OPENING REMARKS FOR OFFICIAL OPENING

FOR VICE PRESIDENT ELKHESHEN

WEDNESDAY MARCH 14TH 2012
9h30 a.m. – 11h00 a.m.
Introduction

On behalf of the President of the African Development Bank, Dr. Donald Kaberuka, I am honored to deliver these opening remarks to such a distinguished gathering.

Private sector development in Africa is, as we all know, a theme, which is gaining its rightful place within the global development agenda. As previous speakers before me have highlighted, we are here today to exchange views on how private sector development in Africa should become a cornerstone for sustainable growth.

Allow me, from the onset, to take this opportunity to thank the Parliamentarian Network of the International Monetary Fund (IMF) and the World Bank for this excellent initiative. I would also like to extend a special thanks to the participants, notably the Parliamentarians, for being here today.

Changing Landscape and Impact on Africa

In the context of a changing geopolitical and economic landscape, three key structural trends are likely to determine Africa’s dynamics with the rest of the world:
• Firstly, there will be a shift of global trade to developing countries and Africa will thus emerge as an additional growth pole;
• Secondly, projections show that by the year 2030, the number of truly wealthy individuals in developing countries will have surpassed those in advanced economies.
• Thirdly, it is expected that there will be increasing volatility and long term decline in commodity prices.

As part of this changing landscape, Africa will continue to consolidate gains achieved on the economic front. However, countries that are emerging from conflict will pose a particular challenge in maintaining this momentum. These countries will require significant support in the building of institutions and enhancing of capacities.

**Protecting Africa Against External Shocks**

In this context, an area which will require specific attention is the current lack of economic diversification. This continues to expose the Continent to external shocks, and will have to be addressed. Opportunities for technology acquisition and new markets presented by enhanced South-South cooperation should thus be explored. The private sector will be critical in making the requisite investments in new areas.

The ongoing regional integration processes will be given renewed momentum with a view to facilitating free movement of persons, goods,
services and capital. This will also help in eliminating tariff and non-tariff barriers to trade. In so doing, opportunities for trade and investment will no longer be constrained by size or artificial borders. Initiatives such as the ongoing work towards the establishment of an “EAC-SADC-COMESA” Tripartite Free Trade Area will yield significant benefits.

Role of the Private Sector in the Growth-Poverty Reduction Nexus

It is evident that the African continent can only make inroads in the fight against poverty when robust and sustainable growth rates are attained over time. Growth, however, is an insufficient condition for poverty reduction. Indeed, to have any meaningful impact, growth must be inclusive and broad-based.

In the run up to the global economic meltdown, Africa recorded an average growth rate of around 5 to 6 percent, with many countries consistently achieving double digit growth rates. This did not have the desired impact of creating jobs and significantly reducing poverty. The phenomenon of “jobless growth” has become a cause for major concern. However, the broad-based employment generation capacity of the private sector, offers the Continent one of the most sustainable ways to achieve inclusive growth. Between 1996 and 2008, the private sector accounted for two thirds of African investments and close to 80% of
consumption. In addition, today, nine out of ten workers on the Continent are employed in the private sector.

Another concern, though, is that the majority of these workers operate outside the formal sector. Not only does this leave untapped domestic resource mobilization opportunities, but reduces the ability of these workers to fully benefit from private sector reforms. Hence the urgent need for us to collectively address the issues of informality.

Any growth strategy for Africa must therefore give a prominent role to the private sector. The public sector must continue to provide the necessary supportive role by creating the enabling environment for doing business. For instance, the substantial opportunities that exist within the framework of public-private partnership arrangements must be leveraged.

**Development Finance**

As I mentioned earlier on, Africa is emerging as an additional growth pole. In practical terms, this implies that new opportunities for financing are emerging. The Continent will continue to offer high returns on investment and increasingly become a favored destination for Foreign Direct Investment (FDI) due to progress in improving the business climate. Efforts of countries such as Rwanda will continue to improve the business climate in Africa.
Rwanda has consistently recorded significant improvements in its business environment, as confirmed by consecutive Doing Business Reports published by the World Bank. The rest of the Continent is not relenting either. The 2011 Report, for example, showed that a third of the most improved economies are from Africa. The 2012 Report paints a similarly positive picture of reform efforts across the Continent. These efforts will result in Africa accounting for significant shares of global investment flows and an important source of growth and development.

**The Role of the AfDB in Private Sector Development**

As Africa’s premier international financial institution, the African Development Bank is increasing its focus on **promoting inclusive growth through private sector development**.

We will continue to support our Regional Member Countries in creating an environment where the **legal and regulatory framework accelerate rather than impede business development**. To this end, the African Development Bank is fully supportive of reforms and investments that catalyze commercial financing.

In recent years, we have increased the focus on the business enabling environment within our public sector operations. Between 2007 and 2010, 54% of the total number of our policy-based operations and 48%
of our institutional capacity building operations supported the business enabling environment.

The African Development Bank also continues to scale up its efforts in addressing **infrastructure bottlenecks**, one of the critical impediments to private sector development on the Continent.

During 2009 to 2011, we provided some USD 1.5 billion to develop the Continent’s public infrastructure. Examples of interventions in support of infrastructure include:

- Financing a wind energy project in Cape Verde;
- Financing a power plant in Rwanda, which extracts methane from Lake Kivu; and
- We have also helped finance port expansions in Togo and Senegal, as well as an oil refinery in Egypt.

Such efforts will continue in the foreseeable future.

**The Role of Parliamentarians in Private Sector Development**

Honorable Parliamentarians here today: you have probably heard these messages before. We are certainly not here to waste your time.

As the lawmakers and representatives of the people, Parliamentarians have an instrumental role to play in the Continent’s private sector development.
The channels for Parliamentarians to support private sector development are many:

- Sensitizing the electorate to ensure a clear understanding of the various reform measures and the need to support such efforts;
- Providing effective oversight to address key issues such as corruption as well as good economic and financial governance; and
- Lead in efforts to ratify critical Conventions, which impact private sector development and investment.

The engagement of Parliamentarians, as the law makers, to push forward the private sector development agenda is therefore critical.

**Conclusion**

In conclusion, I wish to reiterate that there is need to maintain efforts to build competitive companies, improve the investment climate, and further promote regional integration. I therefore encourage all stakeholders, including Parliamentarians, to support such initiatives and sustain this current momentum.

I thank you for your attention.