

The African Development Bank – Towards 2015

Seizing the Window of Opportunity to Build an Era of Progress

Your Excellency the President of Faso,

Your Excellencies the Heads of State and Government,

The Presidents of Faso Institutions,

Honourable Ministers,

Mr. Chairman of the Board of Governors,

The Executive Secretary of the ECA,

Honourable Governors and Executive Directors of the ADB Group

Your Excellencies the Ambassadors and Heads of Diplomatic Missions,

Distinguished Partners of the ADB Group,

Ladies and Gentlemen,

1. It is a great privilege to welcome you all here to the 2006 Annual Meeting of the African Development Bank Group. We are deeply honoured by the presence of (five) African Heads of State and Government. I understand this is the first time when our Assembly is graced with such a high number of distinguished statesmen and women. Your joining us, in some cases very shortly after assumption of office, in the wake of successful democratic elections, is a powerful symbol of your support for the Bank and for what we are trying to achieve together. I wish to express my warmest congratulations to Mrs. Ellen Johnson Sirleaf in my own name and on behalf of the Institution I head, on her outstanding election. I wish to reiterate our best wishes for her success and assure her of the Bank's readiness to support her in her all-important mission. I invite the Governors to applaud her.

2. We are sincerely grateful to the Government and people of Burkina Faso, and in particular to your Excellency, President Blaise COMPAORE, for hosting our Annual

Meetings this week. The warmth of your welcome and the comfort of our surroundings confirm to all of us the legendary Burkinabe hospitality.

3. Let me take the opportunity to thank the Government and People of Tunisia for our temporary relocation agency and for their hospitality which has permitted the Bank to continue its normal operations. I am certain you all join me in wishing the People of Côte d'Ivoire, our host country, success in the search for peace and national reconciliation which they have embarked upon. They have our best wishes and prayers.

4. I stand before you, almost nine months after assuming office, as the 7<sup>th</sup> President of the African Development Bank. I am humbled by the overwhelming confidence you put in me. I am fully conscious of the weight of the responsibility of this office to the member countries and the People of Africa.

5. I salute the enormous dedication of my six illustrious predecessors in the Office of the President, and their many years of efforts in the service of the Bank and Africa. Both the Bank and the Continent are stronger for their efforts and their care. Each one of them, in his own time, was confronted with a specific set of challenges to which they discharged themselves honourably. It is now my solemn task to build further upon their achievements and legacy. I wish to hail two of them who are with us today: President Kwame Fodwor and President Babacar Ndiaye. I am confident that, with your unflinching support, we shall take the Bank even further forward. Our duties, and the aspirations of the African people, demand nothing less of us.

6. This is a moment of a unique opportunity. From the Millennium Conference in 2000 to the G8 2005 Gleneagles Summit -- the Year dedicated to a very large extent, and correctly

to Africa and labelled the Year of Development --, and not forgetting the Commission for Africa, never have the collective energies of the international community so singularly focused on the greatest challenge of this century -- ending misery and poverty. It is truly a moment of opportunity to build a new era – provided each side fulfils its part of the pact to which we have adhered – the Monterrey pact of mutual accountability.

Your Excellency, Ladies and Gentlemen,

7. On the day I assumed office on September 1 2005, I expressed my optimism concerning the socio-economic development of Africa. Today, hundreds of millions of people are being pulled out of poverty and catapulted into an era of prosperity. This is happening before our very eyes in that continent of Asia which, only 40 years ago, was being described as the drama of humanity, such was its misery and hopelessness. Yet today, China, India, Vietnam and other Asian economies are driving the global economic expansion. In no way am I saying that it is easy to transpose experiences, but I am convinced Africa is turning the corner. Let me explain. Just a few years ago, six major conflicts raged in Africa, our Continent. Today, in five of these regions peace has been restored and democracy is taking root. In Liberia, in the Great Lakes Region, the crises are coming to an end. I have reason to believe that even in the Horn of Africa we are seeing the end of the tunnel. It must also be emphasized that, in many countries, the tradition of democratic transitions has taken root.

