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REPORT

ON

43RD ANNUAL MEETING OF
THE AFRICAN DEVELOPMENT BANK
MAPUTO
MOZAMBIQUE
14 – 15 MAY 2008

By

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I. Introduction

The 43rd Annual Meeting of the African Development Bank (AfDB) was held from 14 – 15 May 2008 in Maputo, Mozambique. The 43rd Meeting considered the performance of the African Development Bank Group for the year 2007 in the context of economic development in Africa. Also, another important consideration was the institutional character and operations of the AfDB in relations to the development process in the continent. These evaluations were, among other things, informed by the AfDB – African Development Fund Annual Report 2007, African Development Bank Report 2007, Independent Review Mechanism Annual Report 2007 and Report of the High Level Panel, Investing in Africa's Future: The ADB in the 21st Century. The Meeting was well attended by the Shareholders of the AfDB, both African and non-African, intergovernmental organizations and non-governmental organizations.

II. Symposium discussion

This was a symposium for the Ministers of Finance or their representatives. The theme for discussion was, **"Fostering Shared Growth: Urbanization, Inequality, and Poverty in Africa"**. It was co-chaired by President D. Kaberuka (AfDB) and A. Janneh, Executive Secretary, United Nations Economic Commission for Africa (UNECA). The Special Guest of Honor was the Prime Minister of Mozambique. The main purpose was to examine the challenges posed by rapid urbanization in many African countries and propose the best approach to address them. The introductory statements on this subject were made by the President of AfDB, Executive Secretary of UNECA, Minister of Agriculture, Mozambique, Minister of Finance, Ghana and Director for Africa, UN Habitat, Kenya.

The common trend in all presentation was the acknowledgement of rapid urbanization in many African countries. Most governments have not been able to cope with this phenomenon. It results in the creation of slum areas. Slum areas are characterized by lack of housing, poor sanitation, poor health facilities, shortage of water, inadequate education etc. All these combined aggravate poverty. In the following debate, some participants questioned the statistics presented by the Director for Africa for their countries. The examples of actions taken by Mozambique and Ghana were commended.

It was generally agreed that rapid urbanization creates inequality and enhances poverty. It was noted that difficulties broadly compounded in this matter in many countries because of poor urban planning and inadequate resources. Consequently, it was proposed that this should be accorded priority in the programs to be financed by the AfDB henceforth. The Ministerial Meeting was followed by four (4) High Level Seminars held in parallel to discuss in details the issues and how best the AfDB could support African countries to effectively resolve the issues. The sub-themes discussed at the Seminars were (1) *Cities as growth poles: Implications for Rural Development*; (2) *Financing Urban Development*; (3) *Decentralization and Urban Governance*; and (4) *Upgrading Informal Settlements in African Cities*.

At the High Level Seminar on *Financing Urban Development* views were expressed on the need to generate adequate funds for urban development. All sources both internally and externally should be considered for this purpose. The governments should increase budgetary allocation to urban development and create better enabling environment for city authorities to raise funds from

the private sector, local capital markets and external borrowing. But some questions were at the same time raised on the absorptive capacities of cities and countries, especially those having connection with the World Bank and International Monetary Fund. The argument was that the capacities should be the first area of intervention by the AfDB for resource input to have impact on urbanization.

III. 2008 Annual Meeting

The Annual Meeting was opened by the President of Mozambique, H.E. Armando Emilio Guebuza and the President of Congo Brazaville, H.E. Dennis Sassou Nguesso, was in attendance as Special Guest for the occasion. The Annual Meeting, basically a meeting for the Shareholders in the AfDB, was chaired by H.E. Mr. Aiuba Cuereneia, Chairperson of the Board of Governors and Governor for Mozambique. The Annual Meeting essentially addressed the performance of the AfDB and the way forward in 2008 and the future in the context of developments in Africa and the international economy.

The remarks of the President of the AfDB highlighted Africa's economic performance. He stated that average economic growth continued to be buoyant in 2007. A growth rate of 5.7 percent was recorded for 2007; slightly lower than 5.9 percent that was recorded for 2006. The gross domestic product (GDP) per capital of the continent rose to \$ 1,291 in 2007 from \$ 1,161 in 2006. But that this strong performance still falls short of the 7-8 percent real GDP required to achieve the United Nations Millennium Development Goals, especially the fundamental goal of halving the number of people living in extreme poverty by 2015. Thus, for the Medium Term Strategy of the AfDB the focus would be economic growth for MDGs.

