

The African Development Bank Group



Welcoming Address by Omar Kabbaj,
President of the African Development Bank Group,
at the Opening Session of the 2003 ADB Annual Meetings Symposium
on
*“Poverty Reduction, Social Development, and the Millennium Development
Goals in Africa: Are we Making Progress on the Ground?”*

2nd June 2003
Addis Ababa, Ethiopia

Introduction

Your Excellency President Mamadou Tanja,

Your Excellency Prime Minister Meles Zenawi,

[Mr. Amara Essy, the Acting President of the African Union]

Mr. K.Y. Amoako, the Executive Secretary of the UN Commission for Africa,

Honorable Governors,

Distinguished Symposium Invitees and Participants,

Ladies and Gentlemen,

On behalf of the African Development Bank Group, and on my own behalf, it is a great pleasure to welcome you all to the 2003 Annual Meetings Symposium. We are privileged to have in our midst today His Excellency President Mamadou Tanja of Niger and our host, Prime Minister Meles Zenawi, who has kindly agreed to be with us again this year.

Mr. President and Mr. Prime Minister, let me, on behalf of all participants, express our profound appreciation to you both for honoring us with your participation in the Symposium. We look forward to your interventions and your perspectives on the great development challenges facing your countries as well as our continent.

I wish also to thank my good friend and colleague, Mr. Amoako, the Executive Secretary of the Economic Commission for Africa (ECA), with whom this year's Symposium is being jointly organized. I am glad to note that the continuing cooperation between our two institutions has borne many fruitful results, as we work together in tackling the critical challenges facing our continent.

I would also like to express our gratitude to our Honorable Governors and our other invitees from the public and private sectors, as well as from civil society, who have accepted to take part. We do indeed appreciate your being here with us today and we look forward to your valuable contributions.

Your Excellencies,
Ladies and Gentlemen,

As in previous years, this year's Symposium focuses on a subject of topical interest to our regional member countries and development partners. The issue of poverty reduction and social development, and the progress that Africa is making towards the Millennium Development Goals (MDGs,) are clearly at the center of our development agenda. This is reflected by the fact that many of our countries have placed poverty reduction and sustainable economic growth as the main objectives of their development efforts, as evidenced in their Poverty Reduction Strategy Papers (PRSPs). Moreover, they are putting in place the required macroeconomic framework and structural policies to foster economic growth. In addition, increased public resources are being allocated to the education and health sectors to promote human capital development. Yet, despite the progress, there is much skepticism about these efforts reaching the poor and the noticeable improvements taking place on the ground.

It is in the light of these concerns that we have devoted this year's Symposium to discussing these issues. We are confident that in the course of the day we will have an opportunity to debate and exchange views on where our countries stand in their efforts to achieve the Millennium Development Goals. The Symposium should also allow us to determine what more needs to be done by our countries, and what additional policies they could consider, to improve the probability of attaining these goals.

In choosing this subject, our aim is also to focus attention not only on the need for concerted action within Africa but internationally as well. The Symposium should therefore not only assess what our countries have achieved - or failed to achieve -- it should also review the progress that is being made in building the new international partnership that must underpin national efforts.

While the Symposium will discuss all these topics in some detail, permit me to raise and highlight a few of the issues. I wish, in particular, to share with you our perspectives on where our countries stand in relation to the MDGs, and some of the most important policies that they and their development partners may wish to consider in the efforts to attain them. I will conclude by outlining the actions that the African Development Bank has taken in support of the development efforts of our regional member countries to attain their development objectives. Permit me first, however, to highlight what we believe is the significance of the MDGs.

The Significance of the MDGs

Your Excellencies,
Ladies and Gentlemen,

In our view, the Millennium Development Goals have enormous import for both the developed and the developing world. They represent our common aspirations of human betterment as they aim to reduce income-poverty and its social manifestations, including poor health and inadequate education opportunities. And as a universally agreed agenda, which has garnered the commitment of both the industrialized and the developing worlds, they have

brought clarity to the objectives of global development efforts as well as the respective responsibility of developing countries and their partners. Underpinning the MDGs is the call for a new global partnership for development based on a shared vision of interdependence, mutual interests and joint responsibility.

Unlike earlier declarations, a unique characteristic of the MDGs is that they have set clear and quantifiable targets against which we can measure the progress that our countries are making. They have also set clear targets for the types of assistance our development partners are expected to provide in support of developing countries. The MDGs, therefore, provide us clear yardsticks with which we can all measure our progress and contributions as well as a broad and universally agreed framework for mutual accountability.

Africa and the Millennium Development Goals

Your Excellencies,
Ladies and Gentlemen,

Where do African countries stand in relation to other developing regions with regards to the attainment of the MDGs? It is now generally agreed that Africa – excluding North and South Africa -- is the one region in the world that is unlikely to achieve the MDGs. By contrast, given current trends, the countries of Asia, Eastern Europe, and Latin America and the Caribbean are on course to fulfill many of these internationally agreed targets.

