

The African Development Bank Group



Statement by Donald Kaberuka
President of the African Development Bank Group
to Ambassadors from the Member States of the Bank
accredited to Tunisia and Representatives of International
Organizations

18 January 2007

Tunis, Tunisia

Your Excellencies,
Ladies and Gentlemen,

A. INTRODUCTION

1. It is a pleasure to welcome you all to this luncheon, and thank you for accepting our invitation. The Bank has for sometime now organized these annual gatherings for Ambassadors from the member states and representatives of international organizations. This is the fourth of such events since the temporary relocation of the Bank Group to Tunis in February 2003 and the first time I have the honour to host you since I assumed this office sixteen months ago.

2. On this auspicious occasion, let me first extend to Your Excellencies and to your families and the nations you represent my best wishes for the New Year. Let me also take this opportunity to thank H.E. President Zine El Abidine Ben Ali, the people and the Government of Tunisia, for their hospitality since the temporary relocation of the Bank in Tunis.

3. This get-together is an opportunity to update Your Excellencies on the salient aspects of the Bank Group's activities during the previous year and to review with you economic and social developments on the African continent. It is also an occasion to assess the state of our partnership and global developments as they affect our Continent.

Your Excellencies,
Ladies and Gentlemen,

4. In the year just ended 2006, our institution further consolidated its achievements. The Bank Group registered record levels of operations in terms of loans, grants, and debt relief. Overall, activities reached US\$3.4 billion, a 32% increase from last year. Of this amount, US\$2 billion was came from the concessional window for our low-income countries, while US\$1.4 billion was from the non-concessional operations through the ADB window, with the private sector window more than doubling its lending to about US\$401 million. In 2006, disbursements stood at US\$1.8 billion. In the same year we cancelled debt of eligible low income countries in accordance with the G8 Multilateral Debt Relief Initiative. The Bank Group, through the HIPC initiative, succeeded in mobilizing additional resources in the neighbourhood of 500 million dollars. Consequently, the total amount of resources generated for RMCs stood at 3.9 billion dollars.

B. FINANCIAL OUTCOMES

5. I am pleased to report that The Bank Group's financial performance in 2006 improved and strengthened. We continued to implement financial policies designed to ensure that the Bank's financial assets and liabilities are deployed in an optimal manner. I expect that on the basis of provisional unaudited results the Bank Group expects to record a sound operating income of about 255 million dollars. The capital strength and

gearing and liquidity ratios of the Bank, already among the best amongst MDBs, have strengthened even further in 2006. We will continue to refine and develop policies that ensure not only financial viability, and enhance our financial capacity to provide effective development support.

6. In recognition of the overall solid financial position, the Bank continues to enjoy the highest possible credit ratings from all major rating agencies, Moody's, the Japanese Credit Rating Agency, Fitch and S&P. The confidence of the capital markets was further confirmed in 2006 with the Bank's successful launch of its fifth global bond issue for an amount of US\$ 500 million. I am pleased to note that the issue was again well received by a diversified and geographically balanced investor base. I should also point out that the Bank's bonds continue to perform at par with its peer group on the secondary markets. The Medium Term financial position of the Bank continues to be quite solid and its risk bearing capacity sound.

7. Our central objective remains, as ever, accelerating economic growth and the pursuit of the Millennium Development Goals. The Bank continues to give attention to all sectors of the economy in accordance with national priorities and country ownership. While we continue to provide support to all sectors we see the need for, and our shareholders want us to be selective and complementary to other partners and resist the temptation to want to do everything. Evidence is growing across Africa today that shortage of energy, poor roads are increasingly compromising economic growth and threaten to roll back recent

years achievements. Equally, poor access to clean water and sanitation threaten the MDGs. In this year, we have begun a modest attempt to be more selective and give greater emphasis to water, infrastructure, energy, transport now accounting for 40% of ADF operations. Total approvals for water in 2005 and 2006 was US\$ 624 million. It is our strong belief in the Bank that access to clean water, especially in rural areas is a multiplying factor for the Millennium Development Goals especially as they relate to health and education. We believe equally, that lowering the costs of doing business by providing sound reliable infrastructure will promote economic growth, regional integration and private sector development.

