



AFRICAN DEVELOPMENT BANK GROUP

Remarks at Africa Ireland Economic Forum

Economic Developments and Opportunities in Africa Delivering on SDGs - A plan of action for people, planet and prosperity

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**Dublin
17 June 2016**

Your Excellences, Ms. Mary Mitchell-O’Connor, Minister for Jobs, Enterprise and Innovation; Minister Joe McHugh, Minister of State for the Diaspora and International Development

Your Excellences, Members of the Diplomatic Corps;

Captains of Industry; Members of the Press

Distinguished guests,

Ladies and Gentlemen,

I am honored to represent the President of the AfDB and to speak today at this gathering of eminent leaders on the theme of this meeting: Economic Developments and Opportunities in Africa. I have taken the liberty to add to that “Delivering on the SDGs – a plan of action for people, planet and prosperity.” That is indeed our mission at the African Development Bank.

Let me take a minute to say a few words about the African Development Bank Group. The African Development Bank has been the trusted continental development institution for Africa since its establishment over 50 years ago. It currently boasts of 80 member countries, including all African countries and 26 non-African countries in Europe, the Americas, Middle East and Asia. The African Development Bank enjoys AAA ratings from all the international rating agencies, thanks to its strong financial profile and membership support. We have one mission and one mission only: the social and economic transformation of Africa. Ireland has long

history of partnership with Africa; we look forward to the opportunity to welcoming Ireland as a member of the African Development Bank Group, to further support and scale up Africa's transformation.

So, is Africa still rising? For more than a decade the continent witnessed average GDP growth rates of over 5%, driven by strong macroeconomic stability, high demand for exported minerals, metals and oil and gas, and favorable terms of trade. Annual FDI inflows increased from about \$ 10 billion in 2000 to \$54 billion by 2015. Remittances also grew from about \$38 billion in 2005 to \$64 billion in 2014.

Recent growth trajectories have been more challenging with the sharp decline in commodity prices. Growth slowed to 3.6% in 2015. Yet, Africa is growing above the 3.2% global economic growth rate, and remains the second fastest economy in the world, second only to East Asia. African economies are not falling apart - they are resilient. The challenge is the growth rate is far less than needed to achieve the SDGs.

The Sustainable Development Goals, agreed in New York last September, provide a historic opportunity to eradicate extreme poverty from the planet and to chart a course for global development and transformation. Higher economic growth and resilience will be critical for achieving the SDGs in Africa. In the words of UN Secretary General Ban-Ki Moon "if the SDGs are to be successful, they must succeed first in Africa". Absolutely spot on – Africa is the key battleground for the SDGs! I believe strongly that the SDGs are achievable but will require all of us to work together in concert to

support global transformation. I am happy to note that this point is fully acknowledged in Ireland's Africa Strategy.

In the face of these challenges, what are we doing at the African Development Bank to ensure that Africa continues to rise and to achieve the SDGs? The African Development Bank has launched a program focusing on five (5) priority areas - we call them the High5s - to support Africa's development, as follows:

1. *Light Up and Power Africa*
2. *Feed Africa*
3. *Industrialize Africa*
4. *Integrate Africa; and*
5. *Improve the Quality of Life for Africans.*

These five interdependent priority areas are not only central to the Bank's Ten Year Strategy, but also intrinsically linked to the SDGs and the global commitments made on climate change. To meet the SDGs, investments in these priority areas are expected to have a transformative impact on African economies, offering new hope for the younger generations and contributing to halt the migration flows that have been draining African youth out of the continent for decades. Let me add that they also offer significant opportunities for profitable investments.

1. Light up and Power Africa: Regular supply of power, which is taken for granted in developed countries, is a luxury in Africa – in the 21st century. Today, over 645 million Africans do not have access to electricity – and 700 million go without access to clean cooking energy, with 600,000 dying each

year from indoor pollution from reliance on biomass for cooking. Africa is simply tired of being in the dark. It is time to take decisive action and turn around this narrative: to light up and power Africa – and accelerate the pace of economic transformation, unlock the potential of businesses, and drive much-needed industrialization to create jobs.

To help respond to this challenge, the African Development Bank has developed the New Deal on Energy for Africa and launched the Transformative Partnership on Energy for Africa. The goal of the New Deal on Energy for Africa is to accelerate universal access to electricity in Africa by 2025. The goal is to add 160 GW of new generation capacity via the grid, deliver 130 million new grid connections and 75 million off-grid connections. Yes, the ambition is high – and it should be: we must not have low ambitions for Africa.