8. I note with satisfaction that, for the fifth straight year running, economic expansion has continued with real GDP growth at its highest level for several years, at 5.5% this year which is higher than the demographic growth rate. Despite the impact of high oil prices, inflation is generally lower and the share of trade in GDP is rising as economies open up. Significantly stronger non-oil commodity prices have produced net terms of trade improvements for most

African countries. But, contrary to what one might think, this performance is not simply a result of a buoyant global economy with high commodity prices. It is also a result of years of reforms which are beginning to bear fruit. I am, however, aware that this growth is not uniform throughout Africa and that certain countries are suffering massive humanitarian crises and drought. I am not by any means suggesting the Millennium Development Goals are getting nearer, only that the conditions are getting better.

9. Last month, ADB joined IMF and the World Bank in participating in the cancellation of debt in favour of eligible countries. ADB alone has cancelled around 9 billion dollars. No one claims this fully resolves our development resource constraints. But there is no doubt the additional fiscal space it creates does narrow the current large performance gap in attaining the Millennium Development Goals, provided it is optimally utilized. Debt cancellation therefore comes with some very real obligations for each of us. For the developed countries it means intense efforts to deliver the additional resources that have been pledged and to protect the integrity of both the ADF and IDA – and, preferably, front loading efforts in the years to 2015. For the African Development Bank, it means targeting and designing our future operations with greater care, and doing much more to ensure that we can produce demonstrable results for Africa's poor. And, finally, for the beneficiary countries, most of all, it means pressing ahead relentlessly with second generation policy reforms across a wide spectrum, adhering to some difficult fiscal choices, managing debts better, and providing an environment where the energies of Africa's people can flourish.

10 The next ten years will be crucial for ADB, Africa and its partners. 2015 should not be another *rendezvous* missed. Three issues are critical. First, continuous search for new innovative financing mechanisms that will provide long term predictable grant financing such as the International Finance Facility and the airline ticket levy. Second, in the anticipation of a

reasonably successful Doha round, a collective effort is needed to enhance Africa's capacity to build its supply response, its trading capacity, and expand its internal market. Third, decisive action by African policy makers -- here on the continent and, I was about to say, here in this room and on whose shoulders this responsibility rests -- to deliver on reducing the risks, the costs of doing business in Africa, making our Continent safe for investment and international and African entrepreneurship.

## 11. A Stronger Bank

Your Excellencies, Ladies and Gentlemen,

As a new President, it is right that I share with you my vision for the Bank but also my pace, my timing, the sequencing and the benchmarks. As I scan the horizon of the challenges the Bank faces, the clear objective by the founding fathers, the shareholders remains the same but as urgent as ever: contribute to eliminating poverty and suffering in Africa, promote economic growth which enables Africa to effectively integrate the global economy, to contribute to the day when, as years go by, more and more of our member countries graduate from aid, the ADF window to the capital markets as many countries in Asia, in Latin America are doing. In delineating the role of the Bank I see the need to combine determination and urgency tempered with realism. The AfDB has grown enormously over its 40 years of existence, from modest beginnings, it is now a first class financial institution for which Africa is proud. Years of continued focus on increased improvement in the Bank's operations, by my six predecessors, a strong balance sheet, talented human resource has led to confidence in the Bank which is as high as it has ever been. The key preconditions are in place for us to further deepen our engagement and deliver enduring results.