In our continent, it is evident that enormous hurdles still remain to be overcome, although individual countries may make significant progress -- with a few even attaining some of the MDGs. But for the continent as a whole, there

is little likelihood, on current trends, that the proportion of people below the poverty line will be halved, and that the other MDGs related to education, health, and environmental sustainability will be achieved. Indeed, in this regard it is important to recall that the proportion of people living in extreme poverty in Sub-Saharan Africa has hardly changed over the last decade and still remains close to 50 percent of the population.

It must be said, however, that this broad statement reveals as much as it hides. This is because of the considerable variations in the prospects of individual African countries with respect to each MDG. A closer examination of the performance of African countries shows that for each there is a cluster of countries that is making significant progress, with some, as I noted earlier, even having the prospect of reaching them.

With respect to the poverty goal, for example, it is evident that the most important determining factor is the rate of per capita GDP growth and its impact on poverty. In this connection, there is, for example, a small group of countries consisting of Cape Verde, Mauritius, Mozambique and Uganda that have sustained growth rates of around 7 percent per year in the last decade. There are also a number who have enjoyed growth rates in the region of 4-5 percent.

These high growth rates have in some cases also resulted in lowering poverty points. A case in point is Uganda, where the high and sustained growth rate has resulted in reducing poverty from 56 percent in 1992 to 35 percent in 2000. Similarly, Guinea and Malawi have made major improvements in education, while Senegal and Uganda have made impressive strides in containing the HIV/AIDS epidemic. And Burkina Faso has made major progress in the health sector, exceeding the high targets that it has set for vaccination against tuberculosis, and measles, while Gambia has made notable

progress in reducing child mortality.

As these few examples show, there are indeed clusters of countries that are making progress with respect to each MDG. The problem that our continent faces, as a whole, however, is that general progress – involving a large number of countries – has yet to be achieved. So instead of concluding that Africa will not meet the MDGs, it may be more revealing to state that for each MDG there is a clear gradation among African countries, ranging from those that will make significant progress to other clusters that will fail to do so.

Cutting across countries, however, is the emerging differentiation among countries with respect to attaining the MDGs. Studies done by us, as well as by the World Bank, show that there is indeed a significant difference in performance which is closely related to the policy framework adopted by countries. It is increasingly becoming clear that those countries that by our own assessments have implemented sound economic policies as well as improved their systems of governance have seen acceleration in growth and poverty reduction. They are, therefore, likely to make significant headway in the future. There are, by contrast, other countries where policy improvements have yet to be secured, largely due to conflicts and poor governance, and where progress on the MDGs is unlikely.

The Policy Agenda for Attaining the MDGs

Your Excellencies,

Ladies and Gentlemen,

In the light of the overall performance of African countries in relation to the MDGs, what are the major policies that our countries should consider to

accelerate progress towards them? What lessons can they learn from best practices on the continent and what types of support will they need from their development partners? Permit me to highlight some of the important policies.

First, it is clear that African countries will need to substantially raise and sustain their economic growth rates. Africa's growth rate has averaged 3.3 percent since 1995, with per capita income growth rates of around 1 percent. This is clearly not going to result in large reductions in the number of people living below the poverty line. As many studies have pointed out, there is a need to double the average growth rates to between 6-8 percent.

But growth should not only be accelerated, it should also be broad-based to have an impact on poverty. This will entail, in the first instance, that agricultural and rural development – on which most of the poor in Africa depend for their livelihood -- must be given a high priority. Indeed, countries should, to the extent possible, adopt an agricultural-led development process, as our host country Ethiopia has done. It also means providing special and targeted support to small and medium-sized enterprises to create employment. In the longer term, economic growth can only be sustained through the structural transformation of African economies, through the diversification of the production structure and exports.

Achieving higher growth rates also requires major improvements in the investment climate. This is necessary for the mobilization of both domestic and foreign resources. In this regard, substantial progress has been made by many of our countries, yet more needs to be done. Particular attention should be paid to improving the legal and judicial framework, as well improving systems for the protection of property rights.

A second policy concern of critical importance to our countries with respect to the MDGs is the need to increase the share of public resources directed to education and health, with a particular focus on primary education and health. This not only has direct and immediate benefits, but can also be a powerful stimulant for economic growth. In addition to increasing expenditure of social development, there is also a need to ensure that these resources are used efficiently and effectively. Indeed a number of studies have shown that improving the efficiency with which public resources are used could yield quite high dividends.

Other important policy issues that our countries should consider are ensuring policy coherence at the national level and devoting adequate resources for capacity building. It is evident that the MDGs are mutually reinforcing. Yet the potential benefits to be gained will only be realized if a concerted effort is made to ensure that sectoral efforts do not work at cross-purpose, but are mutually supporting. Towards this end, it is also becoming clear that more resources and efforts will have to be devoted to capacity building. Often, it is not the lack of knowledge of the appropriate policies that impedes progress towards the MDGs, but the lack of the critical capacity to implement it.