The African Development Bank plans to invest \$12 billion in the energy sector over the next five years and leverage \$40-50 billion into the energy sector.

2. Feed Africa: With 65% of all the arable land left in the world to feed 9 billion people by 2050, Africa has the capacity to feed the world yet is a net importer of food - some \$35 billion in 2015 alone. In supporting the agriculture sector, the Bank is placing special emphasis on women farmers and we have launched a \$3 billion Affirmative Finance Action for Women Program to support women entrepreneurs across the continent.

We must revive Africa's rural economy. The Bank is accelerating support for agricultural transformation across Africa – while building resilience to

climate change – to fully unlock the potential of agriculture, to lower food prices, save scarce foreign exchange, increase foreign exchange earnings, and strengthen macroeconomic and fiscal stability – and in particular, create jobs for hundreds of millions of Africans. We must change our approach to agriculture. Agriculture, across Africa, must now be treated as a business and not as a way of life – if the continent is to generate wealth and rapidly diversify our economies.

3. Industrialize Africa: There is an urgent need for Africa to rapidly diversify its economies – and add value to everything that it produces. Africa currently accounts for just 1.9% of global manufacturing. Exporting raw materials only leads to vulnerability – no nation or region has succeeded by simply exporting primary commodities. Africa must create industrial growth engines that will propel it to become competitive in manufacturing. I am pleased to note that several countries are already moving in this direction – such as Ethiopia and Rwanda. The Bank will support the development of the private sector and financial market development in its quest for rapid industrialization of Africa so that the continent can eventually move to the top of global value chains.

4. Integrate Africa: Breaking down the barriers separating countries and expanding the size of our markets have been at the core of the mandate of the African Development Bank since its creation over 50 years ago. The Continental Free Trade Area initiative will strengthen trade in goods, services and enhance integration of financial and labor markets. The Bank will continue to invest significantly in high quality regional infrastructure – especially rail, transnational highways, power

interconnections, information and communications, air and maritime transport. In February 2016, we launched the first Africa Visa Openness Index and the findings indicate that African borders still remain closed to African travelers. Easing travel across the continent will reduce the cost of doing business and boost private sector activity.

5. Improve the quality of life for Africans: Africans must see the benefit of growth and democracy in their daily lives. The Bank will accelerate investments in education, vocational training and skills development. We will grow the next generation of the knowledge-work force for the continent. We will also continue to invest in improving access to basic services such as water and sanitation. The Ebola crisis was a wakeup call for the continent and the Bank: we must invest heavily in public healthcare institutions and systems. And we must ensure that we address the challenges of rapid urbanization, especially for urban housing to ensure a slum-free Africa.

But it is especially important that we create jobs for Africa's youth. There are nearly 420 million young Africans between the ages of 15 and 35 today. Within ten years, Africa will be home to one-fifth of all youth worldwide. These millions of young people are sources of ingenuity and engines of productivity that – if carefully cultivated – could ignite a new age of inclusive prosperity on the continent. Africa's pervasive lack of economic opportunity for the youth also fuels migration. Sometimes it is internal migration, where the youth leave rural areas for urban centers, putting a strain on our cities and still not finding opportunity. Sometimes it is external migration to Europe and beyond. The African Development Bank has launched the Jobs

for Africa's Youth Initiative - which will work across all African countries - with the goal of reaching 50 million youths over a 10-year period and stimulate the creation of 25 million jobs. We will keep Africa's youth in Africa by expanding economic opportunities. This will help Africa to turn its demographic asset into an economic dividend.

In addition to the five areas I have mentioned above, there are a few cross cutting areas of critical importance to the Bank's work in helping Africa achieve the SDGs.

The first is climate change. In November last year, the world agreed on a very ambitious agenda to limit global warming to 2 degrees Celsius under the auspices of COP21, reflecting the planets collective determination to reduce carbon emissions and avoid environmental and climate change disasters. While Africa accounts for only 2% of global greenhouse emissions, it is predicted to suffer the most from the impacts of climate change. From increased frequency of droughts in the Sahel, to floods in the small island states, livelihoods of hundreds of millions are at risk. Poor households and vulnerable populations will bear the brunt of this, as a vicious cycle links climate impact to rural poverty and fragility. Africa, which is already short-changed on climate change, must not be short-changed on climate finance. The cost of climate change for the continent is estimated to reach USD 45-50 billion per year by 2040 and up to 7 percent of Africa's annual GDP on average by 2100. Africa needs more climate finance for adaptation and mitigation.