Your Excellencies, Ladies and Gentlemen,

12. The AfDB is one of the many development actors on the Continent, but it is an important actor whose solidity, whose integrity must be preserved at all time. Therefore, let me say, with all the candour at my command that my first priority will always be financial soundness for our Bank. It is an absolute pre-condition. Today as a result of our strong shareholder support, sound capital adequacy, and prudent financial management and policies. The finances of the AfDB are rock-strong and the medium-term scenarios equally robust. The rating agencies have reaffirmed their superlative assessments and see the outlook as strong and stable. Our key financial ratios compare well, and in some cases even more favourable, with our sister institutions. Under my presidency, we will take all steps necessary to consolidate that financial strength. This is the only guarantor of a growing risk bearing capacity enabling us to provide more support to our member countries.

13. Stronger Governance

My second priority is the following: a strong financial Bank, which we are, is also a Bank with stronger governance. We will accelerate efforts to improve our institutional structure; improving policies and procedures across the board; and by holding ourselves to a rigorous standard in everything that we do. I am aware of the desires by our member countries for us to be a more agile, responsive, less bureaucratic, less rigid institution. These are concerns we share and we intend to change.

Excellencies,

14. A Relevant Bank

A strong Bank, and that is my third point, is also a relevant Bank, relevant for a whole cross section of its members, be they middle income countries, low income countries or those coming out of conflict. A relevant Bank is a source of financing, but also expertise and advice. We are an African institution and that is in principle our comparative advantage. We must develop considerable degree of autonomy in thinking about development in Africa. In the restructuring of the Bank, we are putting great emphasis on the newly created office of the chief economist to provide strong and creative intellectual leadership on development issues working in partnership in Africa and to enhance our visibility and impact in the global arena of ideas, and support our countries in their quest for economic reforms and autonomous policy space.

#### 15. A Bank that Delivers

Excellencies, Ladies and Gentlemen,

A strong Bank, and that is my fourth point, is a Bank that delivers in terms of development outcomes. You want us to be, and we are determined to be your preferred partner, and Africa's premier development institution. This means our capacity to deliver must scale up. Maintaining a strong country dialogue and knowledge base is critical to design informed country strategies, operations and programs, as well as high-quality lending. Therefore, building a strong decentralisation program with genuinely empowered field presence is critical, so is developing a critical mass of skills both at Headquarters and Field Offices. Since coming to the Bank, I have been impressed with the quality and commitment of so many of our staff. I am committed to nurturing this talent, and to making the Bank a magnet for more talent – a vibrant, high-performing organization that will attract and retain the gifted

and dedicated people that we need both from Africa, among its partners and the Diaspora in order to deliver what the People of Africa have every right to expect.

### Realistic Promises, Excellent Delivery

#### 16. A Strong Bank is Focused and Realistic

But, the Bank should not simply deliver, it must strive to deliver excellence. We are determined to, and I am confident that we can gradually build a Bank that delivers excellence. But I would be failing in my duty if I did not raise caution: I am fully aware of expectations, I am fully aware of the many priorities and needs of our countries. But we cannot deliver excellence in everything, everywhere, and all of the time. Under any plausible assumption about resources, human and financial, we cannot deliver effectively on an overly broad mission – however meritorious or needs-based it might be, and however much we would wish it to be so. If we are genuinely committed to excellence, we must accept this basic reality, concentrating our efforts, being more selective, and sharpening our focus. This has been the consistent message to the Bank for many years including the Knox Report as well as subsequent ones. The Bank, in attempting to fulfil its broad mandate, runs the risk of overstretch, mission creep, lack of focus and dissipating its efforts unproductively across a wide area of Africa's challenges. This of course begs many difficult questions; (i) what is it that the Bank is best suited to do, or what are those areas where it should build excellence (ii) how best can it synergize with other agencies in those areas where it is not in the strongest position. There are no straightforward easy answers. It is a task to which we and our partners are focused at this time. I would like to inform the Governors that I have the intention of appointing a high level of panel of personalities. But let me take the case of water. In Africa today, more than 300 million people lack access to clean water or basic sanitation. More than 300 million people. The Bank, with the support of many of you is taking leadership on rural

