Remarks at a special seminar organized by the Ministry of Foreign Affairs of Finland and UN-WIDER:

“The Role of the African Development Bank in Africa”

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Excellencies, Ladies and Gentlemen, Good afternoon!

Let me start by thanking the Finnish Ministry of Foreign Affairs and UN-WIDER for offering me the opportunity to share my thoughts on the role of the African Development Bank in Africa. The presence of senior Foreign Ministry officials in this seminar is testimony to the faith the Finnish Government has in the African Development Bank. Thank you for your trust!

Let me also express my appreciation to the Government of Finland for its continuous support to the African Development Bank, especially during times of tough budget choices. Finland has been a strong partner of the Bank since becoming a member in 1973. It has been a regular contributor to the African Development Fund, with its burden share increasing significantly. Its contributions to the African Development Fund are currently estimated at over EUR 126 million. These resources have gone a long way in giving the continent’s economy a shot in the arm.

We must, together, continue to have great hope in Africa.

There is no doubt that Africa is rising. For more than a decade the continent witnessed average GDP growth rates of over 5%, driven by strong macroeconomic stability, high demand for exported minerals, metals and oil and gas, and favourable terms of trade. Annual FDI inflows increased from about US $10 billion in 2000 to $54 billion by 2015. Remittances also grew from about $38 billion in 2005 to $64 billion in 2014.

Recent growth trajectories have been more challenging with the sharp decline in commodity prices. Growth slowed to 3.6% in 2015. Yet, Africa is growing above the 3.2% global economic growth rate, and remains the second fastest economy in the world, second only to East Asia. African economies are not falling apart – they are resilient. The challenge is the growth rate is far less than needed to achieve the Sustainable Development Goals (SDGs).

Higher economic growth and resilience will be critical for achieving the SDGs in Africa.

I recall my discussion with the UN Secretary-General Ban Ki-moon. He was clear that “If the SDGs are to be successful, they must succeed first in Africa.” I share the commitment of the UN Secretary General. Despite the gains made in several areas, much still remains to be done. Africa still accounts for some 500 million people living under less than a dollar a day. Over 54 million children are stunted, 14 million are wasted and over 10 million have obesity.

Stunting shaves off at least 11% of the GDP growth of countries and will significantly undermine future growth potential and productivity and income earnings of the labor force. Today, 20 out of the 30 countries accounting for 90% of global stunting rates above 40% are in Africa.

Other challenges remain, calling for greater urgency of actions, including rising income inequalities, a rising numbers of people living in urban slums without access to water, hygiene and sanitation. Take the case of rapidly growing population of Africa’s youth, which now stands at
some 450 million. This should be an economic dividend, for the labour force, except that the continent faces high youth unemployment rates. Several thousands have made the treacherous journey to Europe, with over 3,500 dead in the process last year alone.

Ladies and gentlemen, the future of Africa’s youth does not lie at the bottom of the Mediterranean Sea. The future of Africa’s youth lies in a more prosperous Africa – an Africa able to create sufficient jobs for its burgeoning youth population.

Africa needs more growth – and more inclusive growth. To achieve this, Africa must address some fundamental structural issues. The African Development Bank – as the premier development financing institution in Africa and the trusted partner of choice of African countries – is leading in addressing these issues.

First, we must end Africa’s energy crisis. Over 645 million people are without access to electricity and another 700 million without clean cooking energy, with 600,000 women and children dying each year from emissions from fuel wood, biomass and charcoal. Without electricity, Africa cannot industrialise, be competitive and create jobs through its small and medium-size enterprises. It loses 4-5% of GDP to lack of electricity.

Africa is simply tired of being in the dark.

To solve this problem, the African Development Bank has launched its five priorities (called High 5s), to fast-track the delivery of impact for its Ten Year Strategy.

The first of these High 5s is to “Light up and power Africa”. We have launched the New Deal on Energy for Africa with the goal of universal access to electricity within ten years.

The Bank has continued to lead the way and financed renewable energy projects, including the 300 MW Lake Turkana wind power station – the largest wind power plant in Africa. We supported the Noor complex, the world’s largest concentrated solar power plant in Morocco with capacity to provide power for over one million homes by 2018. The Bank financed the power interconnection to link Ethiopia, Kenya and Zambia, expanding regional power pools. In December 2015, we provided $138 million to finance the Ruzizi III 147 MW power plant, to provide electricity to Rwanda, Burundi and Republic of Congo.

