Remarks by Omar Kabbaj,
President of the African Development Bank Group,
at the Closing Session of the Thirty-eighth Session of the Conference of
African Ministers of Finance, Planning and Economic Development

15 May 2005
Abuja, Nigeria
Introduction

Mr. Chairman,

The Executive Secretary of the United Nations Economic Commission for Africa, Honorable Ministers of Finance, Planning and Economic Development, Distinguished Guests,

Ladies and Gentlemen,

On behalf of the African Development Bank Group and on my own behalf, I wish to express my sincere appreciation for the opportunity offered to me to make a few closing remarks at this year’s ECA’s Conference of African Ministers of Finance, Planning, and Economic Development. I wish, in particular, to thank my friend and colleague Mr. K.Y. Amoako, the Executive Secretary of the ECA, for his kind personal invitation. We are pleased that as in the previous two years the ECA and the ADB have succeeded in holding their Annual Meetings back to back.

The topic of this year’s Conference – the Challenge of Achieving the Millennium Development Goals (MDGs) in Africa – is obviously one that is of central concern to all engaged in Africa’s development. I am certain that the discussions you have had these past two days have provided an opportunity for Honorable Ministers and invited guests to exchange views on the major challenges facing our Continent and the actions required to accelerate progress towards the MDGs. With your permission, let me join in this exchange by sharing with you our views on some of these key policy issues. Let me also take this opportunity to highlight the support that the African Development Bank is providing to its regional member countries as they strive to achieve the MDGs.

Your Excellencies,

During these last two days, I believe you have evaluated Africa’s progress towards the MDGs and discussed the findings of recent studies, such as that of the Report of the United Nations Millennium Development Project. These indicate that Africa -- and in particular Sub-Saharan Africa -- is the one region of the World that is unlikely to achieve the MDGs. Indeed, our own studies also confirm that except the
countries of North Africa and some in Southern Africa, few countries would be able to achieve the goal of reducing by half, by 2015, the number of people living in poverty. And while some countries may achieve some of the other MDGs, it is clear that most will find it difficult to do so, with some even falling further behind.

In the light of these findings, it is evident that our countries would need to take concerted and urgent action. And as poverty has many dimensions, we believe it is important that governments seek to address its different manifestations. In such efforts, we believe that our countries face three key policy challenges:

- The first is to accelerate economic growth, while at the same time ensuring that it is broad-based and it raises the incomes of the poor;
- The second is to increase investments in education and health, along with a concerted effort to improve the access of the poor as well as the efficiency and efficacy of service delivery; and
- The third is raising investment in other key sectors, such as infrastructure, as these can have a broad impact in helping countries achieve the MDGs.

As the Honorable Ministers are well aware, notable progress has been made in recent years in putting in place a more stable macroeconomic framework and in creating a more favourable environment for the growth of the private sector. An increasing number have also placed poverty reduction at the center of their development efforts, guided by the MDGs. Overall, these reform programs have had a positive impact. The average GDP growth rate for the continent has in the last five years risen to 4 per cent, reaching slightly above 5 per cent in 2004 – the highest in some eight years. Higher growth rates have been accompanied by improved macroeconomic stability across much of the Continent, as evidenced by declining inflation rates and much-reduced fiscal deficits.

Despite the improved economic performance, it is evident that the Continent’s overall GDP trend growth rate is still well below the 6-8 per cent generally accepted as necessary to achieve the MDGs. Efforts will therefore need to be made to raise growth rates to higher levels. We believe that this would require action on a number of fronts:
• *First*, we would encourage our countries to maintain the macroeconomic stability that they have succeeded in building in recent years by deepening their reform programs, with particular emphasis given to improving fiscal management;

• *Second*, it is critical that countries continue with their efforts to improve their business climates. This is essential to achieve higher levels of investment – both domestic and foreign – and to improve its efficiency. In such efforts there is a need to pay particular attention to legal and judicial reforms as well as financial sector reforms;

