



AFRICAN DEVELOPMENT BANK GROUP

Remarks at the Annual Luncheon for Members of the Diplomatic Corps accredited to Côte d'Ivoire on the occasion of the New Year

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Abidjan, 16 January 2015

1. Introduction

**Good afternoon Your Excellencies,
Ministers,
Ambassadors,
Heads of International Organisations,**

Welcome and thank you for honouring our invitation.

This is a long-standing tradition we hold dear; a get-together at the beginning of the New Year.

An opportunity to share with you our assessments of Africa's challenges, hopes and expectations in the months to come.

At the dawn of 2015, the question being asked frequently is: Are the good times over for much of Africa?

Can the decade-long momentum be sustained, given the Ebola epidemic; the chronic crises in Central African Republic; South Sudan; the sharp fall in

commodity prices; and slowdown in the emerging markets, etc.?

Over our lunch, I hope to share with you our own assessments and what the Bank's stance will be.

In a sense it is déjà vu.

The same question was asked in the aftermath of the global financial crisis.

In fact, the received wisdom at the time was that Africa would be the most affected continent.

We are always conscious that projections are not predictions.

We are aware of the strong headwinds in the global economy and the dark clouds.

But I can tell you that on the basis of what we know, our sense of the future is positive.

The resilience that many of the African economies have built over the last decade and a half is real and will enable much of the continent to stay the course.

The current issue of *The Economist* spells out that commodity dependence in Africa may no longer be as critical as it was in the past.

One has, of course, to nuance this statement, as countries are different.

We are 54 countries with different endowments and conditions.

So, while the story is broadly positive, nothing is pre-ordained.

It will depend on the policy stance of the countries.

It will depend on the choices that African Governments make or do not make.

I would even go further to say that the outlook would even be better if faster progress was made in two key

areas: integration (single market), especially the removal of non-tariff barriers; and how we fund infrastructure development.

2. *Best Wishes for 2015*

But before I respond to the question, let me say how truly grateful I am to be here with you today.

I hold the record as the first Bank President who assumed office away from the Headquarters and served almost his entire term outside the host country.

So you can imagine my satisfaction today, to host this lunch in your honour here in Abidjan, our Headquarters, and to extend to you our best wishes for the New Year.

To the Majesties, Sovereigns, Leaders and People of your countries, I present to you our best wishes for the New Year on behalf of the Board of Directors, Management and staff of the Bank.

We pray that it will be a year of peace and stability, a year in which we are able to make key decisions that humanity awaits on key issues such as climate change and sustainable development goals, to meet the many global challenges we face today.

3. Côte d'Ivoire and Tunisia

We have a particular thought for the People of Côte d'Ivoire, our host country.

Côte d'Ivoire is making impressive socio-economic progress in its recovery from a decade of strife.

The people of Côte d'Ivoire have in their potential the ability to perform a second miracle, and get back to being one of Africa's economic powerhouses, and an emerging economy.

The first Ivorian miracle was based on an export-led model, agriculture, openness to enterprise, education and sound infrastructure.

The basics of that first miracle are still in place, although weakened by years of crisis.

In addition, the global economy is now more complex and competitors in the region have emerged.

But Côte d'Ivoire has many strengths going for her.

Our return is a signal of the confidence we have in this country, and I hope that is a signal which investors will not have missed.

In this year of elections, therefore, we offer our host country our best wishes.

In the same spirit, I know you will join me in expressing our best wishes to the people of Tunisia, who offered us kind hospitality for 11 years.

We congratulate them for the giant steps they have made in the political transition.

They have succeeded beautifully in setting an example for the Region.

We have no doubt that this solid political experience will provide a solid foundation to battle the enormous socio-economic challenges of jobs and youth unemployment.

Although we have left Tunisia – one of the top five customers of the Bank – the country will remain an important hub for our activities in North Africa.

4. Anchoring stability, dealing with Jihadists

Your Excellencies,

The New Year offers new promises, but also presents many challenges.

These are both new and old; they are local, regional and global.

Last week, for instance, the people of France suffered a cowardly attack.

In the name of the Bank, I have addressed a letter to the President of France to offer our sympathy and support.

In that same week, Boko Haram took down hundreds of lives in northeastern Nigeria.

Whether it is the attack by Al-Shabaab on the Westgate Mall in Kenya, or the death and mayhem caused by Boko Haram, it is an attack on each one of our countries.