The Bank will invest $12 billion in the energy sector over the next five years, and through strategic partnerships, leverage an additional $45-50 billion. The goal is to develop 160 GW of energy, connect 130 million people to the grid, connect 75 million to off grid systems, and provide clean cooking energy for 150 million people.

To drive action on this, we have launched the Transformative Partnership on Energy for Africa, to bring all partners together to scale up investments in grid, mini grids and off grid systems, and unlock Africa’s huge energy potential. We will focus on an appropriate mix of renewables and
conventional energy that will allow Africa to get light, energy to drive industries and provide clean cooking energy, while reducing carbon emissions.

Second, we must assure food and nutritional security for Africa. To help drive this the second High 5 priority of the Bank is “Feed Africa”. Our new agricultural strategy is directed at transforming agriculture into a business for Africa’s small, medium and large farmers, to help revive rural economies, achieve food security, reduce malnutrition and drive higher incomes. Our investments, in partnership with governments and other partners, is directed to helping to reduce the $35 billion spent on food imports, which left unaddressed will rise to $110 billion by 2030.

Third, we must support Africa to industrialise. Africa’s share of global manufacturing value added is a meager 1.9%. This needs to change for the continent to be able to add value to all its raw materials, reduce vulnerability to global commodity price shocks and become competitive in global markets. Our third High 5 at the Bank, therefore, is to “Industrialise Africa”.

The formula for the wealth of nations is clear: rich nations add value to exports, poor nations export raw materials. For example, Africa accounts for 75% of the global production of cocoa, but reaps only 2% of the $100 billion annual market for chocolate. This model can no longer create the desired wealth for Africa. Africa must no longer be stuck at the bottom of the value chains. Africa must now rapidly diversify its export mix and add value to all of its raw materials by developing efficient and competitive value chains.

The Bank will support the development of industrial clusters, as well as deepening of the financial markets and provision of financing for small and medium-size enterprises. The Bank plans to support a total of 35 industrial clusters in Africa, which will help raise the industrial contribution to GDP by 130% by 2025.

Fourth, Africa must integrate. Africa trades only 12% within its region, far lower than all other regions. Africa countries must tear down the walls that separate their economies. The future of Africa lies in a more integrated Africa, with open trade, open skies and without visas. The fourth High 5 of the Bank is “Integrate Africa”. To achieve this, the Bank is intensifying investments in regional infrastructure, especially roads, rails, ports and Internet broadband connectivity. We are also expanding our support for trade finance and the integration of financial markets to facilitate intra-regional investments.

Fifth, Africa’s population must feel the impact of growth in their lives – and growth must be for all. The fifth High 5 of the Bank therefore is to “Improve the quality of life of the people of Africa”. To address the unemployment challenge for Africa’s youth, the Bank has launched its “Jobs for African Youth Initiative”, with the goal of creating 25 million jobs for the youths within ten years. Through the Bank’s Jobs for African Youth Initiative, we will also support digital literacy, logical thinking and computational skills in secondary and primary schools. We will also support coding academies that will drive advanced computational skills for employment focusing on youths in universities and polytechnics. Through our Boost Africa Initiative, with our partners at the
European Investment Bank, private equity funds will be established to help boost businesses of young people.

The Bank will also accelerate access to water, sanitation and hygiene for rural and urban populations and improve urban infrastructure.

These “High 5s” are critical for Africa to achieve the SDGs. They will help accelerate Africa’s development. To achieve them, the Bank of choice African countries look to is the African Development Bank.

We are matching our words with action. Our lending reached its highest ever by the end of December 2015, with $9 billion. In 2015 alone, the Bank approved projects to the tune of US $9 billion, with US $2.2 billion approved for private sector projects. The Bank’s ‘AAA’ rating has enabled it to borrow at very competitive rates from capital markets – funds that are on-lent to our Regional Member Countries and the private sector through a broad range of instruments.

We are supporting low-income countries that rely on the ADF to support the development of their economies. The Bank has launched a US $240-million Private Sector Credit Enhancement Facility, specifically dedicated to private sector operations in fragile states. 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 have also recently established Africa50, a private-sector fund currently capitalized at over US $845 million, to invest in infrastructure projects across Africa.

