THE CHALLENGE
OF DEVELOPMENT AND
POVERTY REDUCTION
IN AFRICA

Omar Kabbaj
President
African Development Bank

1997 Sir John Crawford Memorial Lecture
Consultative Group on International Agricultural Research (CGIAR)
THE CGIAR

The Consultative Group on International Agricultural Research (CGIAR) exists to mobilize the best in agricultural science on behalf of the world's poor and hungry. Through its research, the CGIAR seeks to promote sustainable agriculture for food security in developing countries.

The CGIAR fulfills its mission through a network of sixteen international agricultural research centers, which implement an agreed-upon research agenda in partnership with national governmental and non-governmental organizations, universities, and private industry. The Food and Agriculture Organization of the United Nations, the United Nations Development Programme, the United Nations Environment Programme, and the World Bank cosponsor the CGIAR.

For more than a quarter century, the CGIAR has brought together the world's leading scientists and agricultural researchers in a unique South-North commitment to reduce poverty and hunger in developing countries. This focus is so important because 95 percent of the 90 million people born every year live in the poorest countries. Whether researching food crops, forestry, livestock, irrigation management, aquatic resources, and policy, the CGIAR's work focuses on productivity research and natural resources management—which are also emphasized in its services to national agricultural research systems in developing countries. The CGIAR's cutting-edge research has significantly contributed to global food security and helped farmers meet the challenges of keeping the environment healthy and their farming sustainable.

The fifty-seven members that support the CGIAR include developing and developed countries, economies in transition, private foundations, and international and regional organizations. Developing-world participation has doubled in recent years. All twenty-two members of the OECD (Organisation for Economic Co-operation and Development) Development Assistance Committee belong to the CGIAR. Ismail Serageldin, Vice President for Environmentally and Socially Sustainable Development at the World Bank, serves as the CGIAR Chairman.
THE CHALLENGE OF DEVELOPMENT AND POVERTY REDUCTION IN AFRICA

Omar Kabbaj
President
African Development Bank

1997 Sir John Crawford Memorial Lecture
CGIAR International Centers Week
October 30, 1997
Washington, DC

Published by the Consultative Group on International Agricultural Research, CGIAR Secretariat,
1818 H Street, NW, Washington, DC, 20433,
United States of America.
CONTENTS

Sir John Crawford Memorial Lectures ........................................ii

The Challenge of Development and Poverty Reduction

   in Africa by Omar Kabbaj .................................................... 1

About the Speaker ................................................................ 23

List of Acronyms .................................................................. 24
The Sir John Crawford Memorial Lecture has been sponsored by the Australian Government since 1985 in honor of the distinguished Australian civil servant, educator, and agriculturalist who was one of the founders of the Consultative Group on International Agricultural Research. Sir John (1910-1984) was the first Chair of the CGIAR’s Technical Advisory Committee.
I wish to thank the Consultative Group on International Agricultural Research for the singular honor of inviting me to deliver this year's Sir John Crawford Memorial Lecture. This invitation reflects the continuing concern shared by friends of the peoples of Africa about the need for action to improve the difficult socioeconomic conditions prevailing in many parts of the continent. This invitation is also a recognition of the role of the African Development Bank Group in contributing to more secure socioeconomic circumstances in the continent. I thank the CGIAR for this gesture and will take this occasion to assure our development partners that the African Development Bank, renewed through a vigorous program of institutional reforms, is now well strengthened to promote development and international cooperation in Africa. It is also a pleasure to take this occasion to express my appreciation to my friend, CGIAR Chairman Ismail Serageldin, for his strong commitment to Africa over many years, and for leading the CGIAR with great industry and imagination.

I should, perhaps, also add that, even while fully appreciative of the invitation, I harboured some reluctance about the wisdom of speaking to an audience many of whose members have expert knowledge gained from years of engagement with the subject of my presentation. On further consideration, however, I was encouraged by the thought that since the stakes are very high, there is value, and even urgency, for Africa's friends to share views about the continent and its future, and to examine anew what can be done, individually and in concert, to stem and decisively reverse the deteriorating socioeconomic conditions in the continent. Certainly, a more reassuring future is not beyond the reach of the continent, given its abundant, if still inadequately utilized, resources, and the great potentials of its peoples. It is in this spirit that I want to share with you some ideas on the challenges of development and poverty reduction in Africa.

I will begin by providing an overview of the broad regional and international contexts bearing on development prospects in Africa. This will be followed by a recapitulation of issues of poverty and its dimensions, and possible approaches for its reduction,
and the recent experience with economic growth and ways to accelerate it. I will then address the challenge of rural transformation and outline the means that might be pursued to improve the socioeconomic conditions of the rural population.