The risks posed by these outlaws and their backers are a major issue for Africa's development prospects, perception, risk profile, investment climate and the Africa brand.

Fighting these jihadists diverts our resources, which could be used otherwise to build infrastructure.

Jihadists are destroying livelihoods; they are also depriving our young people of education opportunities, and a future.

We now also know that these groups are a menace to our fauna, as our precious wildlife is being decimated to finance their murderous ventures.

As the New Year sets in, all nations of the World must come together in this battle against jihadists and their offshoots everywhere.

We do, of course, bear in mind that those groups sometimes have fed on local social grievances; including exclusion, poverty, negligence by rent-seeking elites, and misery amidst plenty.

These grievances, of course, must be simultaneously addressed as part of building inclusive societies.

5. The Return to Headquarters

Your Excellencies,

Eleven years ago, as the political and security crisis deepened, the Bank relocated to Tunisia.

We are now back to our Headquarters since this September.

For forty years, the Bank operated under very good conditions in Abidjan.

We have a special relationship with this country.

The decision to relocate was painful but inevitable, to ensure our business continuity.

We were always clear, nonetheless, that, as soon as security conditions in Côte d'Ivoire were back in place, we would return to our Headquarters.

This is now accomplished, in line with the Roadmap put in place in 2012.

We still have a few staff in Tunis joining us shortly.

The Government of Côte d'Ivoire has provided us with temporary office space as we await the completion of our own Headquarters.

This has been a delicate logistical exercise which demanded careful planning, but it is now done.

None of this would have been possible without the strong support of the Governments of Côte d'Ivoire and Tunisia.

I can only once again say “Thank you” to both Governments and their people.

In particular, I want to express my appreciation to the citizens of Abidjan for their warm welcome to our staff, the large majority of whom were making the first contact with the host country.

6. A Resilient Organisation

Your Excellencies,

You will be pleased to hear that despite all these travails the Bank has gone through over the past decade, at no time was our operational capacity weakened.

To the contrary, the Bank has deeply transformed, grown in complexity, and extended its reach.

To give you an idea, when the Bank left Abidjan, total annual operations were equal to US \$3.6 billion.

Eleven years later, total operations are nearly US \$8 billion, a growth in line with the expectations of an emerging Africa.

Throughout the different shocks – relocation in 2003; the Tunisian Revolution in 2010; the global financial crisis; the return to Abidjan – the Bank has remained a very robust and resilient Organisation.

Today, our financial capacity, human resources, and presence in the field put the African Development Bank up there with the very best.

As further evidence, in spite of the logistical complexities of the return to Abidjan in 2014, we will record the best results in 8 years; with total operations at nearly \$8 billion.

Our private sector operations have continued to flourish.

Last year, for instance, private sector operations totalled US \$1.5 billion, with a leveraging capacity as high as 1:6; as exemplified by the Bank's lead role in the flagship project, the Henri Konan Bédié Bridge in Abidjan.

The unaudited financial results for 2014 show a healthy net income, and strong risk-bearing capacity. The Bank retains its triple-AAA rating from all the major rating agencies.

The results show a focused Organisation with infrastructure accounting for 50% and a relevant institution that gives due attention to issues that matter for Africa's future – economic integration, climate change, natural resources management, supporting fragile states, etc.

At a time when we are celebrating our 50th Anniversary, this is a demonstration of how far the AfDB has come.

Throughout its fifty-year journey, the Bank reflected Africa's own travails, years of civil war, the debt distress, etc.

But today, at a time when we are celebrating our 50th Anniversary, Africans and their partners can be proud of the achievements of the Institution they have built together.

7. Africa in 2015

Let me now turn to the prospects for Africa in 2015.

I must say, at the outset, that the mosaic that is Africa and its 54 countries is highly variable.

Large emerging markets, like South Africa, Egypt and Morocco.

Small Island states, like Seychelles, São Tomé, Cape Verde.

Natural resource rich countries, such as Angola, Algeria and Nigeria.

Landlocked countries: CAR, Mali.

Large populations: Nigeria, Ethiopia, Egypt, DRC.

That said, while the countries are heterogeneous, there are close links between them, as well as strong neighbourhood effects, in both directions – positive and negative.

The year 2014 that has just gone by presented many challenges, old and new: the headwinds in the global economy; slowdown in the large emerging markets; and sharp declines in commodity prices.

Yet much of Africa maintained its dynamism, at 5.5% growth.

Indeed, some countries, including Côte d'Ivoire, have registered even higher performance.