The Bank is putting a lot of emphasis on efforts to support African countries to address the challenge of climate change. We are ramping 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. The Bank announced at the Ministerial Meeting on Climate Finance in Lima, Peru, that the Bank would triple its climate finance to reach \$5 billion annually by 2020, with climate financing accounting for 40% of the Bank's annual lending. The Bank has already worked with the African Ministerial Conference on the Environment and the African Union with strong support from the G7 to develop and launched the Africa Renewable Energy Initiative at COP21 in Paris.

The second area is gender. The Bank's Gender Strategy 2014-2018, set out our institutional commitment to reduce gender inequalities by strengthening women's legal status and property rights, promoting women's economic empowerment, and enhancing knowledge management and capacity building" on gender equality. We launched the African Gender Equality Index in 2015, which has been influential in promoting the gender agenda, providing cross-country data on key gender indicators and giving a more robust picture of gender inequalities across Africa. And we will do more for women, especially in three 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) Emphasis on reaching millions of women with clean cooking energy within the next three years.

The third area is improving governance. Most African countries, including those facing situations of fragility, have improved their governance since the beginning of the millennium. Many countries have taken important strides to improve fiscal frameworks and public financial management systems. Despite this progress, governance issues such as corruption, lack of transparency, and accountability, remain pervasive concerns in many African countries, undermining social, economic and political progress at many levels.

The Bank will continue to support countries through our economic governance programs to strengthen better management of Africa's vast natural resources, to deepen macroeconomic and fiscal management and to expand revenue collection through better tax policies and tax administration. A few years ago we established the Africa Legal Support Facility to strengthen capacities to negotiate fair and sustainable contracts – a win/win for countries and investors. More recently we also established the Africa Natural Resources Center, to help countries get 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. I will be happy to pursue conversations on how you can be part of these important initiatives.

Finally, the fourth area is fragility, and about 300 million people across the continent live in an environment of fragility. Fragile economies experience disproportionate economic, social, gender and environmental costs that exacerbate already existing structural constraints, such as lack of

economic diversification and limited human and institutional capacity. Humanitarian catastrophes are an extreme symptom of fragility and over the past two years more than 56 million people in Africa have required humanitarian assistance. It is estimated that more than 17 million Africans are displaced across the continent with women and children being the most vulnerable and at risk. Current trends suggest that poverty will be increasingly concentrated in countries in fragile situations, who will require more attention and resources to achieve the SDGs and break the fragility trap. Official development aid numbers show that many of these countries continue to be 'aid orphans', with their combined aid representing around half of the amount received by non-fragile countries.

With the number of fragile situations increasing over the past few years, the Bank will need to play a major role in reversing this trend and boost its interventions in order to reduce the risk of reversal. The Bank considerably deepened its engagement in these countries and its engagement is defined within the context of a new Strategy for addressing Fragility and Building Resilience in Africa.

Conclusion

So, is Africa rising? Absolutely, even though the rate of growth has slowed a bit we expect many of the fastest growing countries in the world to be in Africa. A core message from the Financing for Development Summit held a year ago in Addis Ababa is that financing the SDGs in Africa and indeed across the world is far beyond the capacity of any one organization and will require global partnerships. In particular, a central challenge is how to enhance collaboration between the public and the private sector in order to

unleash the private sectors vast potential as an engine for transformation and inclusive and shared growth. In that regard, the African Development Bank looks to systematically leverage its own resources and become a catalyst for significantly scaled up development finance for Africa.

The five priority areas that I talked about not only address huge unmet needs in Africa, but also represent equally huge opportunities for mutually beneficial partnerships with Ireland and the Irish private sector, to help transform Africa and, in so doing, help attain the global SDG agenda - for people, the planet and for prosperity - and there is a bonus - for many of the areas, for profit as well. As said to Minister Joe McHugh by an Irish school girl, there is no Planet B!

Thank you very much for associating the African Development Bank with this wonderful event and for your kind attention.