

Statement by the African Development Bank at the Ministerial Segment of the Africa Regional Preparatory Conference for Rio+20

Addis Ababa, Ethiopia, 24 October 2011

Check against delivery

Excellencies

Honorable Ministers

Honorable Executive Secretary of UNECA, UNEP, UNDESA, UNDP

Distinguished Delegates, Ladies and Gentlemen,

As you all know, Africa depends on its natural resources, which are being affected by climate change.

In my remark yesterday, I mentioned some of the challenges Africa faces with regards to sustainable development. I spoke of the impact of expanding agriculture on forests and loss of biodiversity.

I mentioned the limited access to energy and its impact on development and the need to reverse this low level of access and also the current very low level of water storage and management.

The debate on climate change has, to some extent, been conducted separately from the one on development. They are intimately interconnected. The poorer countries already see their scarce development resources potentially diverted to climate action – despite the rhetoric that climate funding should be new and additional. This is a serious issue for Africa: while the continent contributes less than 4% to global warming, it is already impacted by climate change, bearing considerable adaptation costs and attempting to mitigate risk. Studies suggest the economic loss to Africa could be on the order of 1.5-3% of GOP annually by 2030. Africa must be engaged fully in the climate change debate and the decision making; African perspectives and

interests have to be taken into account. Development planning and policy must adapt accordingly.

Foreign Aid, Economic Growth and Trade

While increased flows of aid and Investment from Africa's emerging partners in recent years are helping build Africa's infrastructure, they fall short of filling the continent's US\$ 98 billion per year infrastructure deficit. There is thus need for traditional partners to join in this effort as well as for Aid for Trade funding to be scaled up to support RECs' efforts in building the cross-border infrastructure needed to boost intra-regional trade. Ultimately, African countries need to mobilize resources on their own to invest in infrastructure. Infrastructure bonds issued locally and to the Diaspora, offer good potential, hitherto unexploited.

Encouraging industrial and export diversification

FDI can be an effective means of promoting diversification and of learning through knowledge spillovers. FDI flows to Africa have increased 6-fold between 2000 and 2009. However, much of these flows have been absorbed by the resource-rich countries. African governments must step up efforts to attract FDI in sectors in which they could carve a competitive advantage. Inevitably, this requires improvements in the business environment, stability and predictability of policy reforms and most of all adherences to international standards of doing business. Tourism and ICT development offer significant and easily realizable potential for economic diversification in Africa.

From the perspective of inclusive growth, SME and women's entrepreneurship development are likely to yield the highest returns. Although the rate of women's entrepreneurship in Africa is higher than in any other region, most women entrepreneurs are concentrated in low-value-added activities in the informal sector. The challenge is to encourage a shift up the value chain.

Opportunities

Ladies and gentlemen, the forthcoming Durban and Rio+20 conferences are opportunities to articulate the African perspective on climate change and sustainable development.

Africa must press for changes to the financing mechanisms for mobilizing public and private investments for climate change mitigation and adaptation, such as the Clean Development Mechanism. Adapting to and mitigating climate change also presents opportunities with access to additional resources.

A **green economy particularly with the vast and largely untapped natural resources** represents a paradigm shift in promoting clean energy, creation of employment and conservation of our natural resources. The green economy is not a new concept. Examples of successful policies and initiatives across Africa in the areas of energy, agriculture and forestry should be shared with other African countries, and also used to enable Africa to engage in global processes with its own views, perspectives, lessons learned and experience to offer.

Investment on **capacity building** for various actors should be accorded a high priority. African governments should develop comprehensive national capacity development strategies. In this respect, the international community should step up their effort to support the strengthening of institutions and planning capabilities in Africa.

Furthermore, strengthening partnerships with non-traditional actors and the private sector, both within countries and outside countries, would be one way to leverage resources and capacities for sustainable development. Development partners and non-traditional donors should make increasing use of **countries own systems**, also as a means to further strengthen countries' institutional structures, thus furthering the development effectiveness agenda.

South cooperation, regional integration, science and technology transfer are all areas requiring further strengthening and improvement. I

already mentioned this yesterday so I will not dwell on these issues today.

How can we effectively address these challenges in our current environment in which the financial crisis has whittled resources to implement sustainable development programs. Governments must make firm commitments to implement their programs if we are to make progress. And if we are to preserve the progress we have made to date, we need Innovative approaches.

A green economy particularly with the vast and largely untapped natural resources being discovered in many African countries represents paradigm shift in development planning. Adapting to and mitigating climate change also presents opportunities with access to additional resources. The regional cooperation required to manage trans-boundary water resources suggest what can be achieved when we work for a common goal. Well-harnessed opportunities can reorient Africa on the path of sustainable growth and development.

Let me propose a list of what we can do:

- First, we can mobilize and increase the effective use of available financial resources and achieve the national and international economic conditions needed to fulfill internationally agreed development goals;
- Second, we can explore ways of generating new public and private innovative sources of finance for development, provided that they do not unduly burden developing countries and can provide quick wins;
- We can promote, facilitate and finance appropriate access to and the development, transfer and diffusion of environmentally-sound technologies;
- Where appropriate, we can use information and communication technologies to increase the frequency of communication and share experience and knowledge. **WHERE? Everyone has a phone**
- We must continue to focus on education. Africa's large and growing youth unemployment problem is partly due to poor quality education and lack of access to post-primary and post-secondary education.

