Banking on a climatic harvest

Africa is evolving for the better, albeit slowly. But taken individually, African countries still have enormous shortages and are more eager than ever – almost desperate, one could say – to emerge as stable, bankable economies.

The African Development Bank (AfDB) is responding to this call, and with increasingly valuable infrastructural developments crying for assistance, the bank's capital increase may very well be the catalyst for Africa's improved future in global trade.

'The 200% capital increase that the AfDB has requested is significant, but is much below what Africa needs at this time,' says the president of the AfDB, Donald Kaberuka. 'We still need much more, but the US$100 billion will more than double our operations by 2015.'

Indications are that, financially, Africa is emerging from the global recession more dynamically than expected and the AfDB, as the largest development finance institution on the continent, is a significant contributor to this bounce back.

At least 40% of the AfDB's funding goes into infrastructural development. Projects such as the Bujagali Hydro in Uganda, the Lake Turkana Wind Power project in Kenya, and the Main One Project (that will make the fibre-optic cable connection to West Africa easier), are typical of the socio-economic upliftment that the AfDB has helped to facilitate.

Africa suffers from competing mandates and when it comes to infrastructural development, the AfDB is especially mindful of basic needs. This is why it has identified the energy sector, particularly renewable energy as a major focus. It aims to be the leading financier of renewable energy in Africa with investments in national and multinational projects valued at US$11 billion in total project cost.

Hydro, wind and geothermal power are seen as the best options in providing power because they can balance clean energy with affordable attributes. Couple this to the aggressive approach that the AfDB is taking in fighting climate change and it is obvious that the Bank is determined to seek solutions that will help Africa grow greener and more resilient climate change economies.

Bobby Pittman, the AfDB's vice-president for Infrastructure, Private Sector and Regional Integration says: 'Climate change impacts significantly on the way AfDB projects are funded. Case in point is that of the Benin Road Project, which connects the landlocked country with its neighbours and is therefore vital to Benin's trade flows. The AfDB's environmental assessment determined that changes needed to be made to the road design for it to have a lasting impact on sustainable growth with climate change in mind.'

Two policies have recently been adopted by the AfDB to enhance its Climate Information for Africa's Development programme: the Climate Risk Management and Adaption Strategy seeks to build resilience to climate change into African economies; and the Clean Energy Investment Framework aims to reduce the continent's energy poverty by improving access to clean energy.

Hela Cheikhrouhou, the AfDB's director for Energy, Environment and Climate Change, says that one of the ways to help the continent address energy gaps is clean energy. 'In this respect the bank looks keenly at projects that tap into, for example, the potential for hydropower and wind technologies which make development more bankable and affordable.'

Most of the work the AfDB has done in renewable power has been with African private sector partners and this has unearthed a driving desire by countries to replace expensive emergency petroleum and diesel power, to manage their infrastructure projects with cleaner technologies when they are affordable.

The thoughts of African villagers do not, however, go to science, no matter how dependent they may unwittingly be on the success of renewable energy projects. Their concerns are more basic, such as food and water. As Aly Abou-Sabaa, the AfDB's director of Agriculture and Agro-Industry points out, 'The majority of Africans live in rural areas and 75–80% of them depend on agriculture for their livelihood. The performance of this sector is therefore key in determining the quality of life African people enjoy.'

Currently there are 164 AfDB-funded agriculture projects (including multinational operations) in 39 of the 53 African countries, covering a diverse spectrum of sub-sectors including livestock, rural roads, markets and irrigation. Going forward, the agricultural arm of the AfDB will be largely focusing its efforts on the development of rural infrastructure, says Abou-Sabaa.

'This will cover all interventions related to water mobilisation such as storage, irrigation, management and efficiency. Rural access roads that link farmers to markets will also be a priority. This is a very important direction because we recognise that the AfDB can play a key role in effecting private sector investments that will help farmers graduate from subsistent to commercial farming and thereby manage their farming activities as a business.'

Abou-Sabaa reminds us that the entire agriculture architecture is really private-sector driven. 'Remember that the small-holding farmer himself is one form of private-sector development but operates with limited resources and access to land and finance, combined with having to cope with, generally speaking, weak policy environments.

'Incidentally, the private sector arm of the AfDB has recently approved a US$40-million contribution in support of agribusiness specifically to help promote the development of small to medium enterprises in this sector.'

Working with the medium to larger size projects means dealing with governments, and Abou-Sabaa says that such agribusiness AfDB projects must reflect and be part of a broader planning process of a country to ensure that the resources the AfDB helps develop will be used optimally and not overburden the budget of such a nation.

The current agriculture/agribusiness portfolio is roughly one third of the operations of the AfDB and so the bank has developed a structure to be able to promote food security through the various interventions that it supports. Cross-border highways and integration are such an example, with the aim of being vital for inter-related cross-sector collaboration.

With its sights firmly set on water mobilisation, the AfDB has targeted 8.5 billion cubic metres for water storage and 500 000 ha of land for irrigation development and water management improvements. In the next six years Abou-Sabaa's department will also be helping countries reduce Africa's harvest losses by 10%.

'These are in addition to other special AfDB initiatives but all serve in our goal to reduce the current food gap in Africa by 10–15%,' he says. 'These interventions will obviously not solve the entire problem but they set the course whereby we can collectively reach a stage to help African farmers graduate and become self-sustaining over the long term.'

The AfDB is integral to Africa's adaptation and growth. Its latest financials show a buoyant, healthy and strong institution, warranting its status as the largest dedicated development financier on the continent.

That Africa still managed to grow its overall GDP figures, in the past year, despite a drying up of foreign resources, is viewed by the AfDB as a positive step towards achieving viable economic recognition globally. 'Africa has taken a quantum leap forward,' says Kaberuka. 'Our message now is clear ... hurry up, the people are waiting.'