However, we know that given our demographics, 5% growth is strong but not stellar.

It is 7% we must target.

And the elephant in the room is infrastructure and Non-Tariff Barriers (NTBs).

Those parts of the Continent making faster progress on both areas are able to see higher growth, even when commodity prices are weakening.

It is important to emphasise the fact that some of the fastest-growing countries in Africa are not commodity dependent.

Hence their growth, which is less volatile compared to those that are highly commodity dependent.

In most countries, in 2014, the three key drivers of growth are: investment, domestic consumer demand and regional trade.

The Year 2014, however, also exposed the complexities of managing the vortex of demographic

dynamics, rapid urbanisation, jihadism, and the natural resource curse.

In the Sahel, in the Central African Republic, in South Sudan, we continue to see clear evidence of the link between development, security and the environment.

So, in short, while growth remains strong, it is still below what is needed, given high population growth.

Equally, inequalities are increasing, with a Gini coefficient as high as 0.7 in some regions.

If infrastructure and NTBs are elephants in the room, the lack of jobs, inclusion, effective safety nets are the giants holding back Africa's full potential.

8. *Ebola Epidemic*

As if these were not enough, the Ebola epidemic struck, laying bare how dysfunctional primary health systems in some of our countries have become.

This was about as much about Ebola as dysfunctional health systems at a primary level given the destruction in Sierra Leone and Liberia in the 1990s.

Remember, there have been Ebola outbreaks in the DRC, in Uganda in the past, which were contained.

This is how Nigeria and Senegal were able to deal with Ebola in the very early days.

I take the opportunity to express my thanks to friendly countries, Organisations, gallant individuals who joined the people of the Mano River Union region and all the support they provided.

Admittedly, the response was too slow, too late and we could have done better.

I pay homage to the people of Guinea, Liberia and Sierra Leone for their courage, especially in the early days when they were very much left on their own.

I salute health workers of all nationalities – from African countries, Europe, North America, Cuba,

China and many others – who laid down their lives to prevent the spread of Ebola.

And for the way in which Nigeria, Senegal and Mali were able to contain this virus. But the Ebola Viral Disease still remains a challenge.

Let us not lower our guard or slacken our efforts.

Disease or epidemic management is not a core business of the Bank.

But Ebola did not allow us the luxury of "leaving it to others".

This was a crisis which required all hands on deck.

That is why the African Development Bank, as you would expect, was one of the first Organisations to mobilise every resource we could find to counter Ebola.

To date we have committed close to US \$220 million, including budget support, to the three affected countries.

We are involved in an AU initiative to send African Health Workers to the Mano River Union region to bolster the health systems which are now even weaker than before.

That is why we are fully supporting a private sector led initiative in that regard as well International Organisations looking for a long-term vaccine solution.

But even when vanquished, Ebola will leave in its wake desolate economies, and livelihoods and systems to rebuild.

Although only three countries were affected, and the rest of Africa remained open for business, confidence suffered badly elsewhere on the continent.

So, as someone said, "This is not West Africa fighting Ebola, it is humanity fighting a virus".

We are all in it together and we must draw lessons as to what went wrong; when the disease was first identified in Guinea in December 2013, how it could have reached a stage of a humanitarian disaster.

7.2 Drawing Some Lessons

It is time to radically rethink Africa's primary health-care systems, looking at the way Senegal, Nigeria and Côte d'Ivoire managed the outbreak, but more broadly what it takes to have the minimum level needed for a functioning basic health-care system.

It is time to closely examine the regional aspects in relation to fragile states.

At the beginning of the outbreak, regional solidarity was put to test as neighbours closed borders and supply chains were disrupted.

Yet, it was clear that Ebola could not be contained in one country and cross borders it did.

The international response and preparedness requires reinventing.

We need a global epidemic management system that is fit for purpose.

That is not the case now.

The current architecture requires fixing and African countries themselves have to strengthen their disaster preparedness.

8. Africa in 2015: What are the prospects?

Your Excellencies,

Let me return to where I began – Africa’s prospects in 2015.

But before doing so, let me point out that it is stability that must be the starting point.

Predictability of what happens tomorrow is crucial.

At a time when many countries are going into elections, it should not be a period of anguish, anxiety and apprehension.

Regular elections are a sign of maturing democracies. In any case the act of elections is only part of the democratic culture we must build.

It requires fair play, tolerance and always ensuring there are no groups who feel they will be permanent losers.