The Regional and International Contexts for Development

In examining the state and prospects of development in Africa, it is useful to keep in mind the main regional and global influences bearing on socioeconomic conditions in the continent. Within the continent, a crucial factor is the sustenance of societal peace, while internationally, it is globalization that would have important effects on the economic prospects of the continent.

With regard to peace, a watershed event has been the demise of apartheid, which has not only brought freedom and liberty to the people of South Africa, but has also transformed the socioeconomic prospects of the whole sub-region. Another positive factor in the continent has been the increasing openness of the political processes, which are strengthening the scope for participatory development and good governance by fostering the rule of law, and promoting transparency and accountability in public affairs, which are vital for sustainable development.

On the negative side, social strife and military conflicts continue to inflict heavy tolls in parts of the continent. The cost of the various conflicts, in terms of social, human, and physical capital, has been enormous. One of the most visible consequences has been the creation of massive flows of refugees and displaced persons. The United Nations High Commissioner for Refugees estimates that in the decade to 1995, the number of refugees and displaced persons in Africa multiplied fourfold, to nearly 12 million, and represented well over 40 percent of the world total. It is also estimated that about 20 million land mines are spread across nearly half the countries of Africa, threatening lives and impeding agricultural activity.

At the national level, the conflicts have also been detrimental because they have diverted resources and attention from develop-
ment. At the international level, conflicts have prompted a shift in the composition of official money flows from long-term development finance to short-term emergency relief operations, which presently account for as much as 12 percent of total development assistance flows.

If we look beyond the continent, globalization stands out as the dominant trend defining the international context for Africa's development. The increasing globalization of factor and product markets has, more than before, enabled transnationals to locate production activities in countries and regions on the basis of comparative advantage. Even in the sphere of research, we are witnessing the globalization and privatization of aspects of agricultural research.

While globalization offers long-term opportunities, many African countries run the risk of being marginalized because their production structures are not well poised to take advantage of the unfolding opportunities. These structural weaknesses include:

- **Lack of export diversification**: Thirty-nine African countries depend on only one or two primary commodities for over 50 percent of their export earnings. At the same time, the share of these commodities of world exports has fallen by over 50 percent in the last fifteen years.

- **Weak external competitiveness**: Even in primary commodities, Africa has lost its export market shares—for instance, to Asian countries in cocoa, coffee, and timber; to Latin American countries in iron ore; and to Eastern European countries in cotton.

- **Inadequate Foreign Direct Investment flows**: Private capital flows to Africa have gone to a few relatively large economies, such as Egypt, Morocco, Nigeria, and South Africa. Over the last decade, FDI flows to nineteen low-income countries in Africa averaged less than US$5 million annually.

To gain from globalization, Africa will need to enhance its competitiveness by sustaining and deepening its reforms, and by
building its human and physical capital. And, above all, African countries should assume full responsibility for promoting societal harmony and good governance in their societies. Progress in these areas should strengthen the emerging international interest in Africa’s resources and markets, and contribute to creating conditions conducive to sustained growth and an enhanced human capital base.

The Challenge of Development and Poverty Reduction

I will present the challenge of development and poverty reduction in Africa by describing the dimensions of poverty and the possible approaches for its reduction through the pursuit of accelerated economic growth and enhancement of the human capital base.

The Dimensions of Poverty in Africa

It has been estimated that between 40 and 45 percent of the African continent’s 730 million people live in absolute poverty, with about 30 percent classified as extremely poor.

The pattern of poverty in Africa is characterized by its prevalence in rural areas. The causes of rural poverty include lack of access to land, low and variable agricultural output and incomes due to poor farm practices, droughts, and diminished employment opportunities. But poverty has also been spreading in urban areas, due largely to the expansion of rural-urban migration since the 1960s, with most of the migrants swelling the ranks of the poor. In other instances, migrants have moved to the cities following a major catastrophe, such as famine or civil war, and are therefore usually destitute.

Poverty is also disproportionately concentrated among women and children, who account for the majority of the people living in poverty. Although some progress has been made to improve the status of women, such as in education, much remains to be done in other areas. In health care, for instance, the maternal mortality rate stands at 930 per 100,000 live births in Africa, as compared to 470 for the developing countries as a group.
Children, the most vulnerable group, are often overlooked in discussions about poverty. According to the United Nations International Children's Education Fund, the incidence of malnutrition tends to be higher among children than among adults, and in emergency cases (such as famine or military conflicts) children have suffered more than adults. The incidence of poverty also tends to be high among school-leaving children, especially because of diminished employment opportunities.

