A Vision for the African Development Bank

Sufian Ahmed, Finance and Economic Development Minister of Ethiopia

Africa is in the midst of a golden age – and I want the African Development Bank to play the fullest possible role in taking advantage of the extraordinary opportunities all around us.

As Ethiopia’s Finance and Economic Development Minister since 1995, I’ve helped Ethiopia to reap its share of this harvest. Our growth is among the fastest on the continent (more than 10 per cent per annum over the last decade). Inflation is under control. And investors showed their confidence in our prospects when our $1 billion Eurobond issue was oversubscribed by 260 per cent.

I would be honoured to use my experience to work for the whole of Africa as the next President of the African Development Bank – and if elected, I would focus on three core tasks.

- First, focus our financing on what we are best at and what will make the biggest difference for Africa – above all infrastructure, agriculture, and supporting private sector growth and helping fragile states.

- Second, bringing world class advisory capacity to the table in support of the countries we work with –supporting fragile and conflict-affected states, building enabling environments, and generating real results from private sector growth.

- Third, invest in high quality management and operations –through an approach built on empowerment, delegation, and accountability, with the whole Bank focused on effectiveness value for money and minimising costs.

Africa’s moment of opportunity

Africa is experiencing a golden age. For the past decade, we have been one of the fastest growing continents in the world, with an average annual rate of more than 5 per cent. Governance has been improving steadily. Economic reforms are bearing fruit. Our growth comes from a broader base than ever before, including sectors like manufacturing, telecoms, banking, construction, and retail. Inflows of private investment are surging.

Of course, risks and challenges remain. Many African countries are today dealing with problems caused by weak commodity prices, just as not long ago many import-dependent countries were coping with the opposite. Conflict prevention and resolution remains a key priority. Long term risks like climate change are becoming more and more of a factor today.
But Africa is also proving more able than ever before not only to cope with these challenges, but also to lead its own response. Now, in 2015, it has a year of extraordinary opportunity to celebrate what it has achieved, and to prepare for the future.

With the Millennium Development Goals (MDGs) due to expire at the end of this year, Africa has already played a powerful role in shaping the new Sustainable Development Goals that will take their place. It is positive that the Sustainable Development Goals (SDGs) will maintain the MDGs’ focus on poverty reduction, and social sectors – but also hugely welcome that they are likely to say much more than their predecessors about growth, jobs, and productive sectors of the economy.

But big aspirations on what we want to achieve will only mean anything if we just as ambitious on how we will achieve them. With Ethiopia due to host the Financing for Development conference in July, I and my team are at the forefront of calls for this to be a summit for Africa, with a strong focus on infrastructure, agriculture, and industrialisation.

The African Development Bank has a pivotal role to play in ensuring that we in Africa capitalise on the opportunities all around us, and use Africa’s growing capacity to lead in order to ensure that the new global development agenda works for us.

**Focusing our financing where it counts**

The African Development Bank is first and foremost a financing institution, and it is here that it can make the most decisive difference for Africa. It has a strong foundation from which to build, with a healthy balance sheet and a triple-A rating. But in a business as prone to fashions as development, the Bank must resist the urge to get involved in too many areas, and instead be relentless in focusing its resources on the areas where it has most comparative advantage and will get the best rates of return. In practice, I believe the Bank should focus on four areas above all.

*Infrastructure*

The Africa Infrastructure Country Diagnostic has estimated that Sub-Saharan Africa’s infrastructure needs in areas like power, transport, and ICT run to more than $93 billion a year for the next decade. But today, less than half that amount is provided, leaving us a financing gap of over US$50 billion a year.

In Ethiopia, I have made infrastructure a top priority for the Ministry of Finance. With investment from multilateral donors, emerging economy partners, and domestic resources, we have been able to build railways, expand and upgrade our trunk roads, built Ethiopian Airlines into a leading regional carrier, rapidly expanded access to clean water and sanitation, and are building a massive program of energy investment designed to make us into a leading power exporter to East Africa.

With infrastructure already at 38 per cent of the African Development Bank’s lending, we have a great foundation on which to build, and I want to see infrastructure as its top priority. In particular, I want to see the Bank’s Africa 50 Infrastructure Fund become a major global player in leveraging private sector investment as a way of dramatically accelerating the pace of change in energy, transport, ICT, and water.
Agriculture

Agriculture accounts for 30-40 per cent of Africa’s GDP, nearly 60 per cent of foreign exchange earnings, and the primary livelihoods of nearly two thirds of African people. Africa largely missed out on the 20th century ‘Green Revolution’, which was instead focused mainly on Asia and Latin America, but it has the opportunity to be the epicentre of a 21st century equivalent that doubles food production while halving resource intensity – in the process, becoming a breadbasket for the world as demand for food rockets from rising population and changing diets.