water, to extend access from 47% to 80% by 2015 we aim to providing 30% of the finances required. So far programs are underway in Mali, Benin, Senegal, Madagascar, Uganda, Rwanda, Ethiopia and Ghana to the tune of 700 million dollars. We believe we can provide safe water to 15 million rural people by 2008. In 2006/07, i expect we will have approved another 540 million dollars for 14 more countries including Burkina Faso, Mauritania, Niger, Chad, Nigeria, democratic republic of Congo, Cameroon and Angola. So by 2010 we should have 32 million rural people covered. My second trip as President took me to Mozambique, I visited the Maputo water supply rehabilitation project which we are financing. With my own eyes, I saw how an affordable and reliable water supply will improve millions of lives, I also saw a genuine partnership at work – with the government, the private sector, other organizations – delivering real results to the people who need them most. Clean water is multiplier for MDGs. With clean water, we get closer to several MDGs simultaneously especially health and education. To succeed, we will definitely need resources, but we will need your support to fast-track these programs, as we will have to change our ways of doing business.

17. In our restructuring of Bank operations, we are putting emphasis on water energy and roads. We will put in place a full-fledged water department. You will know from the discussions yesterday, the critical nature of infrastructure putting emphasis on regional axes promoting regional integration. We are glad for the support we have received from our Board and Governors as we establish a VP dedicated to Infrastructure, Regional Integration, Water and Trade. The creation of the infrastructure consortium secretariat housed at the Bank, will play a critical role in ensuring synergies among the many donors and agencies in this area. The Bank has an excellent track record in this domain and we will build upon it.

Excellencies, Ladies and Gentlemen,

18. A strong Bank promotes Capacity and Accountability among its Members

We know from hard experience, that no lasting development can take place without effective and accountable public institutions. An African Development Bank that aspires to an enduring legacy in Africa must help to build an institutional infrastructure that meets the standards of delivery of public services efficiently, with transparency and integrity. Whether we call it good governance, or a capable state, this has to be a core mission for Africa's Bank.

19. In this context, the need to confront the scourge of corruption comes to the fore. It is pointless, unhelpful, to argue whether corruption is worse in country a; or country b; or whether it is worse in Africa than elsewhere. I know progress is being made but the fundamental and undeniable issue is that corruption is pervasive in our region; it has deeply corroded the integrity and performance of the very institutions on which future prosperity rests; that it steals especially from the poor and the weak, and undermines confidence in our emerging democracies. It is a disease that only we can cure; and, our efforts must begin at home. If there was an issue of African ownership, that must be one.

20. The anti-corruption agenda should not be seen as the agenda of the donors, or the political opposition, or a set of external critics that somehow wishes us ill. It has to be our agenda, an African agenda that affects African lives and Africa's future. I am now ever more convinced that it is critical for the consolidation of our emerging democracies and even in a number of cases critical to continued stability. To this extent, I am encouraged by efforts underway in a number of oil-exporting countries, to ensure greater transparency as well as efforts elsewhere in Africa, by Governments, Civil Society to combat corruption and abuse of power. We are strengthening our own institution in this regard and working with other

multilateral development institutions to harmonise our approaches to issues of our own institutional integrity, on how to prevent, deal with any corruption in our operations both up and down stream. We are confident that by the time of the BWI Assemblies in Singapore a comprehensive framework among all MDBs.

21. A Relevant Bank takes Africa's Realities into Account

A Bank committed to delivering for Africa has to take today's Africa's realities into account : it cannot deliver only in countries where things are in order, easy and smooth. There are of course areas, and circumstances where it would be risky or unproductive for the Bank to operate, but we must do everything we reasonably can to stay engaged – even where both the obstacles and the risks are high. Numerous countries in Africa have come out of conflict, or may be regarded as fragile states. And yet, while the opportunities for us to make a contribution is widely felt, more often than not we are not present in the way we should be, at the time we are most needed. There are, of course, real risks. We do not have in our arsenals adequate instruments, we sometimes do not have enough knowledge but if we aspire to be a reliable partner where the needs are most pressing, we must be prepared to engage, and we must be prepared to assume and manage risks.