While these are some of the critical issues that our countries would need to consider to accelerate their progress towards the MDGs, Africa's development partners will need also to support these efforts in line with the pledges that they have made. As I have noted on several other occasions, such assistance will need to focus on increasing ODA flows, reducing the debt burden of African countries to sustainable levels, and providing greater access to the markets of the industrial countries, by removing the remaining tariffs and non-tariff barriers, as well as agricultural subsidies.

The international donor community has over the last few years taken important new initiatives to support the efforts of developing countries as they strive to achieve the MDGs. With respect to ODA, both the European Union and the United States have pledged to increase substantially their share. The actual pledges, while significant, however, fall considerably below the levels required by developing countries, in particular, Africa.

On the trade front, the United States *African Growth and Opportunity Act* has started to be implemented as well as the European Union's "*Everything but Arms Initiative*". However, the promise of the Doha Development Agenda has yet to materialize as differences over the reduction of farm subsidies is holding up progress. With respect debt reduction, while the HIPC initiative has begun to reduce the debt burden of some 22 African countries, there is increasing concern that in the light of terms of trade losses, the agreed debt reduction may not be sufficient

The African Development Bank and the MDGs

Your Excellencies,
Ladies and Gentlemen,

Before concluding, permit me to say a few words on the role that the African Development Bank is playing to support the efforts that its regional member countries are making towards achieving the MDGs. First, I wish to note that the goal of poverty reduction and promoting sustainable economic growth are the overarching objectives of the Bank Group, as set out in its 1999 Vision. And last year, we developed our first Strategic Plan, covering the period 2003 to 2007 to enable us to translate our Vision into clearly spelt our priorities, and to allocate the Bank's human and financial resources accordingly.

Within the framework of our strategic plan, we are in the process of preparing the new generation of Country Strategy Papers (CSPs), which, in consultation with national stakeholders and development partners, will guide our interventions in our regional member countries. The CSPs will help us identify concrete programs and projects that would support the efforts being made to achieve the MDGs. Indeed, in the formulation of our CSPs, the MDGs have not only become important guideposts but also yardsticks with which we can measure the impact of our contributions.

In recent years, the Bank has mobilized considerable resources to support the development efforts of our regional member countries. Since 1997, the resources mobilized through our concessional ADF window alone have reached about \$9 billion. These have been used to finance programs and projects, as well as technical assistance. And in the last few years, their allocation has reflected the priorities we have set out in the Vision, such as agricultural and rural development, the social sectors, and infrastructure -- consisting largely of rural transport and water and sanitation.

In addition to our lending and technical assistance operations, the Bank Group is also providing debt relief of \$2.2 billion to some 22 countries that have qualified for HIPC debt relief. In this regard, the effective use of the resources released by debt relief to support poverty reduction activities is a major concern and an important aspect of our policy dialogue with these countries.

For our middle-income countries, the emphasis has been on improving the competitiveness of their economies to facilitate their integration into the world economy and thereby boost their growth rates. In addition, the promotion of small and medium scale enterprises in the private sector has been given high

priority, given its potential to create large employment opportunities.

Achieving the MDGs will not only require determined and coherent national efforts, but increased cooperation at the regional and sub-regional levels. It is for this reason that the Bank has supported regional cooperation and integration efforts and welcomed the NEPAD initiative. In line with the request of the NEPAD Heads of State Implementation Committee, the Bank Group has taken the lead role in infrastructure and banking and financial standards.

In infrastructure, the Bank has prepared a short-term action plan and has begun to finance selected projects. In addition, it is preparing a medium to long-term plan. As the ADF has earmarked approximately \$500 million for multinational projects, we plan to use these funds as a catalyst to mobilize additional resources. We will also use the regular ADB window, including private sector operations to support NEPAD programs. In banking and financial standards, a framework has been prepared to promote their adoption with a view to improving the management of the financial sector.

The Bank is also developing a program for the provision of rural water supply and sanitation. The goal of the initiative is to accelerate access to these essential amenities in rural Africa with the aim -- in line with one of the MDGs -- of achieving 80 percent coverage by 2015 and 100 percent by 2025. We plan to achieve this objective by adopting a program approach, as opposed to single projects, and using technologies that are appropriate to local skills and knowledge. The facility will operate under the broad framework of NEPAD and the Africa Water Vision.

While the Bank Group appreciates the need for increased resource mobilization for its regional member countries, it is also aware that much would

be gained by a more efficient use of these resources. In this regard, a priority area for the Bank Group in the coming years is to enhance the impact and development effectiveness of its operations. Towards this end, it will continue to assist countries to develop more comprehensive and coherent PRSPs, as these provide the basic framework for the efforts being made to achieve the MDGs.

Concluding Remarks

Your Excellencies,
Ladies and Gentlemen,

Permit me to conclude by thanking you once again for having agreed to take part in our Annual Meetings Symposium. The issues before us today are the ones that our countries must grapple with on a daily basis, as they strive to reduce poverty and accelerate their economic growth. We look forward to your many contributions and insights. We are certain these will help to better frame Africa's development agenda, as well as help shape a more effective policy framework.

I wish you fruitful deliberations and I thank you for your kind attention.