• *Third*, higher priority would need to be given to agricultural and rural development, in order to raise rural productivity and incomes;

• *Fourth*, small and medium-scale enterprises (SMEs) should be promoted, as these have proved effective vehicles for generating gainful employment and raising the incomes of the poor;

• *Fifth*, national development efforts would need to be complemented by further action to strengthen regional cooperation and integration arrangements. Although the NEPAD initiative has given a fresh impetus to such efforts, clearly more needs to be done. In particular, there is a need to streamline the numerous and overlapping regional cooperation arrangements and to remove the many barriers that still stand in the way of increased cross-border trade and investment.

Interventions to raise the incomes of the poor would need to be complemented by improving their access to key social services – such as education and health. In this regard, we would encourage our countries to:

• Maintain the trend towards increasing the share of public resources directed to education and health, with special focus given to primary education, basic health care, and the fight against the HIV/AIDS pandemic;

• Give greater attention to capacity building programs to develop the critical skills required;

• Review the regulatory framework to encourage greater private sector involvement; and

• Empower local communities in the management of these critical social services.
The third policy area that I would like to briefly touch on is the importance of adopting a comprehensive overview of the development challenge facing our countries so that economy-wide constraints that hold back progress are removed. In this vein, it is now generally acknowledged that the neglect of the infrastructure in the past decade has had adverse consequences. Similarly, capacity constraints are proving a major obstacle to achieving the MDGs. We would therefore encourage our countries to review their development programs -- in close collaboration with their partners -- to ensure a more optimal deployment of development resources.

**International Support to Africa to help it meet the MDGs**

Your Excellencies,

Africa’s efforts to accelerate progress towards the MDGs would need the full support of the international community if it is to succeed. And towards this end, the donor community has begun to increase its assistance, in line with the 2002 Monterrey Consensus. International assistance to Africa would need to encompass several dimensions and include higher levels of aid flows, debt relief, trade, and technical assistance.

In recent years, although ODA to Africa has begun to rise, it is still considerably below the levels generally agreed as needed to make progress towards the MDGs. In this regard, I may add that there is an emerging consensus on the need to double ODA to Africa. We would therefore call on the donor community to continue to scale up its assistance to Africa. We would also call on it to improve the effectiveness of ODA by implementing the harmonization and alignment agenda agreed at the Paris High Level Forum on Aid Effectiveness held in March of this year.

We believe that increasing ODA flows to Africa should be complemented by further debt relief, as this would release considerable resources to help meet the Millennium Development Goals. Although much has been accomplished in recent years as a result of the HIPC initiative and bilateral action, the external debt burden
remains high for a large number of countries. We would therefore urge the donor community to reach a consensus on a proposal put forward by the United Kingdom, and supported by a number of countries, for 100 per cent debt relief on debts owed to the international financial institutions. But as the United Kingdom has suggested, it is important to mobilize the required resources to finance the additional debt relief so as not to compromise the financial integrity of these institutions and, as important, to ensure the additionality of debt relief.

In the area of international trade, although the AGOA initiative of the United States and the Everything but Arms (EBA) initiative of the European Union have improved market access, there is still a need for further action. The agricultural subsidies of the industrial countries distort international markets for key African exports such as cotton, and African countries often face tariff escalation on the exports of processed and manufactured exports. The 2004 WTO July Framework, which sets out modalities for the elimination of protectionist measures and the reduction of subsidies, holds the promise of removing these barriers. We therefore urge all countries to build on the framework agreement and expedite the speedy conclusion of the Doha Development Round by the end of the year. We also urge Africa countries to continue to play an important role in these negotiations.

**The Role of the African Development Bank Group in Supporting the MDGs**

Your Excellencies

Before I conclude permit me to present to you the support that the African Development Bank is providing its regional member countries to help them make progress towards the MDGs. As you are aware, poverty reduction and achieving sustainable economic growth are now the over-arching objectives of Bank Group operations. Accordingly, the Bank views the Millennium Development Goals (MDGs) as essential benchmarks to assess the economic and social progress of its regional member countries, as well as its own contributions.

