Dinner in Honor of the Governors of the African Development Bank

Speech delivered by President Akinwumi Adesina

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Dear Governors, Board of Directors, staff colleagues, ladies and gentlemen. Let me thank you all for your strong interest in and support for the African Development Bank. I wish to also thank you all for your electing me as President of the African Development Bank. I assumed office on September 1, 2015. I will continue to need your support in the years ahead. And the challenges will be immense in the years ahead, especially as we move from the Millennium Development Goals to the Sustainable Development Goals.

Nowhere is the need to meet the SDGs more critical than in Africa. In my meeting with the UN Secretary General, Ban Ki-Moon, in New York during the UN General Assembly, he noted “the SDGs will not be successful unless they are first successful in Africa”. There is no doubt that Africa has witnessed significant progress under the MDGs. The per capita income on the continent increased from $733 to $2,300 between 2000 and 2015 – a more than three fold increase. Yet, this has not so much translated into a major reduction in the number of poor people on the continent. The growth has been largely unequal, with inequality rising between countries and across countries.

African countries face increasing pressure from high demographic shifts, with the projected population of the continent expected to rise from 1.2 billion to 2.5 billion by 2050. Demands on the cities will rise, as 60% of the population is expected to live in the cities by 2050, which will put enormous pressures on the need for infrastructure to make the cities more resilient, especially water, sanitation, energy and transport systems, as well as need to create more quality jobs.

Africa’s rising youth population presents a huge challenge. Over 15 million young people enter the labor market but unable to find jobs. Youths constitute some 70% of the unemployed and over 70% of them live on less than $ 2 dollars per day.

The ADB will support African countries to address several of these challenges. Our ten-year strategy has prepared us well to address these challenges, and especially to deal with the issues of fragile states, through the twin focus on inclusive and green growth. Much has been accomplished and a lot more still needs to be done.

To deliver more, the Bank must have greater focus. We are now refreshing the 10-year strategy to more sharply focus the work of the Bank to deliver on inclusive and green growth.

To more sharply focus and ensure greater developmental impacts of the work of the Bank, I have decided to prioritize 5 major areas, all of which will accelerate our delivery for Africa. These top 5 are: light up and power Africa. Feed Africa. Industrialize Africa. Integrate Africa. And improved quality of life for the people of Africa.

Lack of energy is the most critical constraint limiting growth and development. Without power Africa cannot industrialize, small and medium size businesses cannot grow, and jobs cannot be created. With over 645 million people without electricity and some 700 million without access to clean cooking energy – and with 600,000 dying each year from indoor air pollution – there is an urgent need to light up and power Africa. No mother or child should die from simply trying to cook decent meals.

Africa must no longer be defined by the darkness of its cities and rural areas. This is why the Bank will launch the New Deal on Energy for Africa to accelerate universal access to energy in Africa by 2025. Within two weeks of my assumption of duty, I called for a high-level meeting of all the major actors and partners working on energy in Africa.
The meeting, which was attended by Prime Ministers, Ministers, private sector and development partners, endorsed the bold vision of the Bank to support countries to accelerate access to electricity. The Prime Minister of Cote d’Ivoire, the Prime Minister of Benin and the Prime Minister of the DRC were unanimous in welcoming the Bank’s new engagement on energy. President Boni of Benin called energy the “alpha and omega” of Africa’s development.

The Bank will work with all partners to launch this New Deal for Energy for Africa. To do so, the Bank is currently working on the development of a Transformative Partnership for Energy in Africa, which will help coordinate and sharply focus the several initiatives on energy in Africa, so that together we deliver greater impacts for Africa. We expect to have ready the New Deal on Energy by December 2015. We will support African countries to develop their conventional and renewable energy potentials and deliver the right mix of energy, as we transition over time to cleaner energy mixes.

The Bank has also worked with the Africa Union and the G7 in the past month to support the development of the Africa Renewable Energy Initiative, which will help to unlock the huge renewable energy potential of Africa. The Bank has been designated to host this important initiative and champion it with the African Union and the African Ministerial Conference on Environment, during the Conference of Parties 21 in Paris in December. The Bank is currently co-developing a Bottom of the pyramid energy financing facility for Africa that will provide access to clean cooking energy for 700 million Africans within the next 10 years.

We have started work on revising the Bank’s strategy for agriculture. Unlocking the huge agricultural potential of Africa is critical to help African countries to diversify their economies, reduce the high dependency on food imports, create much needed jobs in rural areas, revive rural economies, and provide macroeconomic and fiscal stability. That is why I have announced that the Bank will significantly expand its investment in agriculture, agribusiness and rural development. I have called for a high-level meeting of African ministers of agriculture, ministers of finance and Central Bank governors, private sector, development partners, farmers and the civil society to map out new directions for transforming agriculture in Africa. The Bank expects to have a new strategy for driving agriculture as a business to lift millions out of poverty, by the end of this year. We are building strategic partnerships with the FAO, IFAD, WFP, the Africa Union, UNIDO and the ECA to deliver a fresh approach to financing agriculture to accelerate food security and turn Africa into a global powerhouse in food and agriculture within 10 years.

I am saddened when I look at the situation in Europe today, with the migration crisis. Our youths in Africa, the future of the continent, die on boats, getting out of Africa. The migration crisis is not a problem of Europe. It is a manifestation of structural problems in the nature of the growth process in Africa: growth without jobs. That is why by focusing on solving Africa’s energy challenge and driving agriculture, and by providing greater support to SMEs, and supporting industrialization in Africa to move countries up the global value chain ladders, we will be able to create much needed jobs that will keep young Africans on the continent.

