank stands ready to partner with you as we work to unlock the enormous potential of African economies. We count on you and look forward to your continued support and collaboration. Thank you.