The effects of poverty on people are manifested in poor access to food and water, inadequate education and health services, and exclusion from the social and economic life of a community.

With respect to social indicators, there have been some improvements. For instance, infant mortality rates, though still lagging behind those of other regions, declined from 127 per 1,000 live births in 1980 to 87 per 1,000 in 1995. However, these averages mask increases in mortality rates in some countries due to declines in the quality of health care, cuts in social spending, the rising incidence of AIDS, and increases in the level and depth of poverty. With regard to education, adult literacy rates increased from about 39 percent to 55 percent between 1980 and 1995. Over the same period, the net enrollment ratio at the primary school level increased by 50 percent, while the net enrollment ratio at the secondary level increased by 40 percent.

The incidence of poverty has been exacerbated by rapid population growth. At about 3 percent per year, the population growth rate in Africa remains one of the highest in the world, with a number of countries recording growth rates in excess of 3.5 percent. Given the rapid population growth, there is much concern about the capacity of the agricultural system to meet the food needs of the growing population. In the decade to the early 1990s, while Africa's population increased at an annual rate of 3 percent, the growth of food production was limited to 2 percent, resulting in a continuous decline in per capita food production and increases in food imports and food aid.
These, in brief, are some of the salient characteristics of poverty in Africa. Progress in poverty reduction would come about through sustained and broad-based economic growth, complemented by efficient provision of social services such as education, health care, clean water, sanitation, and nutrition. Therefore, I will outline policies that are supportive of growth and human capital development.

**Accelerating Economic Growth**

In the immediate post-independence era, between 1965 and 1973, the African continent recorded relatively high rates of economic growth, with real Gross Domestic Product increasing by an average of 5.7 percent, and per capita income growing at 3 percent per year. The situation changed drastically following the oil shocks of the 1970s, and worsened with the debt crises of the 1980s, leading to severe declines in average income during the past decade-and-a-half. By 1994, Africa's per capita income had fallen by about 30 percent from its 1980 level of US$850.

Recognizing that the economic declines ensued significantly from policy shortcomings, a number of countries began, by the mid-1980s, to pursue reform and adjustment programs with support from bilateral and multilateral financial institutions, notably the World Bank, the International Monetary Fund, and the African Development Bank. These programs, anchored in economic liberalization, aim at stimulating economic growth by putting in place incentives and measures to generate more savings, investment, and exports.

Recently, there have been signs that the reforms, reinforced by a more favorable international environment, are generating encouraging results. Africa’s real GDP growth is estimated at 2.8 percent and 4.8 percent in 1995 and 1996, respectively—compared to an average of 1.6 percent during the 1990-1994 period. The improvements in 1996 were spread widely throughout the continent, with forty-one countries having positive per capita GDP growth, and more than half growing at rates exceeding 5 percent. These outcomes represent significant gains over those of earlier years, when most of Africa suffered economic decline.
Consequently, a major challenge facing Africa is ensuring that the recent recovery in growth is sustained and improved.

Given current rates of population growth in the continent, studies by international institutions indicate that Africa would have to achieve a sustained rate of economic growth of some 7 percent per year in order to arrest and, hopefully, to reverse the spread of poverty. Achieving such growth would require:

- enhancing the magnitude and productivity of investment, especially by deepening reforms;

- promoting the development of the private sector to generate sustained investments; and,

- building human capital through efficient delivery of public services, including health and education, and by fostering good governance.

Before elaborating on these determinants of growth, I hasten to note that sustaining accelerated growth also requires addressing the long-term foundations of development, especially those relating to gender mainstreaming and environmental care—important issues that I will take up later. But I will first address the imperatives for increasing investments.

Increasing Investments

The ratio of gross domestic investment to GDP declined from 25 percent in the mid-1970s to about 20 percent in the early 1990s, with the share of private investment limited to about 11 percent. In the low-income countries, the ratio has remained at some 17 percent. Since such investment rates cannot result in adequate growth, reviving investments should be the priority goal in the quest to accelerate economic growth in Africa. This calls for increased mobilization of resources, both domestic and external.

In the case of the low-income economies, it is also necessary to emphasize the crucial contribution of concessional capital flows
to the growth process. As noted earlier, foreign direct capital flows to many small countries in low-income Africa have been negligible. As a result, Official Development Assistance constituted more than 90 percent of total financial flows for thirty-seven African countries during the period 1986-1995. Low-income countries will, therefore, continue to require ODA to strengthen the effectiveness of ongoing reforms and to support investments needed for sustainable development.

