Remarks at the Africa CEO Forum 2014

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When there is discussion around the African economy, there are so many different views – and here are four. The first view talks of 'Africa rising', whatever that may mean. The second view says yes, Africa may at last be growing fast, but no, this is another false dawn. We have been there before. The third view says that Africa is growing .... but whose Africa? Despite the growth, there are few jobs being created, and few opportunities – in short we are a long way to transformation. The fourth and last view is that Africa is not a country: it is 54 different economies, all so differently endowed.

I am sure you will hear all these versions – even here, this week, in Geneva. The reality is … that they all reflect a certain reality. One thing is certain though, and on this there is a broad consensus. People agree on the imperative of Africa moving up the regional and global value chains, and providing all the services associated with that. Take an Airbus aircraft, just for illustration. It is made in so many countries. Above all, see how the Europeans made economic integration a reality, with every country having a piece of the cake. Here we see only six countries. In reality the Airbus is made in more than 12 European countries. This is something that African leaders should reflect on when they speak about economic integration.

It goes a lot faster when everyone has a stake. Maybe we can start with that ubiquitous product, the minibus. Look at where it comes from now. Of course I can say the same for cocoa and coffee powder. These are things familiar to you. We know what it will take for Africa – from dealing with this debilitating energy deficiency across the board, to building skills, to building states which are committed to development rather than to rent-seeking. These are things you are discussing today and tomorrow. That is the heart of competitiveness.

Friends, let me refer to the Bank’s activities in the private sector. Over the last few years, the Bank has enhanced and ramped up its financing for Africa’s private sector tenfold. In doing so, there are basic principles which guide our work: strict adherence to sound banking principles; a good understanding of risk; and above all the quest for development effectiveness. That is why sometimes we go where eagles dare, and where others fear to tread, in order to open the doors. Along the way, we have learned lessons, both good and bad. What have we learned? Let me give you a couple of examples.

The first is that getting to closure on projects and deals takes time: it takes months, and sometimes over a year. As a result, there is often a gap between our levels of commitment and of disbursement. On an agribusiness project my team is working on in Eastern Africa – a project with the potential for outstanding development impact – we are faced with land disputes, and government’s limited capacity to resolve them quickly. In Mali, we were involved in the transformational Markalla
sugar project, worth a billion dollars. Mounting this project was not easy, but it was almost done .... when mayhem broke out in Mali, and the sponsors withdrew. I am hoping that – when the security problems are resolved – we can figure out how to restart this project.

On the other hand we have very good experiences, especially in the infrastructure space. Public Private Partnerships, as we all know, are not easy to get off the ground. We have seen this in the Dakar airport and the Dakar toll road: two projects on which the Bank is leading. We have shown that PPPs – though complex – need not be a zero sum game. On the contrary, they provide the conduit for synergies between private sector and public sector.

The second lesson we have learnt is how to provide robust risk mitigation instruments which can unlock complex projects. Such was the case in Kenya, in the Lake Turkana power project. Kenya, Sub-Saharan Africa’s fourth or fifth largest economy, is growing fast. But it needs more energy. It has a fairly well regulated energy sector, so that it can attract independent power producers to this, the largest wind farm in Africa. The Bank’s provision of a partial risk guaranty is what reassured both the sponsors and the national utility company. We are doing the same in Gabon and Nigeria, where we have provided a multi-million dollar guarantee to support the reform of the power sector.

We have also drawn lessons in crisis management. In 2008, the Bank was called upon to provide a counter-cyclical response to the financial crisis. We doubled our lending, reaching 12 billion dollars in 2009 – this made us the largest financier in Africa for that year. Part of the solution we provided was a one billion dollar trade finance programme to provide liquidity, as commercial bankers had told us that there was a gap in the market, and that trade was suffering. My staff are here this week to share with you our experience.

Going forward, I see four areas of emphasis. First, deepening capital markets to mobilise Africa’s own savings. Second, seeing Africa enter Global Value Chains, especially in the field of natural resources. Third, promoting financial inclusiveness by supporting women and small businesses. Fourth, finding innovative ways of funding our infrastructure needs. Indeed, dedicated units have been set up for the purpose. That includes ‘Africa50’, a dedicated infrastructure fund we are mounting, which you have heard about, and which staff will be sharing with you.

Friends, let me remind you that – last year at this Forum – I indicated my intention to put in place an external private sector advisory board. That board will meet at the upcoming annual meetings of the Bank in Kigali in May 2014.
Let me conclude by taking you back to the picture I showed you at the beginning. We are here to figure out how to take Africa to the next stage. From 'hopeless', to 'rising', to 'hopeful'. I am sure that *The Economist* will be listening to you for their next title cover page. I wish you fruitful discussions. The African Development Bank is proud to be your partner in this journey. Together we will take Africa to the next level.

Thank you.