The Bank is doing more in other critical areas for achieving the SDGs.

We are leading on climate change adaptation for Africa. The focus of these Annual Meetings on energy and climate change is for a good reason. Just last month, I travelled to a number of countries and witnessed, first-hand, the effects of El Niño on the populations. Thirteen of the fourteen countries affected by the severe drought are located in East and Southern Africa. Africa, which contributes less than 3% of the global greenhouse emissions, now suffers disproportionately from the negative impacts of climate change. Kenya and Rwanda had devastating floods. In Malawi, over 8.4 million people face food insecurity. In Ethiopia, more than 15 million are at risk of food insecurity. Vast areas of South Africa, Zambia, Zimbabwe, Lesotho and Botswana face similar challenges.

The African Development Bank immediately announced financing of $549 million to support countries to deal with drought and reduce vulnerability.

Climate change is real – and Africa is at the receiving end. There must be climate justice for Africa. Africa, which has been short-changed by climate change, must not be short-changed by climate finance. This is the time for action on climate finance for Africa.
That is why I call on the Green Climate Fund and the Global Environment Facility to pay for the insurance premium of African countries to the Africa Risk Capacity Agency. This will allow them to cope with extreme climate events that lead to huge fiscal stress. Such insurance has significant impacts. It allowed Senegal to receive a $17 million pay out to mitigate the impacts of drought.

The African Development Bank will lead the way on green growth and will triple its climate finance to $5 billion per year by 2020.

The Bank is spearheading gender empowerment on the continent. The Bank’s 2014-2018 Gender Strategy set out its institutional commitment to reduce gender inequalities by strengthening women’s legal status and property rights, promoting women’s economic empowerment, and enhancing knowledge management and capacity building on gender equality.

We launched the African Gender Equality Index in 2015, which has been influential in promoting the gender agenda, providing cross-country data on key gender indicators and giving a more robust picture of gender inequalities across Africa. Another measurement tool, the Gender Marker System, is being prepared for introduction in 2016.

The Bank has just launched the Affirmative Finance Action for Women, a fund dedicated to leverage $3 billion exclusively to support women entrepreneurs all across Africa.

The Bank is also leading on improving governance issues on the continent through our economic governance programs to strengthen better management of Africa’s vast natural resources, deepen macroeconomic and fiscal management and expand revenue collection through better tax policies and tax administration. Through the Bank’s African Legal Facility and the African Natural Resources Center, we strengthen the capacities of countries to negotiate contracts and royalties – getting the most from their natural resources.

But the Bank cannot address all the challenge of Africa alone. We want do more, at scale, but with others. We are therefore focusing on expanding strategic partnerships. Through a multilateral risk exposure exchange with other multilateral development banks, the African Development Bank has been able to free up an additional $10 billion headroom for new lending. The Bank will also deepen multilateral and bilateral partnerships, to expand co-financing and loan syndications to support greater ambitions for Africa.

In order to make the Bank more efficient and to deliver on the High 5s, we have decided to move the Bank closer to its clients. As part of its new development and business delivery model, the Bank will now establish five regional integration and business delivery offices, one each for West, East, Central, Northern and Southern Africa. The Bank will strengthen its relationships with each of our member countries, paying particular attention to the needs of fragile states. These regional development and business delivery hubs will significantly strengthen our engagement with the regional economic communities to drive major regional integration projects.
These landmark institutional reforms will make the Bank faster, more efficient and effective in delivering greater developmental impacts all across Africa.

Excellencies, ladies and gentlemen, realizing the aspirations of the High 5s will not come easily – but they are crucial for achieving the SDGs in Africa.

If we meet the SDG targets in Africa, we will meet them globally. That is why I look forward to enhanced cooperation with Finland, as we embark upon this path together. Finland’s continued support is necessary as we seek to replenish the ADF-14 in order to help Africa fully unlock its full potential.

I know that times are hard. But Africa needs Finland’s support more than ever. By increasing support to ADF-14, Finland will add a strong voice of support for the High 5s – and help the African Development Bank to deliver more for Africa’s low-income countries, for whom the ADF is an instrument of hope. You can hear their voices through the activities of the African Development Bank – Africa’s Development Bank of choice.

Let us work together to achieve more for Africa.

Together, let us be on the right side of history.

Thank you very much.