Let me illustrate the need for concessional resources in the context of ADB Group operations. Because of considerations of country creditworthiness, thirty-nine of the regional member countries do not have access to our nonconcessional window. In these countries, the investments required to improve the low level of human and physical capital stock would largely depend on the continued availability of concessional resources. It is, therefore, essential that Africa's development partners sustain their support for concessional resources, like the African Development Fund and the International Development Association, particularly at a time when many countries are pursuing policies that strengthen the effective utilization of the resources. And in the case of the ADF, access to concessional funds is strictly based on country socioeconomic performance, and on the need for resources, in terms of relative poverty, size of population, and absorptive capacity. And an important goal of concessionary finance should be to assist low-income countries to develop the enabling environment that would attract investment and promote the development of the private sector.

Promoting the Private Sector

The goal of increasing investments could be achieved if systematic support is provided to the private sector so it can mobilize resources and become the main engine of economic growth; the more so because public financing sources, on which so much dependence has been placed in the past, would be unable to mobilize the volume of resources required to generate the high rates of growth necessary for poverty reduction. The key elements supporting the development of the private sector are well known.
They include: a macroeconomic framework and financial system that promotes efficient allocation of resources; and an enabling environment characterized by stability of the socioeconomic system, existence of modern laws and regulations to govern economic activity, and the presence of a judicial system to protect property rights and to guarantee fair and expeditious settlements of disputes.

Many African countries are putting in place policies and measures to promote private sector development, and the African Development Bank is positioning itself to respond to the needs of regional member countries. The Bank has, therefore, formulated a new strategy which aims to expand the scope and strengthen the effectiveness of its private sector operations. The strategy focuses on five main areas that are also pursued, to a varying extent, in the other multilateral development banks.

First, the African Development Bank will assist more actively the creation of enabling environments for private sector investment—embracing such issues as building up supporting institutions like land registries, security exchanges, and legal regimes that are vital for private sector development. Second, there is consolidation in areas of past support by using loans and equity instruments in a more selective manner. Third, the ADB will support private financing of infrastructure, and provide technical advice to governments on the development of the necessary legal and regulatory framework to attract private financiers for such projects. Fourth, the ADB will play an active role in assisting with privatization, and in assisting privatized enterprises. Fifth, the ADB is developing more focused and enhanced assistance to small and medium-scale enterprises through lines of credit to performing commercial banks and other financial institutions.

In all cases, the ADB will seek to play a catalytic role by mobilizing resources from the private sector, and from bilateral and multilateral development institutions, especially the International Finance Corporation. In addition, the ADB will reinforce its dialogue with regional member countries on policies that support the development of the private sector. The dia-
logue is conducted through various means, especially in the context of policy-based operations and in the preparation of Country Strategy Papers.

Human Capital Development

The goal of promoting private sector development should be pursued in tandem with human capital development. More than three decades ago, Kenneth Galbraith emphasized in his own inimitable way that, "People are the common denominator of progress. So...no improvement is possible with unimproved people, and advance is certain when people are liberated and educated." It is well established that basic education, which equips recipients with literacy and numeracy, yields high rates on investment, since it enables acquisition of essential skills, thereby enhancing labor productivity. An educated population also provides a more attractive investment climate. In addition to education, adequate health and nutrition are similarly important in ensuring a productive work force and in building the skills of the poor—including women—so that they are better able to participate in economic opportunities as they arise.

The concern for gender mainstreaming has a special significance in Africa since women comprise the largest single segment of the poorest in most countries. In addition to their responsibility for child care, food preparation, and home management, women account for some 60 percent of total agricultural output and about 70 percent of staple food production in Africa. Notwithstanding this important role, there are sociocultural practices that impede women's access to assets and, thereby, impair their production capacity. There are, therefore, important efficiency and equity considerations that justify the removal of the constraints faced by women.

Good Governance

A human development program is more effectively pursued when there is good governance in public affairs. It is now well recognized that development will not be sustainable in the absence of
good governance—especially with respect to accountability for public action, greater popular participation in decisionmaking, and the provision of a credible and secure framework for private sector economic activity. Participatory development and the endogenization of policy reforms enhance local ownership of projects and programs, thereby improving the prospects for sustained economic development.

The African Development Bank is beginning to give increased attention to questions of good governance in its operations. Significantly, governance is one of the factors determining the allocation of ADF concessional resources among eligible countries. To promote participatory approaches in rural development and poverty reduction programs, we are widening the scope for utilizing beneficiary assessment and stakeholder workshops during project preparations and appraisal; and encouraging greater non-governmental organization and community-level involvement in the design and implementation of projects. A policy has been formulated to increase collaboration with NGOs, especially those having experience in implementing poverty reduction projects and in reaching grassroots communities. In this regard, the ADB organized a major consultative meeting with African and international NGOs with a view to strengthening cooperation with such organizations, and with the wider civil society. The meeting adopted a framework for collaboration, particularly on policy concerns and operational issues related to poverty reduction, environmental protection, and gender mainstreaming.