In Ethiopia, we are at the forefront of the challenge, with agriculture accounting for 41 per cent of the Growth Domestic Product (GDP) and 90 per cent of exports. I have made sure that we have delivered on Ethiopia’s Maputo Declaration commitment to allocate at least 10 per cent of the public sector budget to agriculture, and as a result we have surpassed the Comprehensive Africa Agriculture Development Programme (CAADP) target of raising agricultural productivity by at least 6 per cent a year.

With so many initiatives focused on helping African agriculture to grow – the New Alliance, GAIN, Grow Africa, AGRA and more – Africa has a critical opportunity. But we need a more coherent approach, higher spending from African governments, and in particular a major focus on improving the extension services that can bring innovations from laboratories to fields. If elected as President, I will argue for agriculture to be another key priority area, building on success stories like the Bank’s Agriculture Fast Track Fund and its work on key value chains.

The private sector

On average, the private sector provides 60 per cent of GDP in developing countries, 80 per cent of inward capital flows, and 90 per cent of jobs. Africa has nurtured a wealth of private sector success stories over the last decade, to the extent that investors now talk of Africa’s “lion economies” just as they once spoke of Asian tigers. But at the same time, we also need to ensure that private sector growth results in real and inclusive development, with businesses playing by the rules and paying their taxes.

In Ethiopia, I have sought to take a partnership-based approach that achieves the best of both worlds. We have secured financing from international capital markets, witnessed big increases in foreign direct investment in sectors like manufacturing and agro processing industries, and undertaken privatisation of state enterprises. At the same time, we have also maintained a strong role for government in strategic sectors like energy.

If elected, I will focus on making the African Development Bank a world leader in working with the private sector – in particular through the use of new hybrid approaches that focus on partnering, blending, risk-sharing, using international public finance as a means of leveraging additional private sector capital, and public-private partnerships.

Support Fragile States

The delivery of the Bank’s approach to those African states emerging out of fragility is important, in providing assistance on trade, infrastructure, rehabilitation and prevention of
further instability. I trust that effectively addressing fragility means building resilient states and societies through inclusive and equitable patterns of growth and development that can meet citizens’ expectations. Considering the Bank’s past experiences, I will focus on the provision of more comprehensive support to fragile states in order to build capable states striving for fast, sustainable and inclusive growth.

Bringing world class advisory capacity to the table

While financing is what the African Development Bank exists to do, the quality of its advice – and hence of its staff and organisation – is what enables it to do it well, and to maximise the return on each dollar we invest.

As the recent report of the UN’s Intergovernmental Committee of Experts on Sustainable Development Financing (of which Ethiopia was a member) observed, there is no shortage of capital in the world looking for yield, with global savings currently at around US$22 trillion a year – yet there is a lack of ‘bankable projects’ in developing countries that can compete with other investment opportunities.

Changing this is all about capacity development. We need a massive increase in the resources available for project preparation and feasibility studies, helping to ensure a steady pipeline of ‘shovel-ready’ investment opportunities all over Africa. We need more capacity support available to help countries build powerful enabling environments that will attract investors and highlight long term growth potential. And we need a major push to make more support available for countries involved in negotiating complex deals – whether with extractives producers or independent power producers – or in securing project finance or lending from international capital markets.

At the same time, the Bank also needs to become a centre of excellence in supporting fragile and conflict-affected states. Research shows that by 2030, the world’s remaining poor people will be heavily concentrated in fragile states – many of which will be in Africa. Prospects for eradicating poverty by 2030 will be heavily constrained unless we make faster progress in these environments. But Africa is also full of success stories of countries that have emerged from civil conflict to become leaders in reducing poverty – from Sierra Leone and Mozambique to Ethiopia.

Making the African Development Bank a partner of choice for countries as they navigate these challenges is about the quality of its staff and organisation, not the size of its wallet – and if elected as next President of the Bank, I will pursue two key organisational priorities to complement the financing priorities set out in the previous section.

- First, investing in the Bank’s staff. The move to Abidjan naturally entails challenges for ensuring a smooth transition, as well as for staff morale. If elected as President, I will bring with me nearly twenty years’ experience of running a large financing organisation – and a management style based on empowerment, delegation, and accountability. I want the entire Bank’s staff to share a common sense of purpose and focus – and I understand that this can only emerge through a bottom up process built on real participation and inclusion.
- Second, **effectiveness, value for money and control of costs**. African governments have more options than ever before on how to finance their development, and the African Development Bank cannot sit on its laurels or take its role for granted. Instead, it needs to compete and to command confidence – something that begins with showing its shareholders that it is husbanding their resources prudently. If elected, I will lead relentlessly on value for money and control of costs.

**Conclusion**

I am hugely proud of the achievements that I have contributed to in Ethiopia, and would be honoured to have the opportunity to bring my experience as one of Africa’s most experienced finance ministers to the African Development Bank. As a resident of the siege of the African Union and the UN in Africa, I have always believed in the power and potential of our continent and its people. I hope very much to have the opportunity to serve them as the next President of the African Development Bank.