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Talking Points by the

**AU Commission Chairperson to the
Ministerial Roundtable on Droughts, Floods, the Commodity crisis – impact
on Africa and our responses**

Addis Ababa, 3 April 2016

Excellencies, Ministers from Member States;

Excellencies, AU Commissioners

**Dr. Ibrahim Mayaki, CEO of the NEPAD Planning and
Coordination Agency**

**Dr. Akinwumi Adesina, President of the African Development
Bank**

**Prof Emmanuel Nnadozie, Executive Secretary of the African
Capacity Building Foundation**

**Minister Ngozi Okonjo-Iweala and Mr. Mohamed Beavogui,
Chairperson and Director General of the African Risk Capacity
Agency, respectively**

Ladies and Gentlemen

I am honoured to welcome you to this Ministerial Roundtable and to Addis Ababa.

Towards the end of last year, as droughts and floods begun to affect more and more of the African people, and with growth estimates adjusted downwards as commodity prices continued to plummeted, the Commissioners requested this meeting, so we can put together our heads to look at coordinated responses.

We agreed to convene this Roundtable to brainstorm what needs to be done, to defend the gains of the last decade, and create policy space to implement the ambitions programmes of transformation that we set for ourselves.

Since we are talking amongst ourselves, we must be frank and correctly identify the problems, so that our solutions can be effective.

Excellencies, post-2000, Africa has recorded an impressive turnaround, 5% average growth compared with 2% during the 80's and early 90's.

We know that for this to be transformative, it has to be growth with industrialization, and transformation of agriculture and African labour markets.

Amongst the lessons from the MDGs are therefore that: our growth cannot be stable if not inclusive, our economies cannot be resilient if not diversified, our products not competitive if not processed and business cannot thrive and intra-Africa trade and investment cannot grow in a fragmented African market.

As Ministers in your respective portfolios, you have a fair idea of the explanations given for the downturn:

- The fall in demand and price of commodities, with China reducing imports of commodities whilst retool its economy, sluggish recovery in Europe and Japan, slowdown in other emerging markets except India;
- Extreme and unpredictable weather patterns as a result of the El Nino effect and climate change, with prolonged and severe droughts in several regions, and devastating floods in others; and
- Monetary policy measures in developed countries, impact on our currencies, as well as debt ratings and investments.

I will not go much into the analysis of the impact of the crisis we face, since the panels that follow will do so in details. Let me however raise a number of issues, which require our attention as we discuss these matters:

- Since we are so vulnerable to the fluctuations of commodity prices, what are the real explanations for the cyclical collapse in prices, and are they always linked to what happens in the real economy in the world?

- What impact on African economies, and why, despite the dire situation, are we still recording growth of above 3.5% and are still home to amongst the fastest growing economies in the world? What drives this growth?
- Why are we still so vulnerable to weather fluctuations, because this is not the first and certainly not the last time this is happening and what do we need to do to build resilience in our agriculture?
- What are the impact of the fall in earnings from commodities on production and revenues, and on the population in terms of jobs, incomes, consumption and poverty?
- What has happened with our tax base, the state of our fiscal deficits and debt? What impact on investments (domestic and foreign) is this having?
- Is it inevitable that these recurring phenomena (droughts, floods, commodity boom and bust) constitute emergencies each time they arise, are our difficulties with managing them inevitable or is it in our power to adapt and build resilience to withstand these occurrences because we know they will recur?
- Therefore what are our responses that will allow us to make progress on our transformation agenda.

Our responses

- i.) Humanitarian responses: this is of course our first priority, to respond timeously, in a coordinated and effective manner, to provide food security and also to support the farmers and families who will be forced to get rid of their productive assets, if they don't get help. Have our responses been different today than before, and how?
- ii.) Resilience of our agricultural sectors: Figures point that nearly 50 percent of all emergency multilateral food assistance to Africa is due to natural disasters. What have, and should we be doing to build greater resilience including through such strategies as climate smart agriculture, reforestation,

investment in irrigation and storage infrastructure to build our collective food security, at country, regional and continental levels?

- iii.) What is the state of our disaster management, as well as disaster management finance and insurance, and what is the role of the African Risk Capacity agency.
- iv.) Economic diversification remains key: The commodity price collapse showed that we remain extremely vulnerable, because we continue to export mainly raw materials. So our mantra of industrialization, economic diversification and the focus, agricultural transformation and agro-processing must remain our focus. As we discuss responses, what needs to be done to accelerate progress in these areas, working together. I hope we don't say because of drought, we don't look at industrialization because this is key to building resilience.
- v.) Pushing ahead on infrastructure development: Even in the context of a contraction, the infrastructure deficit (especially power supply) is highlighted as a major contributing factor, inhibiting factory operations and growth. As we discuss measures to cope with the slowdown many of our countries face, we must not take measures that compromise on the need for ramping up infrastructure development, especially energy.
- vi.) We must also defend and expand investments in education and skills: In the same vein, we must defend and nurture investments in skills, and education, science and technology – to let up now would mean further slow-down of growth, not only now but in the medium and long term. Almost all our countries are mining something, but we only have 19 universities in Africa offering mining engineering degrees.
- vii.) Strengthen domestic resource mobilization – improving tax collections, adjustments to reflect changes in the tax base; quality of expenditure in high impact areas that stimulate growth; stopping illicit financial outflows, investments in Africa

and African institutions by pension funds and insurance, role of financial sector, etc. How many of our pension funds invest in Africa; we keep saying we don't have money, but keep sending it outside of the continent. This is a key responsibility of our finance ministers.

- viii.) Last, but not least, the need for macro-economic policy that supports growth and industrialization, and stimulus packages aimed at high impact areas. This includes a common understanding of Africa's debt situation, in relation to our own aspirations and in comparison with the rest of the world. The debt to GDP ratio in Africa is still low compared with other parts of the world. Whatever we borrow must go towards investment in productive capacity, rather than recurrent.
- ix.) Centrality of the integration agenda: this includes our collective food security, regional energy pools, regional agriculture, agro-processing and manufacturing value chains. We also need to change our mindsets and believe in our selves.

Finally, all these require us to act strategically and in a coordinated fashion as we domesticate and implement the Agenda 2063 first Ten-year plan and its priorities, promote solidarity and together, work towards enlarging our policy space.

We should not allow our economies to be continual victims of circumstances, but take charge of our destinies.

The answers to these issues are critical, so that if there are bold and tough decisions to be taken, we can present it to our leaders at the Assembly retreat and the Summit in Kigali.

The practical solutions and actions we propose, must alleviate suffering, but above all give our people hope that we are a leadership determined and capable to change the fate of Africa and set it on a new path, breaking the cycles of dependency and vulnerability.

Thank you