The alternative to good governance entails corruption and rent-seeking, which are being roundly condemned by the multilateral financial institutions, including the African Development Bank. We are thus adopting deliberate steps to promote efficiency and transparency in many aspects of the Bank's business. For instance, our Boards of Directors approved new rules, which are substantially similar to those of the World Bank, to ensure openness and efficiency in the supply of goods and services for projects financed by the African Development Bank Group. This is an area where, in the past, there have been alle-
gations of unfair, or even corrupt, practices detrimental to the interests of borrowers. Adherence to the new policy, together with cooperation with the other MDBs, should assist in curbing such malpractices.

The Challenge of Rural Transformation

Since poverty in Africa is predominantly a rural phenomenon, its reduction hinges critically on the revival and stimulation of agriculture, the mainstay of most African economies. Notwithstanding its importance, agriculture's weak performance in the recent past has led, on the one hand, to declines in per capita food production, and, on the other hand, to rising food imports and food aid. Food security has, therefore, become a growing concern, with over 100 million people estimated to be malnourished, and recurring famines afflicting many people. This failure has its cause in a number of factors, including those bearing on sociopolitical issues. But, as noted earlier, the more limited economic causes are mainly those related to policy shortcomings.

Some of the most damaging consequences have ensued from the mistaken perception that agriculture was less "developmental" than other sectors. This led to the neglect of agriculture in the allocation of public resources to support investments in the sector. It also led to inappropriate policies that discriminated against agriculture and exports. Such policies resulted in the diminution of farm incomes through overvalued exchange rates and the imposition of excessive taxes. Furthermore, the pursuit of industrialization through high-cost import substitution tilted the domestic terms of trade against agriculture, and reduced the competitiveness of exports. The result, in many countries, has been to render agriculture and exports less remunerative and, therefore, to stifle the very activities on which growth depends. Fortunately, the reform and adjustment programs being pursued currently are correcting many of the distortions, though the importance of agriculture has yet to be fully reflected in government budgets.

Other important factors impeding the development of agriculture include the production instability associated with rainfed
agriculture, and weak technology development and transfer systems which prevented the realization of the kind of breakthroughs that have assisted economic development in other parts of the world.

To flag the major impediments is also to point to the areas that must be addressed to move forward. Consequently, to enable agriculture to fulfil its development role would require not only that African countries sustain and deepen the ongoing policy reforms, but that they also make advances in the following important areas:

- investing in rural infrastructure;
- supporting the provision of rural finance;
- promoting improved inputs and practices through research and extension; and,
- fostering sustainable management of natural resources.

Investing in Rural Infrastructure

The existence of an adequate infrastructure is the **sine qua non** to successful rural transformation and agricultural development. These include: feeder roads, access to safe drinking water and sanitation, electrification, and irrigation.

Rural feeder roads constitute perhaps the most important factor in the physical transformation of rural Africa. Yet, less than 10 percent of Africa's rural roads are all-season roads, with serious implications for postharvest losses and interseasonal variations in farm producer prices and, therefore, farm incomes. Absence of communications also results in segmented rural markets and poor information flow that adversely affect the performance of rural markets. There is need, therefore, to develop local capacities, and the concomitant devolution of fiscal responsibilities for the design, construction, and maintenance of all-season rural feeder roads that are linked to national grids. Access to markets,
along with on-farm storage infrastructure, is necessary for sustained increases in supply response.

Given the fluctuations of rainfall, irrigated agriculture could develop to be an important means of increasing and stabilizing agricultural production and incomes. Irrigable land has not been adequately exploited and, according to the Food and Agriculture Organization of the United Nations, only 7 percent of the total cultivable land in Africa has been put under irrigation. Unfortunately, most investments in irrigation have favored relatively large-scale, capital- and management-intensive schemes, with generally disappointing results. More emphasis should, therefore, be placed on alternative small-scale, easy-to-manage irrigation schemes, many of which will benefit the rural poor.

In addition to increasing production, rural transformation should also seek to improve the quality of rural life and, thereby, also assist in containing rural-urban migration. For instance, although water is a basic necessity, over 70 percent of Africa’s rural population does not have easy access to safe drinking water, and most rural communities do not have electric power. Supply of potable water and electric power by means of state enterprises has been plagued by excessive administrative overheads and inadequate funding. Even localized supply sources, financed by donor agencies but lacking the involvement of targeted beneficiaries, have faced problems emanating from lack of ownership. The success stories that have emerged show that the active involvement of the beneficiaries in the design, implementation, and management of the schemes is key to a sustainable supply of potable water and electric power to rural Africa.