In the last few years, the Bank’ support has increasingly been aligned to the poverty reduction strategies of its regional member countries to ensure that it reflects
the needs of its clients and contributes to the achievement of the MDGs. And in line with its 1999 Vision Statement and its 2002 Strategic Plan, the Bank gives high priority, at the national level, to agriculture and rural development, health and education, and private sector development. At the regional level, it promotes regional cooperation and integration. In all its interventions, the Bank seeks to mainstream good governance, the promotion of gender equality, and sustainable management of natural resources.

The Bank Group has mobilized considerable resources to finance the development efforts of its low-income regional member countries. Since 1997, the African Development Fund (ADF), the concessional window of the Bank Group, has raised some $13.4 billion from ADF donors. In this connection, I am pleased to note that the tenth replenishment of the Fund (ADF-X) -- covering the period 2005-07 -- was concluded last December with a pledge of $5.4 billion, the highest in the history of the Fund. In addition, the Bank Group has mobilized a further $4 billion from the donor community to finance its debt relief operations under the HIPC Initiative.

The mobilization of these concessional resources, and regular operations through the ADB window for our credit-worthy countries, has enabled the Bank Group to channel considerable resources to its regional member countries. In 2004 alone, Bank group approvals for loans, grants, and debt relief operations reached approximately $4.4 billion, the highest level in the history of the Bank Group.

In addition to its regular operations and to assist its regional member countries face new challenges, the Bank has recently launched a number of initiatives:

- **First**, to help countries achieve the MDG for water and sanitation, the Bank has embarked on its *Rural Water Supply and Sanitation Initiative (RWSSI)*. This has the objective of accelerating access to sustainable safe water supply and basic sanitation in rural Africa, aiming to reach a coverage of 80 per cent by 2015. At the International Conference held in Paris last April, organized by the Bank and co-hosted by France, the Initiative won your endorsement as well as that of the donor community.

- **Second**, to help post-conflict countries clear their arrears with the Bank Group and help them re-engage with the international community -- as well as begin
their reconstruction efforts -- the Bank Group has established a Post-Conflict Countries Facility (PCCF) with resources mobilized from the net income of the Bank and from the African Development Fund. Two countries – Burundi and Congo – have benefited from the Facility and the Bank Group has started its regular operations in these countries.

- **Third**, at the request of the NEPAD Heads of State Implementation Committee, the Bank has assumed a leadership role in regional infrastructure and banking and financial standards and is also working closely with the ECA on governance issues. In addition, it is providing technical support to the NEPAD African Peer Review Mechanism. In regional infrastructure, it has drawn up a short term action plan, with investment costs estimated at $8 billion. A number of projects have already been approved, and approximately $2 billion has been mobilized, with over $500 million from the Bank’s own resources. A medium to long term strategic framework is also under preparation in close collaboration with the NEPAD Secretariat, the regional economic communities, the World Bank and the European Union.

- **Fourth**, the Bank has adopted a new strategy to promote private sector development. The new policy adopts a more holistic approach by providing support to the strengthening of the environment for private sector development, promoting indigenous entrepreneurship -- with a particular focus on small and medium enterprises -- and supporting public-private partnerships.

**Concluding Remarks**

Mr. Chairman,
Your Excellencies,
Ladies and Gentlemen,

Permit me to conclude by noting that the challenges facing African countries as they seek to accelerate progress towards the MDGs are indeed many and, in some respects, daunting. Yet, as the experience of a number of African countries has shown, significant improvements can be made in a relatively short time. Indeed, the progress that our countries are making in putting in place the policy frameworks needed for rapid economic and social progress, is
most heartening. We, therefore, encourage them to continue on this path and re-enforce their efforts. We also call on the international community to scale up its assistance to Africa. On its part, I would like to assure you that the African Development Bank stands ready to do its share.

I thank you for your kind attention.