8. But Africa is a diverse continent. As we intensified our contribution in fighting poverty, we have stepped up our operations for middle-income countries. Indeed this year, we approved our largest ever loan through this window, a loan of ½ billion dollars in support to Egypt's on-going financial sector restructuring. In Morocco, which I visited last month, we are now that country's leading development partner, as we are also one of Tunisia's important partners. In this category of countries, Bank Group operations aim to support key reform programs, strengthen the private sector, upgrade infrastructure, and generate employment opportunities, improving the overall competitive position of the economies thereby growing their ability to benefit from the improving world trade and investment conditions.

9. A number of countries in Africa have suffered prolonged violent conflicts. Over the last few months, we have been

engaged in a process of elaborating our policy on such countries emerging from conflicts. Since 2003, the Bank put in place a highly successful instrument known as the Post Conflict Countries Facility, which has helped in the clearance of arrears. It has worked very well in the DRC, Congo, Burundi and lately, the Central African Republic. Our intention now is to move forward to the next level of engagement and determine how best to support the recovery of such economies.

10. Another major area of intervention for the Bank Group is regional cooperation and integration. We have stepped up our operations in building the capacity of regional economic communities, regional infrastructure, to support the progressive integration of African economies and growth of the Continent's internal market in accordance with the objectives of NEPAD. The volume of multinational operations in 2006 totalled US\$541 million, a major increase compared to previous years.

Your Excellencies,
Ladies and Gentlemen,

11. In 2006, we have restructured and refined the Bank Group, to improve the quality and development effectiveness of its operations, and in order to better respond to shifting priorities in its regional member countries: The guiding principles have been; better country focus and increased selectivity in our operations.

12. New Top Management joined the Bank including two Women Vice Presidents. The process of completing the team of Directors, Managers, and other professional staff is on-going and about to be completed. Our aim is, as always, high quality staff, with the right skills mix, more diverse, a reduced age profile and in particular an ever improving gender balance, an enhanced performance framework that encourages initiative, develop talent and reward excellence. The Executive Board will shortly be deliberating on a new HR strategy which we hope to roll out this year.

13. The diversity of Africa and the Bank membership is that some of our member countries are not borrowers. But they need the Bank to help develop their private sector and provide knowledge. It is for this reason that we put in place The Office of the Chief Economist which is in the process of taking root and laying foundations for a “knowledge bank”. Through research and networking, it will solidify our statistical capabilities, analytical work to support policy evolution in our countries. The Bank launched this process in November last year, with the African Economic Conference, where I was pleased to see so many of you in attendance. This network of development economists and practitioners will be drawing from the best thinking within Africa as well as outside, to enable gradually the Bank and its partners develop a greater voice on development issues in Africa.

Your Excellencies,
Ladies and Gentlemen,

14. Today, across most of Africa, we are challenged by the need to improve the investment climate, reducing the risks and costs of doing business. We do so by directing our resources to unlock those bottlenecks that impede Africa’s competitive position, such as poor infrastructure. But it is also clear that promoting good governance, strong institutions is critical. This is why in the process of restructuring the Bank, we have put in place a wholly new Department of Governance and Economic Management. I expect it to grow in activities and play a key role. Africa, more than any other continent, has suffered from failure at

governance, including its extreme form – war and conflict – which accounts for the disappointing performance including trend reversals in some hitherto well performing economies. Today, there is ground for optimism: in an increasing number of countries citizens are demanding and obtaining greater accountability and improved voice and participation. The number of active conflicts has declined A new assertiveness and confidence is evident everywhere. Our challenge is to sustain it, to prevent reversals and to work collectively for positive change by building capacity and a framework to support RMCs tackle corruption, build effective states that are accountable and fair to the people.