**Provision of Rural Finance**

The second thrust of a strategy to transform the African rural sector has to do with strengthening rural financial intermediation. A financial system which denies poor people access to credit helps perpetuate poverty. Throughout Africa, the productive capacity of the rural poor, particularly women, has been hampered by
their limited access to adequate credit and savings outlets, despite their excellent repayment record. Clearly, this must be rectified since it makes little sense to have an extension or credit program that does not reach women, who constitute the predominant majority of farmers and microentrepreneurs in Africa. Since formal financial intermediaries shun rural areas—notably because of high transaction costs—the task is to put in place appropriate credit mechanisms that meet the demands of the highly segmented African rural sector.

For several reasons, multilateral development banks have had very limited success in financing microprojects and agro-based small- and medium-scale industries through lines of credit. On the other hand, there is growing evidence showing that small NGOs and other community-based credit organizations and decentralized savings and credit systems are achieving better results in resource mobilization and lending to rural microenterprises. Still, such organizations have typically weak institutional capacity, and also lack direct linkages with the formal banking sector. Addressing these shortcomings would increase their ability to mobilize savings, expand operational outreach, and achieve greater development impact. Therefore, in addition to encouraging the formal banking system to expand their operations into the rural areas, there is need to strengthen the existing rural finance networks in Africa.

Let me refer here to a recent initiative along these lines launched by the ADB. The ADF Micro-finance Initiative for Africa (AMINA) aims to increase access to credit and financial services by microentrepreneurs, especially women. To accomplish this, the AMINA initiative will focus on strengthening microfinance institutions by upgrading their technical and organizational capacity to deliver services to targeted beneficiaries on a sustainable basis. Capacity building assistance to microfinance institutions will include assistance with acquisition of equipment and support for training activities. An amount of US$20 million of concessional resources has been earmarked to support the initiative, which will use as intermediaries NGOs and other grassroots organizations.
Promoting Improved Inputs and Practices

Complementing the provision of rural credit is the dissemination and use of improved agricultural inputs and practices. These imply the adoption of technologies that reflect appropriately the needs and endowments of African countries. It is expected that the resulting increase in output and productivity will contribute significantly to poverty reduction. In crops, the focus must shift to the use of high-yielding inputs that increase factor productivity. Technological change will involve more efficient use of chemical, biological, and organic inputs; introduction of high-value crops; use of improved farm implements; and small-scale irrigation.

In livestock, husbandry techniques must be updated and transhumance production gradually abandoned—both because of its low productivity and its adverse ecological impact. Efforts must be intensified to diversify beyond cattle production, into the production of small ruminants and poultry, which offer opportunities for increasing rural income. In addition, livestock production needs to be integrated into traditional farming systems for more efficient use of animal power and manure to improve soil fertility. In fisheries, aquaculture holds potential for intensifying fisheries production, given Africa's endowments in water resources and its proximity to the European market.

There is also a need for renewed focus on rural-based processing of Africa's main cereals, legumes, and roots and tubers. Organized private sector firms in food and beverages, breweries, pharmaceuticals, soaps and detergents, and other industrial establishments are showing new interest in domestically produced food and fiber that are well suited to industrial manufacturing processes. The push for agroindustrialization to raise value-added in agriculture must extend beyond downstream processing of farm produce to upstream activities in the production of seeds, planting materials, farm implements, and tools as part of the strategy for reducing rural poverty.

The technological shift must be backed by adequate research—a matter which brings me to the CGIAR and its commendable
efforts to improve agricultural performance in Africa. I would take this occasion to hail the great achievements of the CGIAR system, and to indicate some of the items in the unfinished agenda that still await us as agents of development.

Some of the main achievements of the CGIAR system in African agriculture include:

- genetic varietal improvements in cassava production in the humid and semi-humid tropics of West and Central Africa—with dramatic increases in cassava production in a number of countries;

- production of higher-yielding varieties of rice with better resistance to pests and diseases;

- control of diseases and pests afflicting crops and cattle, and the promotion of mixed farming practices; and,

- training of large numbers of African scientists and technologists to run national agricultural research systems.

These and other worthy achievements of the CGIAR system have been instrumental in bringing about noticeable improvements in the human condition in Africa. To those from many lands who contributed to make the achievements possible, we tender our tribute and appreciation. I would also like to add that there is, in my view, a strong case for increased CGIAR engagements in Africa, given the urgency of tackling the crisis of agriculture in the continent. Let me just mention two pointers, by way of illustration.