22. As a former finance minister of my own country, Rwanda, during critical years immediately after the genocide and mayhem, I experienced first hand what such countries go through. For them, time is of the essence, not only with regard to the act of clearing external debt payment arrears, but also kick-starting the economy, building institutions and minimum vital services and basic infrastructure and above all, willingness to be a long-term partner. The Bank has done an excellent job with the initiative to assist countries emerging from conflict clear their arrears, so as to re-engage with the donor community. I am referring to the

PCCF. We also have begun work at the Bank to develop a framework for fragile states and post-conflict countries, and a dedicated unit has been put in place. I intend to fast-track our activities and Bank response in this area and request for your support.

A Bank for middle income countries

Your Excellencies, Ladies and Gentlemen;

23. A Relevant Bank Addresses Challenges of Middle Income Countries

Africa's great diversity means that the needs and expectations of our different members are also extremely diverse. It is imperative that we serve the poorest; wherever they are, that is the greatest task. But the poor, sometimes the very poor are also a challenge for middle-income countries. As I found during my recent visit to Swaziland. I visited a health centre in Mbabane and heard doctors and nurses describe to me the appalling HIV/AIDS situation and the difficulties of getting international support. It is important to support them deal with poverty issues, effectively integrate the global economy, and develop their private sector position. Here i would like to pay special attention in the way we could support countries which are now major exporters of oil. Some of these countries do not so much need our financial resources, but they need our technical expertise as they develop their private sectors and reform their economies. These are countries which face challenges to ensure that traditional economic sectors which provide employment and livelihood to the majority of the populations outside the K-intensive oil sector do not contract (the Dutch disease), to ensure prudent and transparent management of oil resources, to prepare for the day when prices are lower or exhaustion of the resource. We will be engaging countries in this category to avoid mistakes made in the past, which made oil sometimes look like a curse but which were avoidable.

24. A relevant Bank is in Partnership with Private Sector in Low Income Countries

But the private sector is not just a priority in the middle-income countries, it must be a priority for us everywhere including low-income countries. To this extent support to small and medium enterprises, promoting mortgage finance, microfinance and development of capital markets will be primordial. Of particular significance is the whole agenda of diversification and adding value to the raw materials, till now, 40 years later, still largely exported in raw form.

25. Only two weeks ago, I visited South Korea with some of our Governors here. We saw first hand, how a small resource-poor peninsula catapulted itself from third world to first, from an aid recipient to a donor in three decades. No two countries are similar. Experiences can't be simply transposed. But I saw partnerships between the private sector, the public sector and the community, partnerships built on a supportive policy environment, a vibrant private sector that sees its interests well served by taking a long view. We could clearly see how an eager embrace of science and technology, technical and vocational training, investment in critical infrastructure, both hard and soft, support to tertiary education has delivered the poor from misery. What must be done to create the right investment climate is now common knowledge, the bottom line is that the train is already moving, and it is not going to stop. We must understand how profound the implications are for our future, and that we begin to make the necessary choices. The myriad rules constraining market entry, unreasonable costs and bureaucratic delays effectively suppress emergence of home grown entrepreneurs – on whom economies depend to create wealth and prosperity that see nations graduate progressively from aid. To this extent, I want to acknowledge the support which many donors are giving the Bank for the to promotion of sound investment climate. I am

referring to the Japanese initiative housed in the Bank, the investment climate facility for Africa emanating from the Commission for Africa.

26. Today, as a result of excess liquidity in the world, trillions of dollars of investible capital are available globally, seeking new opportunities. Sophisticated financial markets have found new ways to take and spread risks, and are ever more willing to do so. The new reality for millions around the globe is unprecedented access to capital on terms they can afford – to build new business and new futures. A successful future for Africa lies in embracing and tapping into these powerful forces.