Your Excellencies,

Ladies and Gentlemen,

15. Every three years we engage with the donor community for the replenishment of our concessional window. We have just concluded the Mid-Term Review held on 7-8 December in The Hague, Netherlands. The objective of the Review was to assess the implementation of the ADF-X. Participants endorsed the priorities identified. They agreed on the need to enhance the Bank's country presence and press ahead with phased decentralization while ensuring adequate safeguards. They encouraged the President to maintain the momentum of reform and above all, accelerate delivery. They further welcomed the direction of the operational program and stressed that implementation should demonstrate commitment by the Bank to selectivity, with a broad consensus on infrastructure, water and regional integration. We will be formally

beginning the ADF XI replenishment process in Dar-Es-Salaam in March. The strong support we received in The Hague reflects that commitment of ADF donors to support Africa's development efforts and their confidence in the progress being made by African countries. We also take it as an affirmation of their confidence in the direction the Bank is going, ever striving to become a stronger institution and to improve the quality of its operations.

Your Excellencies,

Ladies and Gentlemen,

16. For the sixth year running, Africa's economies have continued to grow. It is true that growth is uneven and the rate of economic expansion still below what is required for MDGs. But globally, the African economy continued the trend of solid economic growth in 2006, with real GDP growth rising to about 5.4 per cent from 5.2 per cent reached in 2005. Almost half of the countries of the continent recorded growth rates of 5% and above. Our estimates indicate that in a dozen countries, economic growth will remain strong in 2007.

17. The favourable conditions in the world economy in particular the boom in commodity prices have been a major factor, But these favorable external factors were complemented by the progress that most African countries have made in implementing sound macroeconomic policies and strengthening the management of their economies. Although much remains to be done, many countries have consolidated reform and strengthened the environment for private sector and for

attracting foreign direct investment. We are emphasizing the necessity for our countries to take advantage of the improved external environment to push through vital reforms especially where the higher oil and commodity prices have resulted in significant windfall earnings. I am pleased that considerable efforts have been made to improve transparency, in utilizing those resources in critical expenditures for MDGs, education, health and infrastructure. We are working with countries for better management of windfalls to enable them to withstand adverse terms of trade shocks that may occur in the future as well as avoid damaging macro economic consequences of the past. We are fully conscious that the recent bull run in the commodity market cannot be for ever, as we can also see clearly now that a successful conclusion to Doha may be difficult and could take time.

C. CONCLUSION

Your Excellencies,
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18. As I come to the end of my statement, let me observe, like you, that since its foundation in 1964, the AfDB has contributed significantly to the socio-economic development of Africa, but much remains to be done. The shared goal being one of enabling Africa, like China, India and other countries, graduate from aid and participate actively in world trade and investment flows. How best do we do this? Africa today is not Africa of 1964. The world is changing. This is why we decided to put in place a High Level Panel of Eminent Persons co-chaired by former President Joaquim Chissano of Mozambique and former Prime Minister Paul Martin of Canada, to give us a perspective on a longer term vision of the Bank, 44 years after its birth and now facing new challenges in a new Africa as we begin the process of elaborating a new Strategic Plan for the Bank.

19. Our 2007 Annual Meetings will take place in Shanghai, China, from May 13-18. It will be an opportunity to draw some lessons from Asia's experience in poverty reduction and to see how Africa can benefit from the new opportunities. We cannot replicate entirely Asia's impressive performance. Each country is different. But there are lessons to share.

20. Permit me now to conclude by noting that the Bank is better positioned today to make a difference. With its ever strengthening financial base and enhanced institutional capacity, we are confident that the Bank Group will continue to provide significant support and high quality services to its regional member countries. Today, Africa has its best opportunity in over thirty years to grow sustainably. But fragility and the danger of reversals remain. There is wide consensus inside Africa, and among its partners as to what is needed and let me assure you on behalf of our Board, Management and Staff that we are determined to sustain the momentum. We appreciate your support and once more, Happy New Year and thank you for your kind attention.