First, the Africa-based CGIAR centers should expand their work with regard to key food staples that are used by a large majority of the population. For example, yam and sorghum, widely consumed by Africa's poor, have received less attention than other major crops from research institutions in the developed countries. Significantly, a recent review by the International Crops Research Institute for the Semi-Arid Tropics concluded that improvement
of human welfare in many parts of Africa depends critically on the maintenance of a strong sorghum program.

Second, the weaknesses of national agricultural research systems must be rectified so they can serve as effective transmission mechanisms of improved technologies. The aim should be to address problems ensuing from poor and unstable funding, high research staff turnover, and poor linkages between the NARS and the extension services that continue to impede transfer of new technologies. This is a matter that merits the support not only of the CGIAR system, but also of bilateral and multilateral development institutions operating in Africa. In this regard, I am pleased to underscore the readiness of the African Development Bank to sustain and deepen its support for the CGIAR system so that we can pursue to good effect our common goals of promoting development and reducing poverty.

**ADB Group in Agriculture and Rural Development**

Since projects and programs in agriculture and the social sectors typically have strong impact on poverty reduction, African Development Bank Group operations accord high priority to these sectors. The concerns in agriculture relate to improving food security, integrating rural communities, promoting sustainable resource use and conservation, and enhancing linkages with other sectors.

In the social sectors, increased support is being given to services which have well known spill-over benefits for the poor. In education, priority is given to basic education and vocational training for delivery of functional skills for self-employment. In the health sector, the focus is on primary health and maternal-child health care, particularly at the community level. And, considering the link between poverty and environmental degradation in Africa, the ADB Group will continue to strengthen efforts to contain and reverse the pace of environmental degradation in the continent.

Over the past ten years, ADB Group commitments amounted to a total of US$22.3 billion, distributed sectorally as follows: agri-
culture and social sectors, 30 percent; public utilities, 20 percent; industry, 18 percent; transport, 15 percent; and, multisector operations (including policy-based loans), 17 percent. The shares of agriculture and the social sector would have been even higher had it not been for the understandable reluctance of member countries to use nonconcessional loans to support programs in these sectors. Thus, out of the concessional resources, nearly 50 percent was committed to agriculture and social sectors. Even in sectors other than agriculture, education, and health, the concern about poverty reduction has been important in our operations. Thus, in the public utilities sector 35 percent of the commitments were accounted for by water supply projects, of which about a third are rural based. In the transport sector, emphasis has been given to feeder roads and highways that link up agricultural areas with major market centers and ports. And in the industrial sector, close to 30 percent of commitments represented lines of credit destined to small- and medium-scale industries.

Postevaluation reports indicate that, over the years, the ADB Group's portfolio in the agricultural sector was the most problematic. The shortcomings have many causes, notably those related to weaknesses in the policy environment, particularly with respect to product pricing and exchange rates. Another factor impeding the achievement of project objectives has been the lack of involvement by communities and beneficiaries in the design and implementation of projects. These have led, on the one hand, to inadequacies in project conception and design, and, on the other hand, to weaknesses in ownership that undermined the sustainability of projects.

Since the last quarter of 1995, the ADB Group has been undertaking a comprehensive program of institutional reforms to ensure that its operations get results on the ground, and restore the confidence of shareholders and the support of development partners. In the sphere of operations, the main thrust has been the implementation of a time-bound and monitorable Action Plan for improving the Quality of Operations with regard to such issues as portfolio performance and lending policies and practices. Substantial advances are being made in all these areas. This
is meaningfully demonstrated by the fact that, after a hiatus of over two-and-a-half years without concessional operations, the ADB Group’s institutional capacity and enhanced resource availabilities at present enable it to support development programs to the tune of US$2.5 billion per year, of which about a half would constitute concessional resources.

Rural Transformation and the Environment

Before concluding, I would like to underscore the link between development and the environment, and the imperative of addressing environmental considerations to ensure the sustainability of development.

Africa today is faced with environmental problems manifested in the depletion and degradation of its natural resource base. Land degradation in the drylands and humid zones, destruction of tropical forests, loss of cropland, degradation of coastal areas, and urban pollution are among some of the major environmental problems facing the continent. The arid and semi-arid regions are threatened by recurrent droughts and desertification. Issues such as loss of soil fertility due to overcultivation, and loss of biological diversity have combined to aggravate the situation. In the urban areas, inadequate housing and water and sewerage facilities, and unsanitary conditions have created serious health problems.