Your excellencies, ladies and gentlemen,

27. A strong Bank must reform and adapt

We can do better, we must and we will, it may take time, patience and will be done progressively, But for us to do that, to deliver on these challenges, the Bank itself must reform. A reforming Bank must be a focussed Bank. We urgently need greater focus and selectivity built around the real priorities on the ground and a realistic estimate of our capability.

28. Throughout its existence, the Bank has been continuously implementing measures to improve the quality of its operations, but there is plenty of unfinished business. Highly capable country presence, reinforced field offices, with greater mandate, more delegation of powers, and more experienced officials from headquarters. At the same time stringent safeguards on fiduciary issues. Strengthening the linkages between country strategies and operational pipelines, significantly strengthening our project delivery cycle – from project

design, through implementation, to impact evaluation - and the right staff skills mix and leadership to do it. We must reduce the current excessive transactions costs of doing business with the Bank, including excessive delays, bureaucratic obstacles that seem designed more to serve internal needs than to serve your needs. We are carefully examining the optimal minimum project size, so as to concentrate on quality rather than volume.

29 When I assumed office, I pledged to bring the Bank closer to its clients and make it more responsive to their needs. This remains my pledge. We have embarked and we will intensify the process intended to turn this situation around. We have begun with restructuring of our operations complexes, we will move to other parts of the Bank, redeploy staff, revise our business processes, and further anchor our decentralisation. I am confident that the reforms we are now bringing on line will build the more dynamic, efficient and flexible institution that all of us want and that Africa deserves. As we complete the decentralization process, for the 25 countries around Africa, our aim is that ministers and their officials will be able to sort out their concerns locally or via the video conferences we have installed, and not having to deal with headquarters even on routine matters. Our staff will be assessed more on how well they deliver value on the ground, and managers across the organization will be accountable for results, and their evaluation will be calibrated on that basis.

30 Every institution must continuously reform, the changes we are putting in place have no other aim but to boost the capacity of the institution. They are necessary to adequately reflect the Bank's key priorities, providing the delivery of core financial and knowledge services, as well as meeting countries' demands in areas, such as infrastructure and regional integration, governance, and to contribute to reversing four decades decline in Africa's tertiary education, especially in technical training.

31. We will concentrate resources to ensure that outcome. We will shift the incentives within our operations towards development outcomes with greater clarity for tracking progress. Many development agencies are reluctant to acknowledge their deficiencies and publicize the limits of their ability. The Bank group is no exception. I believe that a full-fledged credible and independent evaluation entity is needed to improve the credibility of the Bank's efforts. It will have full access to information and full autonomy in carrying out evaluations on the impact of the programs and projects supported by the Bank and of course autonomous in reporting on its findings to the board.

32. The world is changing before our very eyes, yet as has been said often time, it is an enduring tragedy that as the world enters an unprecedented era of prosperity unseen in recent history, millions of children will continue to die in Africa, many by age 5. They will die from lack of clean water, malaria and other infectious diseases whose cure is known and whose cost is often a fraction of the cost of a coca cola drink. This is the fight, which the world decided at the millennium summit, must be won and which the African Development Bank must put at the centre. We have ten years left to 2015. Expectations are high and we must not let this window of opportunity bypass. As a new President of this prestigious institution to whom you endorsed your confidence, I know I have your support to provide the needed leadership. We will not be able to achieve everything at once. We will focus on the achievable with realistic benchmarks but with the urgency which the poverty drama calls for.

33. I began by saying Africa is turning the corner. I am certain we will, all of us here, and those outside, partners of Africa, intensify our efforts to a stronger AfDB that delivers. Let us, by the time of our next meeting in Shanghai, China, be able to say we have made yet another

step forward, in bringing down poverty and enabling Africa to effectively integrate the global economy. I pledge to you that the AfDB will live up to your expectations.

I thank you for your attention.