I. A few reminders

- The international financial crisis has negatively impacted Africa, for the growth rate has decreased from 6.4% and 5.6% in 2007 and 2008 respectively to 2.5% in 2009.
- It has affected more strongly the middle-income countries and countries exporters of oil and minerals.
- North Africa, which accounts for about 36% of African GDP, has seen its growth shrinking by -0.6% in 2009.

The crisis has caused a plummeting of raw materials prices and exports volume, the lower transfers of emigrants, and a decline in investment (FDI).

FDI towards Africa have experienced a significant decline in 2009 compared to 2008 (-36.0%). North-Africa, which in 2008 represented more than 27% of total African FDI, was particularly affected (Morocco: -57%; Egypt: -14%);

II. Economic and financial prospects and challenges facing Africa in the medium term

- Economic and Fiscal Outlook

- Despite the magnitude of the crisis, African economies have been able to rise, although to levels lower than the pre-crisis period.

- It is estimated that Africa's GDP grew to reach 4.5% in 2010 and should reach 5.2% in 2011 and 5.7% in 2012 under the common effect of the increased volume of exports (3.2% in 2010 and 5.0% in 2011), the FDI recovery (17% in 2010) and the benefits of macroeconomic countercyclical policies (fiscal and budget).
Inflation being estimated at 7.7% in 2010 will reach 7.0% in 2011.

Public deficits are estimated at -1.1% in 2010, they could however increase to reach -2.5% in 2011.

Trade balances and current account could improve or deteriorate depending on the country. Oil exporters Countries would benefit more, because of current recovery in oil prices.

The risk of another crisis is not so far away.

As in 2008, food prices should know an increase due to declining production of some major grain producers (Russia, Australia, Argentina, etc.). Rising oil prices could continue with the recent crises in the Maghreb Area and the Middle-East.

North Africa is particularly vulnerable due to its cereal deficit of about 50% and the high pressure caused by the energy bill on the national budget of some countries like Morocco.

Major economic and financial challenges are as follows:

- Consolidating macroeconomic stability and diversify revenue sources (internal);
- Increasing the productivity of the agricultural sector to improve food security and diversify exports;
- Making the continent more attractive (business environment, infrastructure, political stability ...) and attracting more FDI in sectors other than those of oil and minerals;
- Making more use of intra community and continental markets (African) as a means of export diversification, and in order to dampen the international crises. In this respect, the process of regional, economic and financial integration needs to be accelerated. North Africa In particular, whose trade intra community trade exchange represent only 3.5% of the total exchange, shall have interest in progressing in this direction;
- Preparing to better manage the challenges of climate change and other environmental problems.

III. Dynamics of trade and investment in Africa

Regional Integration (RI) and Development in Africa

Beyond the recognized economic assumptions (more efficient allocation of resources, cumulative effect of factors ...), the RI appears as a credible alternative model to achieve the development of Africa for several reasons:

- Small markets that are highly fragmented necessitate the pooling of resources / means and the developing of larger markets;
 Strong dependence on a limited number of outlets (2/3 exports to the United States and the European Union) → need to diversify trade partners and sources of investment to better manage external shocks, especially in times of crises;

 Increasing participation in the global economy → Africa must be able to talk, interact and defend its interests in a unified and coherent manner with other global economic groups;

 There many weaknesses affecting the continent (conflict, political instability, climate change, desertification and food insecurity) → need for joint responses at the regional and continental level;

 There strong IR tradition of trade and political recognition by many African leaders that has long been established → the business dynamics go beyond national borders: Pan-African project.

  o There are many obstacles facing intra-African trade and investment, including:

     The prohibitive costs of transport;
     The shortfall in infrastructure of all kinds;
     The multitude of tariff / non tariff;
     Lack of skilled labor;
     Low income economies / communities.

  o Consequently, intra-African exchange / investment remain significantly lower than in other parts of the world:

     Less than 10% in Africa, against more than 25% in Southeast Asia. North Africa is particularly poorly integrated, with just 3.5% of intra-community exchanges of the total trade exchange;

     Share of intra-regional FDI in FDI total: 13% Africa, against 30% in Southeast Asia.

  o However, progress has been made:

     In the late 70s, the share of intra-African trade exchange was only 3%. Now it exceeds 9%. Since 2000, intra-African trade have been growing even faster than Africa's trade with the rest of the world (10 points on average);

     Intra-community trade exchange is also progressing very quickly (15% in average between 2000-2007). I.e. in COMESA they were increased five times between 2000 and 2009, exceeding an exchange volume of. $ 3 billion to 15 billion U.S. dollars.

  o The Regional Economic Communities (REC) has played an important role in this progress particularly through:
The free trade areas, customs unions and Trade and Investment Points (North: Egypt, Libya and Morocco; West: Nigeria; South: South Africa);

The rationalization efforts of the RECs by the African Union;

Establishing financing instruments (PIDA) and coordinating regional interventions (Minimum Integration Program, and NEPAD Agency of Planning coordination, etc.).

IV. ADB contribution to economic integration and Financial Governance in Africa

Recognizing the importance of RI for the development of Africa and the challenges for its acceleration, the ADB adopted a RI strategy for Africa and prepares strategies for each of the four regional blocks North, South & East, West and Centre.

These strategies are: The development of infrastructure (Program for the Development of infrastructure in Africa, African Consortium for Infrastructures ...), the facilitation of trade (trade aids, capacity building, monetary integration and financial policy and macroeconomic harmonization, etc.).

V. Conclusion

Africa rises gradually from the crisis, but its situation remains vulnerable.

In this challenging environment, RI is an option for expanding and integrating the continent’s approaches and strengthening intra and inter-regional investments and trade exchanges.

The ADB works with various technical and financial resources to support and assist countries individually and the RECs.

Thank you