
1. Good morning everyone. I am delighted to be here today with you all at this Third Financial Times Africa Summit 2016. It is great to see such an array of global thought leaders and partners in the development of Africa in this room today.

2. I wish to especially thank Lionel Barber, Editor of the Financial Times and the Board of Financial Times for the invitation to speak at this Summit.

3. As President of the African Development Bank – Africa’s Development Bank of choice – nothing excites me more than sharing my perspectives on Africa: a continent of great hope and opportunities.

4. African economies have shown impressive economic growth rates over the past ten years, averaging over 5 percent. This growth is largely attributed to macroeconomic stability, improved business and investment environment, better economic governance and political stability. The growth has, however, been driven by export of primary commodities.

5. The strength of the economic growth in Africa - the commodity price boom - also happens to be the weakness of African economies. After almost a decade of unprecedented high growth, many African countries have experienced a slowdown in recent years with the fall in commodity prices and a much weaker global economic environment.
6. As a result, economic growth rate in Africa has slowed to 3.6%.

7. The slower growth has triggered a wave of commentaries that the Africa rising story is over. That may be a convenient narrative for Afro-pessimists, but the facts do not support the premise that ‘Africa rising’ is over.

8. Despite the economic headwinds, African economies are still growing above the global average of 3.2%. Africa’s growth rate is much higher than the 1.7% growth of the Eurozone or the 2% growth rate in the US – yet no one is saying the EU or the US have collapsed.

9. Yes, even in these challenging times, the African Development Bank estimates show that 21 African countries are expected to grow above 5% in 2016. And an additional 19 countries are projected to grow at between 3% and 5%.

10. Things look even better when we take a regional perspective. Real GDP growth rate in East Africa is expected to be about 6.4% - the highest in Africa. West Africa is projected to grow at 4.3%, Central Africa at 3.9%, North Africa at 3.3%, with the slowest growth being in Southern Africa, largely due to recent economic challenges facing South Africa.

11. The evidence is clear: while overall growth is slower than expected, Africa is not falling apart. African economies are resilient!

12. Africa is still the second fastest growing destination in terms of foreign direct investments, second only to the Asia-Pacific region. Foreign direct
investments inflows to Africa are projected to reach $55-60 billion in 2016. The value of announced FDI investments in Greenfield projects totaled $29 billion in the first quarter of 2016 - 25% higher than the same period in 2015.

13. The FDI inflows are also becoming more diversified. Of the $71.3 billion of Greenfield announcements in 2015, the focus has mainly been in infrastructure such as electricity and transport ($37 billion), manufacturing, food and beverages and automotives ($19 billion).

14. Africa is also a fast growing market. By 2050, Africa will have the combined population of China and India today. Rapid urbanization and growth in the middle class population – estimated to increase from the current 350 million to close to 1.1 billion by 2060 – means that Africa would be a huge consumer market. Consumer spending in Africa is projected to double to $1.4 trillion by 2020. And recent McKinsey Report “Lions on the Move II” shows household consumer spending will rise to $2.1 trillion by 2025, while business to business spending is estimated to rise to $3.5 trillion by 2025.

15. Without any doubt, the African market will help to boost global growth: Africa cannot be ignored.

16. African governments are also making improvements in business reforms to attract more private sector investments. World Bank’s “Doing Business 2016 Report” showed that Sub-Saharan Africa accounted for more than 30% of the regulatory reforms in the world during 2014 and 2015. In fact, Sub-Saharan Africa was well ahead of Europe and Central Asia – a phenomenal achievement!
17. But to fully unlock these potentials in Africa, there is need to address a number of challenges that limit growth. Africa’s huge infrastructure gap still makes the cost of doing business high in several countries.

18. The biggest problem is electricity. About 45% of private firms in Africa see lack of electricity and the high cost of power as one of the major constraints to doing business.

19. Africa cannot develop in the dark. We must solve Africa’s electricity challenge – and do so, quickly.

20. That is why the African Development Bank has launched a New Deal on Energy for Africa. Our goal is to support governments and the private sector to accelerate the achievement of universal access to electricity over the next ten years. The Bank will be investing $12 billion in the energy sector over the next ten years. We expect to leverage an additional $45-50 billion into the energy sector.

