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THE AFRICAN CAPACITY  
BUILDING FOUNDATION

FONDATION POUR LE RENFORCEMENT  
DES CAPACITES EN AFRIQUE

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## AUC ACBF Ministerial Roundtable

Sunday April 3<sup>rd</sup> 2016  
UNECA Conference Centre  
Addis Ababa, Ethiopia

### **THEME:**

**Addressing the Impact of Drought, Floods and Declining Commodity Prices in Africa: What Coping Strategies and Capacities are required?**

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### **Opening Remarks**

**Prof Emmanuel Nnadozie**  
*Executive Secretary*  
*The African Capacity Building Foundation*

**Your Excellency the Chairperson of the Africa Union and AUC officials here present  
Honourable Ministers and other high-level government representatives present here  
Distinguished panelists  
Distinguished Members of the media  
Distinguished participants**

Let me begin by expressing how pleased the African Capacity Building Foundation is in co-organizing this important inter-ministerial round table with the Africa Union Commission (AUC) today. The significance of this forum cannot be over-emphasized.

**Perceptions about Africa have changed dramatically over the past 20 years.** Not long ago, terms such as ‘Africa rising’, ‘hopeful continent’, ‘second fastest growing region’, etc. have been used to describe the economic growth performance achieved by the continent.

**However, economic growth in Africa has been declining recently** with recent forecasts further casting a gloomy picture if nothing is done to address the situation.

The relatively *low economic growth performance is partly explained by the external environment* which is now becoming less supportive. For example, China—Africa’s largest bilateral trading partner—is experiencing a slowdown. Further, the **declining commodity prices**, an important source of revenues for African countries, is worsening the situation. The commodity prices index has declined from 210.09 in April 2011 to 90.73 in December 2015<sup>1</sup> implying that more commodities have to be produced for the same amount of revenue.

Moreover, other external factors such as **severe floods and droughts** experienced by African countries have also contributed to the relatively poor economic performance and have put significance pressures on public expenditures.

But internally, the key challenge has been the lack of capacity to anticipate, prevent and mitigate for such challenges.

**Madam Chairperson, honorable ministers and distinguished participants**

Most African economies are still heavily dependent on commodity exports and are hence vulnerable to sudden changes in commodity prices. For your appreciation, in 2012-2013, **out of 94 commodity-dependent developing countries, 45 were in Africa.**<sup>2</sup> Primary commodities basically dominate African exports: for **28 of the 38 African countries with recent data, primary commodities make up more than 60 percent of merchandise exports.**<sup>3</sup>

**Madam Chairperson**

When you bring droughts and floods in the picture, then the situation gets worse especially given the agrarian nature of most of our economies. As you will appreciate, droughts, floods, food insecurity and economic growth are interconnected. Droughts, floods, and other hazards do have negative impacts on agriculture, food availability, infrastructure, assets, and productive capacity. Research shows that Africa is viewed as **susceptible to land degradation and bears the greatest impact of drought and floods.** Two thirds of Africa is classified as deserts or dry lands and yet has the least of capacity to deal with these challenges.

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<sup>1</sup> International Monetary Fund, Primary Commodity Prices 2016; <http://www.imf.org/external/np/res/commod/index.aspx>

<sup>2</sup> UNCTAD. 2015. *The State of Commodity Dependence Report 2014*. United Nations, Geneva.

<sup>3</sup> UNDP. 2015. *Primary Commodity Booms and Busts: Emerging Lessons from sub-Saharan Africa*. United Nations Development Programme – Regional Bureau for Africa.

**Madam Chairperson, honorable ministers and distinguished participants**

The decline of commodity prices generally affects the pace of growth in household income, company profits, and government revenue. For the case of African countries, economic growth has declined from 5.7 percent in 2002 to 4.6 percent in 2015, and the **revenues by oil-exporting countries especially have been shrinking**. The revenues of oil-exporting countries (in percentage of the GDP) has been negative since 2014<sup>4</sup>

During the period 1990-2014, the **droughts that occurred in Africa affected over 261 million people and caused about US\$2.3 billion in average loss per affected country**. During the same period, **floods are estimated to have caused a total damage valued at US\$5.8 billion, affected 55.2 million people and caused 18,000 deaths**.<sup>5</sup>

Despite the negative impacts of declining commodity prices, and occurrence of droughts and floods in most parts of Africa, in some countries measures have been successfully developed to tackle the issues. This means that **with the right policies and the necessary capacities, it is possible to address the challenges**. This forum is hence critical in sharing the good practices of what works and doesn't in addressing these challenges.

African economies, especially those remaining highly dependent on commodities and the floods/droughts prone, need to be capacitated to undertake a **broad spectrum of policy measures to avoid and/or mitigate the impact** of the commodity price decline, and severe droughts/floods on their economies.

**Madam Chairperson, honorable ministers and distinguished participants**

**I wish to submit to this distinguished gathering, that capacity is the missing link in all this. Capacity** to successfully design, implement and monitor the policy measures and reforms in the areas under discussion. The 2015 Africa Capacity Report, ACBF's flagship publication, highlights that capacity, in its various dimensions, is still a problem for the continent. The Report shows that the bulk of African countries have medium capacity (73.3) with only 17.8 percent in the High bracket, while 8.9 percent are in the Low bracket. This is both with regard to policy design and implementation.

In this area specifically, the **capacity imperatives are mainly around** prediction and analysis of approaching risks/disasters, development and implementation of adaptation-mitigation responses, and monitoring and evaluation of the various programs and initiatives.

Talking about capacities, **in the short-term**, actions should be directed toward:

- building capacity targeting widening of the domestic tax base to finance investment and address social needs outside the commodity trade proceeds
- attract foreign capital for the development of the countries' productive capacity and infrastructure
- develop capacity for early warning systems, assessing damage and conducting capacity needs assessments.

In **the medium to long term**, capacity will be required to:

- implement structural policies aimed at improving productivity and promoting economic diversification

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<sup>4</sup> The African Economic Outlook 2015

<sup>5</sup> EM-DAT: the International Disaster Database. Centre for Research on the Epidemiology of Disasters-CRED; <http://www.emdat.be/database>

- build local human capacity and institutional capacity for detecting disasters and assessing damage
- promote effective collaboration among private sector, public sector and civil society
- tackle the infrastructure bottlenecks
- integrate flood/drought risk management into the national, regional and/or continental development agenda (Agenda 2063)
- have a comprehensive and one-stop database on the initiatives and data on commodity prices, droughts and floods related issues as well as appreciate 'what worked, what did not work, why.'

***Madam Chairperson, honorable ministers and distinguished participants***

Let me reiterate, that the bottom line is that capacity remains the missing link in addressing the challenges besetting most African countries in the areas under discussion.

With support of institutions that coordinate capacity development on the continent like ACBF, key stakeholders like the African Union and other thought leaders should adopt a strong principle that ensures that ***issues related to commodity prices, droughts and floods are well coordinated and domesticated*** when implementing the Agenda 2063 First Ten Year Implementation Plan and Agenda 2030 (SDGs).

Once again, the African Capacity Building Foundation (ACBF) stands ready to partner with the AUC and other stakeholders in supporting countries develop this capacity. More importantly, our 25 years' experience on the continent shows that we should not just build that capacity but craft strategies for retaining, harmonising, and utilising it on the continent. This is possible and is a must for the continent. All we need to deliver on this, is the political commitment and financial support.

**Thanks for your attention.**

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