Lee Kuan Yew was once asked, “How you build a peaceful, prosperous society in an imperfect young democracy?” and he said: “Fair institutions that provide a level playing field to all”.

Meritocracy.

“Safety nets for those who need and deserve it and integrity by those in Leadership.”

We may not be able to reach perfect democracies in one step, but this is a good place to begin.

As I look at the experience of South Sudan and CAR conflicts, I cannot but contemplate these sage words by LKY.

Rent-seeking leadership has imposed a very high price on the peoples of those countries.

Beyond this, Africa's priorities remain the same.

FIRST: How to secure growth that is strong, inclusive and sustainable; growth that creates jobs, that benefits the broad categories of the population and not simply the few elites.

Growth that combats inequality and deprivation.

Growth that provides means and safety nets for those in need and with less opportunities.

SECOND: Growth that is transformational, that creates opportunities in the higher ladders of the global value

chains, that generates jobs for the fast-growing population.

THIRD: Institutions that anchor the rule of law, fairness, policy predictability, and national cohesion.

Institutions that deliver services that are efficient and accountable.

Institutions that manage natural resources wealth in the interest of all, not rent for some.

Those are the Institutions that will anchor long-lasting peace and the stability essential for investment and growth.

From the projections available now, African economies are set to maintain and even accelerate the pace with growth exceeding 5.5%.

There will be some who will see a slowdown – net oil exporters as well as those facing acute energy challenges.

For each and every country, the strategic imperative

will be how to transpose that strong economic growth to economic transformation, joining the higher levels of the global value chains, in an inclusive economy.

Tactically, in the short term, in 2015, each country's challenge may be different: For some it will be:

Rebuilding shock absorbers in the light of global uncertainties, such as commodity price volatility and altered conditions in the capital markets.

Addressing the energy shortages and outages.

For countries going into elections, it will be about retaining, or at least not undermining investor confidence by ensuring that elections are times of political combat, not one of shedding blood or generating instability.

9. *Commodities Crash?*

At this time there is a lot of attention on what the crash in the oil markets mean for African countries.

We have to look at it from several perspectives:

Net exporters

Net importers

Regional economic engines.

Impact on exploration for the new producers

First, net oil exporting countries will have to revise their budgets.

They will have to look for new sources of revenues.

It is an opportunity to revisit the implications of long term dependence.

Second, net oil importers will see benefits all the way, from reduced pressures on budgets, balance of payments, inflation and increased purchasing power.

It is an opportunity for them to strengthen macro-economic buffers, put in place viable safety nets, increase investments in infrastructure.

Third, the neighbourhood effects. We need to factor in the impact of lower economic activity in some of the regional economic engines.

For example, lower revenues might impact negatively growth in Nigeria somewhat, and indirectly the neighbouring countries.

In the same vein, lower oil prices provide a relief for countries such as South Africa and Kenya and indirectly impacts positively on the neighbourhood, thus boosting trade and domestic demand.

This is why we need to make faster progress in eliminating NTBs.

Tariffs are no longer the major issue, but free movement of people and logistics for more efficient supply of goods and services.

In the same spirit, funding infrastructure must be brought to critical mass with new instruments that combine public and private capital.

That is why the Bank sponsored the Africa50. But we need Africa's institutions to invest in this instrument.

Your Excellencies,

In the Sahel, in Africa as a whole, we are witness to the close links between development, security and the environment.

It is a tripod which must be won together.

You lose in one, you lose all.

Building inclusive societies is at the heart of the Bank's Ten Year Strategy.

This is what will be our focus – inclusion, transformation and jobs.

The international development agenda in 2015 is a crucial year in what we do.

We need to work together to ensure success on:

- The post-2015 Sustainable Development Goals, as the MDGs expire this year.**
- The Conference of Parties on climate change, to ensure that at long last a binding climate deal can be reached.**
- The Addis Ababa Conference on Financing for Development; figuring out how to fund development in a new landscape.**

I hope together, across the International Community, we can work together to ensure to generate political will and imagination for success.

Finally, as you know the Bank was due to celebrate its Golden Jubilee, but this was postponed in order to give all the attention to Ebola.

We are still hoping to do so and we hope to see you then.

When the Bank hosts for this luncheon next January, there will be a new President who will be elected this coming May.

I will have time to do my farewells to you later in the year.

Meantime, I look forward to continue our cooperation over the coming few months.

I thank you again for joining us today.

A happy new year and God bless you all.