21. The success of the M-KOPA in Kenya (and they are in this hall today) is one of the bright spots on this. They have succeeded in connecting over 400,000 homes to their pay-as-you-go solar systems in Kenya, Uganda and Tanzania. Scaling up M-KOPA to do ten times what it is doing today and further scaling that up 30 times across Africa, will connect 75 million people to off-grid systems within ten years. That is absolutely possible.
22. As Africa solves its power problem, it will open up great opportunities for industrialization. Africa must industrialize and add value to what it produces – and position itself to compete better in global value chains. New opportunities are emerging especially in light manufacturing, as global firms look for new locations for sourcing. With rising industrial wages in China, light manufacturing companies are looking for new locations for their global value chains.

23. Africa must develop a “high industrial readiness index” by accelerating investments in other critical infrastructure such as roads, ports and rail, aviation and ICT, which will position it as a competitive destination of choice. That way, it will take advantage of its abundant labor and much lower wage rates to attract labor-intensive light manufacturing global firms.

24. Success, however, will depend on putting in place sound industrial development policies. Some may say that industrial policies are often directed at picking winners. Well, who wants to pick losers? The role of a developmental state in supporting industrialization in Africa is therefore crucial.

25. Just look at the example from Ethiopia, with the rapid growth of its leather and apparel industries. With smart policies, Ethiopia is attracting top global firms and rapidly emerging as Africa’s top exporter of garment and leather products. Similarly, Morocco is making great inroads in expanding its automobile industry, which has become a major source of its exports.
26. But we must also take advantage of agriculture. The opportunities in Africa’s agriculture sector remain immense. There is absolutely no reason why Africa is a net food importing region, spending over $35 billion importing food. If nothing is done, this will rise to $110 billion by 2020.

27. Africa must feed itself – and Africa must become a global powerhouse in food and agriculture. With 65% of all the arable land left in the world to feed 9 billion people by 2050, Africa will have to feed the world.

28. And we must take agriculture as a business. To help unlock Africa’s potential in agriculture, the African Development Bank will invest US$ 24 billion in the agriculture sector over the next 10 years. That is 440% above our current level of investment in the sector. We will focus our support on promoting agro-allied industrialization, value-addition and export diversification.

29. But financing all of these will take significant amounts of resources. To meet financing needs, in an environment of declining foreign reserves, several countries have gone into the international capital markets to borrow. The number of countries with sovereign credit rating from Moody’s, Fitch or Standard & Poor increased from 10 in 2013 to 21 by 2014. During 2013-2015, African countries issued a total of about $21 billion worth of sovereign bonds. That is much higher than $5.9 billion in 2009-2012. Many were oversubscribed, showing investor confidence in African economies.

30. There has been a slow down of recent in terms of issuances of Eurobonds, especially due to rising interest rates and currency depreciation that raise the cost of debt service.
31. But let me be clear: African countries are not in a debt crisis. They have liquidity challenge. With debt to GDP ratio of 21% in 2015, the risk of debt distress in Africa is still low and is broadly manageable.

32. Greater focus will be needed to broaden the tax base in several countries, given that tax to GDP ratio in Africa remains low, at about 15%. African countries will need to tap into the growing pools of funds in domestic capital markets, with pension funds estimated at $334 billion, sovereign wealth funds of $162 billion and remittances worth over $62 billion.

33. Greater use should also be made of local currency bond issues. The integration of the financial markets will help to deepen investments across the region. That is why the African Development Bank set up the Africa Financial Markets Initiative to help integrate the stock exchanges across Africa and support local currency bond issues.

34. Regional integration is especially important to help Africa reduce its exposure to external economic shocks. Intra-Africa trade still accounts for only 15% of total trade in Africa. Greater regional trade will open up huge opportunities for industrial specialization. Investments in regional infrastructure will go a long way boost trade and economic activities. Free movement of people will also accelerate the integration of labor markets and promote more competitive service industries. For Africa must not always look outside: it must look increasingly within itself to build wealth.

35. So, let me summarize the way forward for Africa.
36. First, we must get the narrative right: African economies remain strong and resilient. Africa is not falling apart.

37. Second, African economies need to diversify more rapidly to reduce their exposure to commodity price volatilities.

38. Third, to boost growth, we must work to solve Africa’s infrastructure deficit – especially electricity.

39. Fourth, Africa represents the big market of the future to help pull global growth rates higher in future.

40. Finally, to achieve this, greater private sector investments and regional trade will be needed to further boost economic growth and development of Africa.

41. There is no doubt in my mind that I will see many of you in Africa, doing business, contributing to the development of the continent: the continent of hope and immense opportunities.

42. The African Development Bank looks forward to working with you.

43. Thank you for your kind attention. God bless you all.