- We can enhance and accelerate human, institutional and infrastructure capacity-building initiatives, and promote partnerships that respond to the specific needs of developing countries in the context of sustainable development;
- We can remove resource constraints, enhance Inter-departmental?? coordination, improve the capacity for implementing and monitoring national policies.
- Finally, we can complement existing aid? coordination at a high level, with sufficient opportunities to coordinate implementation mechanisms at a lower, operational level.

We need a more focused, better harmonized development agenda. We must be committed to accelerating the implementation of sustainable development goals including the MOGs and mechanisms to strengthen the institutional framework for sustainable development.

AfDB as a leading actor on climate change

Having enumerated the challenges and articulated some of the needs, I would like to tell you what the AfDB is doing. We are energetically supporting a green economy and clean energy agenda. Between now and 2014, we will invest more than \$3.5 billion in improving energy access. Over a \$1 billion of this is earmarked for renewable energy.

Our transport projects are designed to boost regional integration and to ensure that food surpluses can get to places affected by drought. Our health projects are helping to curtail the spread of climate-induced diseases.

We are working hard to lower the threat of climate- induced food insecurity and water scarcity. We are developing five new water storage facilities with a targeted capacity increase of 9.4 billion cubic meters and the development of an additional 270,000 hectares of irrigated lands. We are investing in restoring the ecosystems in Lake Chad. In Kenya, we are investing in a 300 megawatt Lake Turkana Independent Power Project, the biggest wind farm on the continent.

We are investing substantially in preserving Africa's forests. The Bank has financed around 100 operations to the value of \$2.8 billion.

The bottom line is that we must improve access to climate finance at the scale needed for transformational impact in Africa and create mechanisms responsive to Africa's needs. Leading with their own plans for climate change, Africans have called for additional financing instruments that respond directly to their priorities.

Policy Recommendation

Based on our experience, I would like to propose some policy recommendations.

Curb GHG emissions

First and foremost, we need an agreement to cap greenhouse gas emissions based on scientifically determined limits. Current proposals continue to fall far short of what is needed to limit the global temperature rise to 2 degrees Celsius already dangerously high for Africa.

The African position is that the Kyoto Protocol should be extended into a second commitment period. Kyoto, the cornerstone of the multilateral climate change regime, is our sole legally binding mechanism. If it is abandoned in favor of a new agreement, as some have argued, there is likely to be a substantial gap between its lapse and the establishment of a new mechanism.

Green Development

As we look towards Rio+20 and beyond, we must use Africa's relative underdevelopment as an opportunity to vault to a greener development pathway. At Rio+20, Africa will be looking to the world's political leaders to pledge their firm support for its quest for sustainable development. We urgently need a global partnership for green development in Africa, backed by political will and the necessary financial resources.

Ladies and gentleman, when it comes to green development, Africa is a good investment. The continent has 40 percent of the world's biodiversity, 20 percent of its forest reserves, 20 percent of the global

land mass and more than half of the world's clean energy potential. As other continents reach the limits of their resources, Africa's comparative advantage remains its wealth of natural resources. The resource curse must be avoided.....

Energy Access

Energy access is critical for the productive sectors, for health, education, and general development; promoting affordable energy access and regional integration of power systems is critical for development in Africa.

Less than 10% of Africa's hydropower potential, which represents 15 percent of the world's hydropower potential, is currently under development. Geothermal and solar energy are similarly under-developed.

Many African countries are pushing forward with their own clean energy strategies. Egypt and Cape Verde have all recently made substantial investments in wind-power projects. Kenya has been leading on geothermal power with its AfDB-supported Menengai Field development. South Africa and Morocco both have plans for solar power plants. Mali is investing in hydropower. Ethiopia has begun experimenting with 'green accounting' initiatives, to put monetary values on soil erosion and deforestation.

Mobilizing Climate Finance Resources

Many African countries are investing into clean energy with little or no external assistance. To reach the level where they can be truly transformational, these projects need external support. As you know, green development entails significant up-front costs that deliver a return over many years. Lack of finance is the bottleneck for green development in Africa.

Filling the financing gap will require a number of parallel strategies. First, we need traditional donors to make green development a priority. Following Germany's decision to discontinue nuclear power, we see ample scope for a strong German-African partnership on developing renewable energy.

Secondly, we need a new global financial architecture for climate change adaptation and green development in Africa. An African window within the Green Climate Fund should be part of that architecture. African leaders have asked the AfDB to establish an Africa Green Fund to help mobilize international funding in a form that is directly relevant to African needs. This fund will draw its resources from various sources, including the Fast Start Funds.

Thirdly, we need to find ways to mobilize private sector funding into green development projects. The AfDB has strong record of using its own investments to catalyse private funding into strategic areas, and we will be making this a major focus of our green development efforts.

Looking Forward

Ladies and gentlemen, the forthcoming Durban and Rio+20 conferences are opportunities articulate the African Perspective on climate change and sustainable development.

We must identify ways to seize the opportunities presented by climate change. To address new and emerging challenges and meet our development objectives, countries need to leverage opportunities presented by the wider development agenda and other sectors. Given resource constraints, targeted investments could address two or more interrelated challenges; a targeted water infrastructure project can address water, energy, and rural water supply, and alleviate potential health problems due to unsafe drinking water.

How much money is needed? Estimated requirements to meet sustainable development targets fall short of the resources needed to meet development targets under the current environment with climate change impacts.

We need a better understanding of the costs and benefits of the green economy, particularly with regard to creating jobs and as a vehicle for poverty alleviation.

In conclusion, I wish to emphasise that the new and emerging challenges require technological advances; organizational change; monitoring and surveillance; goal and target setting; participatory deliberations; and attention to the drivers of these challenges. We need to address these, the time is past for addressing the symptoms.