He commended Fund Donors for the record increase in contributions to ADF XI which has greatly enhanced the soft window's lending capacity. The replenishment was a record UA 5.76 billion for the 2008-2010 cycle which was 52 percent increase over the ADF X level. Seventeen percent of the funds would be allocated to the promotion of regional infrastructure and other regional public goods which support Africa's economic integration. In the utilization of this fund the situation of fragile states, especially those emerging from conflicts, would also be accorded priority. He commended Nigerian government for its decision to extend the Nigerian Trust Fund for another 10 years.

He stated that the AfDB would continue decentralization for greater impact and effectiveness in African countries. But it must be acknowledged that this is a complex process that is costly and associated with risks.

In the way forward on the development of Africa, President Kaberuka emphasized the need to consolidate the gains made in economic growth in recent years. The emerging food crisis should be tackled with greater imagination. He warned that the energy and food crisis represented a major concern as it could reverse the progress made towards the attainment of MDGs. The approach to the crisis should among other things include private financing of agriculture. In solving food crisis we must take into consideration Africa's women and girls that constitute more than half of the farmers in Africa. In this respect, the AfDB would focus on the issue of access to productive assets, rural financing, and economic opportunities for women including off farm activities, in collaboration with our work in the private sector. More aid would be necessary to keep countries on track for the attainment of MDGs.

He further stressed that climate change represents a major challenge to Africa. The Bali conference articulated the road map on global issues, but resources for adaptation remain limited. The AfDB would deepen its ability to mainstream climate issues in its operations. The low income countries in the continent must be assisted with the means of adaptation.

President Armando Emilio Guebuza in his address flagged the point that the development of Africa would hinge on strong and sustainable public and private investment in critical areas such as agriculture and agricultural development, social and economic infrastructure, education, health and water supply. He acknowledged the contribution of the AfDB to Africa's development over the years, especially to the economic development of Mozambique. But as we look into the future, the current events in the world pose difficulties to our development. The AfDB should assist in finding solutions to the food crisis.

He commended the AfDB for its initiatives on adjusting cooperation strategies to the priorities in each state and the implementation of institutional and management reform as well as timely response to the specific needs of African countries.

He expressed appreciation to development partners and encouraged them to continue to allocate more resources to the AfDB for the development of the continent.

In the same vein, the statements by African Governors noted the contributions of the AfDB to their development, the progress made in the reform and management in the AfDB, the progress made in economic growth in the

continent and the need for the AfDB to assist in finding solutions to the energy and food crisis that now threatens future economic growth in the continent.

Generally, the statements of the shareholders from outside Africa underscored confidence in the performance of the AfDB. They encouraged the Bank to sustain the on-going institutional reform in order to enhance its capacity to respond to the challenges of development in Africa. They expressed support for the High Level Panel Report. 'The Bank should continue to support African countries' at the attainment of the MDGs. They also acknowledged that the recent energy and food crisis worldwide could adversely affect economic growth gains in the continent. The Bank should therefore, as a matter of urgency, find durable solutions.

IV. Observations and Conclusions

There was general consensus on the performance of African economy in 2007. Economic growth improved broadly in many countries largely reflecting the pattern of growth in 2006 and 2005. This left participants with concern on how this pattern could be sustained for the alleviation of poverty given the challenges emerging from the international economy, especially the rising price of petroleum and food. These challenges could halt and reverse the trend in economic growth if they are not adequately resolved.

It was generally accepted that rapid urbanization in many African countries and the concomitant slums pose difficulties for sustainable economic growth and development. Poverty alleviation in the continent would not be meaningfully addressed unless the socio-economic problems associated with slums are tackled; in particular in housing, health, education etc. Thus, given the urgency

of this issue, the AfDB was enjoined to include urbanization and slum development as priorities in its funding of programs in Africa. In doing this, it emerged from the Working Group on Financing that attention of the Bank should first be directed at capacity building and absorptive capacity of African countries.

The AfDB was encouraged to continue to support African countries on the basis of their development priorities. Generally, the Bank should consider global energy and food crisis as critical matter in future development of the continent.

The AU Regional Delegate booked appointment with the President of the Bank. But it was not possible to meet and discuss with him because of the long list of Ministers (shareholders) that planned to see him.

The Summit was for the shareholders, to review the operations of the Bank and what the Bank does in the promotion of economic development in African countries that are members.

The AU could participate through co-organizing the Seminar with the AfDB and UNECA that is usually held back to back to the Summit. This would accord the AU a visibility.

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