The Bank is currently working with the African Union and the Economic Commission for Africa, and in partnership with the ILO, to develop a new plan for jobs creation for the youth across all regional member countries. This plan, which will further build on the work of the Bank on knowledge and skills development, will provide new opportunities to enhance the skills, entrepreneurship of the youth, including greater focus on vocational training and reform of the educational systems to address labor market needs.

I have had discussions with several of our partners from Europe, and this afternoon with the EU Commissioner for International Cooperation and Development.
The Bank needs to better respond to the needs of its member countries and the private sector. To do so, we will be closer to our clients. I am very supportive of the decentralization of the bank. We will deepen this. But the most critical issue will not be where we are, but how we work. We must deliver more, be more cost effective, and show impacts on the lives of people. We will deliver faster, at scale, and work in strategic partnerships on co-financing major projects.

The Bank is currently developing a new business model that will allow it to grow its business, expand its revenue over time. The new business model will be ready by early next year. We will do the best we can to rationalize on costs, but this is not where the future of the Bank is. The future of the Bank is to grow its business and expand its revenue. We are not a philanthropic organization. The Bank must cover the cost of its operations.

Work has started and will be accelerated on internal reforms. I will soon put in place new leadership teams for the Bank. My goal is to improve operational effectiveness and efficiency. We will deepen a performance and merit based culture and we will position the Bank as the employer of choice in Africa. We will significantly cut back on the bureaucratic processes that do not add value, but slow down the ability of the bank to be responsive to the needs of its clients. In this regard, I will be issuing new Presidential directives that will ramp up our internal efficiencies and effectiveness in project preparation and disbursements. In this regard, we will clean up our portfolio. Approved projects that have not been disbursed after 6 months following approval will no longer be allowed. I seek the understanding of the Governors on this. The Bank can only improve its financial health if it disburses funds.

The Bank will put a lot of emphasis on efforts to support African countries to address the challenge of climate change. We will ramp up support for climate risk management, building resilience, especially through new collaborative arrangements with the Africa Risk Capacity, as well as with the Green Climate Fund. I announced yesterday at the Ministerial meeting on climate finance that the Bank would triple its climate finance to reach $5 billion annually by 2020, with climate financing accounting for 40% of the Bank portfolio. We will support the fragile states to reduce vulnerabilities. We are providing support for African countries, especially the African Group of Negotiators, to deliver a strong African position at COP 21 in Paris: Africa needs more climate finance for adaptation and mitigation.

I am pleased to inform you that the Bank received a confirmation of its Triple A rating by the rating agencies. We will continue to work to improve the quality of our non-sovereign operations. I will be establishing a high-level panel of eminent persons with global experience on private sector, to advise the bank as we grow our private sector operations to ensure appropriate portfolio risk management – and that our operations support the development of value chains in critical industries and sectors.

We will deepen strategic partnerships with other MDBs to leverage our balance sheets in creative ways that allow us to do more, together, while optimizing our risk capital. The MDB risk sharing arrangement between the ADB, World Bank and the Inter-American Development Bank will be concluded by December. This will allow the Bank to reduce its risk concentration in North Africa and provide over $5 billion in new lending from our risk capital. That way, we can do more for our member countries.

The Bank is mindful of some of the economic headwinds facing Africa, especially from the sharp fall and volatility of commodity prices. Current account deficits and fiscal deficits are rising for countries that have high exposures to export of commodities. If expectation of interest rate rise in the US materializes, it will put further pressure on emerging markets and raise the cost of financing foreign currency bonds that many African countries have issued.
The Bank will continue to support countries through our economic governance programs to strengthen better management of Africa’s vast natural resources, deepen macroeconomic and fiscal management and expand revenue collection through better tax policies and tax administration. This is why we seek your continued strong support for the Africa Legal Facility and the Natural Resources Center, to strengthen capacities of countries to negotiate contracts and royalties – getting the most from their natural resources. The Bank will support countries to add value to all their natural resources and end the trend of exporting of primary commodities.

And we will do more for women on the continent. I have already directed the Special Envoy on Gender to put emphasis on three critical areas: 1) affirmative finance action for women in Africa, which will involve working with banks and microfinance institutions to triple lending to women and women-owned businesses; 2). Special focus on women farmers, and 3) special focus on reaching million of women with clean cooking energy within the next three years. I intend to significantly increase the number of women in senior leadership positions in the Bank. I started this already, with the appointment of Dr. Sipho Moyo, from Zimbabwe, as my Chief of Staff and Director of Cabinet.

Let me close by thanking you all for your support for the African Development Bank. Your support will continue to be critical as we position the Bank as a world-class institution that will drive greater impacts for Africa. As we look to the ADF 14 mid-term review, and to the ADF 14 replenishment, I wish to ask for your strong support for the Bank.

We cannot do all these alone. We need your support – together we can do more. And together, we will execute and deliver transformative impacts on the ground across Africa.

Your increased support will allow the Bank to meet the greater needs of Africa to deliver on the Sustainable Development Goals. Let us raise the level of our aspiration for Africa. The Bank – your Bank - is ready to meet those aspirations with your expanded support. I look forward to welcoming you all to the Bank’s Annual Meeting in Zambia.

Thank you very much.