Development strategies must, therefore, address concerns of efficient natural resources management to bring about meaningful improvements in the welfare of peoples. The linkage between poverty, people, and the environment is well recognized, and is seen, for instance, in the encroachments on protected parks and the destruction of tropical forests. People who live in poverty on the edges of a protected park can hardly be expected to respect the boundaries if the park seems the only ground on which they can eke out a living for survival. Similarly, it is the prevalence of the needs of people over conservation that largely accounts for the destruction of Africa’s forests, which are receding by about 4 million hectares annual-
ly. Thus, encroachment by transhumance herdsmen and land expansion by farmers, coupled with the use of fuelwood for household energy consumption, are responsible for most forest destruction and subsequent soil degradation.

Development programs that help reduce poverty by improving agricultural techniques, introducing new skills, promoting energy and water conservation, and controlling rapid population growth also contribute to environmental protection. It is the recognition of this important linkage that has, for the last few years now, formed the basis for the African Development Bank's lending activities in Africa. The emphasis is to increasingly encompass not just actions to minimize the likely negative impacts of development projects on the physical environment, but also the interface of environmental concerns with the overall development process. The key to sustainable development in the continent, therefore, lies in the recognition of the linkages between the goals of accelerated economic growth, poverty reduction, and protection of the environment.

Conclusion

I will round up my discussion with a few concluding observations.

First, Africa's overarching development priorities should aim at generating faster output growth, investing in human resource development, and attending to the foundations of long-term development by according importance to such issues as environmental care and the application of science and technology for development. This calls for enabling environments, including macroeconomic frameworks based on noninflationary finance, and openness to external trade and investment. The international community, on its part, could provide support by being more forthcoming with concessional resources to help finance the investment requirements of the poor countries that are being bypassed by private capital.

Second, rural transformation would need to be anchored on agricultural development. The focus of a rural transformation
strategy could be the provision of a portfolio of physical, social, and institutional infrastructures that involves the beneficiary communities in design, implementation, and maintenance of the investments.

Third, pursuit of good governance that requires greater accountability, transparency, and integrity at all levels is essential for meeting the challenges of development and poverty reduction. Transparency in public affairs could also assist in averting the societal conflicts and strife that have inflicted so much damage in a number of countries.

Fourth, the CGIAR System must be commended for the impressive achievements in genetic crop improvements that are helping to change the agricultural landscape. To make further gains, the CGIAR System might consider refocusing more sharply on those commodities consumed by the poor in Africa. To complement such efforts, the donor community would do well to work with the CGIAR to strengthen African national agricultural research systems so they can effectively transmit to farmers improved techniques.

Finally, the African Development Bank Group is now positioned to provide more focused support to African agriculture and agricultural research. While we do not underestimate the magnitude of the tasks, we are also heartened by the tremendous potentials of the continent. We believe that development institutions could strengthen the effectiveness of their operations by coordinating their activities. Research is necessary to improve the impact of investment, and investment is necessary to implement the results of research. Clearly, development agencies working together could get results that are more than the sum of their individual efforts.

Thank you.
ABOUT THE SPEAKER

Mr. Kabbaj has extensive experience in the fields of economics, finance, development, trade, and industry. Prior to becoming President of the African Development Bank, a position he has held since September 1995, he was a member of the Executive Boards of both the World Bank Group and the International Monetary Fund. Among other positions, he also served as Minister Delegate with the Prime Minister in charge of Economic Affairs, Morocco.

Mr. Kabbaj has participated in many international negotiations and conferences. He has been a member of the Moroccan delegations at bilateral financial negotiations with France, Germany, and the United Kingdom; and at multilateral negotiations with the World Bank, the International Monetary Fund, the Paris Club, and international commercial banks. He has been the head of Moroccan delegations to the Moroccan/Belgian Joint Commission, COMSEC, ECOSOC, G-77, and the Economic Commission for Africa meetings.
# LIST OF ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB</td>
<td>African Development Bank</td>
</tr>
<tr>
<td>ADF</td>
<td>African Development Fund</td>
</tr>
<tr>
<td>AIDS</td>
<td>Acquired Immune Deficiency Syndrome</td>
</tr>
<tr>
<td>AMINA</td>
<td>ADF Micro-finance Initiative for Africa</td>
</tr>
<tr>
<td>CGIAR</td>
<td>Consultative Group on International Agricultural Research</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>MDB</td>
<td>Multilateral Development Bank</td>
</tr>
<tr>
<td>NARS</td>
<td>National Agricultural Research System(s)</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental Organization</td>
</tr>
<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
</tr>
</tbody>
</table>