

CLOSING REMARKS

ADF XII REPLENISHMENT

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President – African Development Bank

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1. Thank you Geoff, Thank you Deputies.
As we come to the end of these two highly productive days, I very much welcome your unanimous endorsement of our strategic directions; an attempt by the Bank to focus and be selective - this is not an easy matter for IFIs. No matter how committed we all are, to selectivity, complementarity, focus and division of labour; it is a constant battle to avoid strategic drift.
2. Navigating between core issues, cross cutting issues and dealing with the emerging issues requires tough decisions. But your endorsement of the strategic direction of the Fund is encouraging and will make our decision making much easier.
3. We will follow through your very useful suggestions on many areas, for example on how to fine-tune, and the need for relative balance within infrastructure as there are many issues to be addressed. One Deputy requested we look further on the small size of water and sanitation in infrastructure.

Let me assure you that the flexibility you indicate possible in a number of areas is something we will avail ourselves judiciously and exceptionally.

Almost everyone mentioned climate change and the need for clarity on how that is woven into the Bank's operations, particularly energy. The same request was given for food security. I hope the presentation this morning by my team on climate work was helpful.

I also want to assure you that we have listened carefully to what you said on risk management, on quality of operations, results management, gender and clarity on the pipeline and how demand links to strategic priorities, including the private sector.

4. The second issue I wish to briefly touch upon – is the overall business model - in particular the “One Bank” approach – the link between the Bank window and the Fund. As you know this is an issue which is under serious reflection especially in the context of the General Capital Increase.

Beyond the assurance we are giving today, I would like to repeat that we shall do everything we can to ensure that net income allocation to the Fund and administrative cost burden sharing are looked at extremely carefully. The overarching framework for us, the link between the two, will be to try and get the Fund to improve the business climate in low income countries so that the Fund can increase activity in the ADF theatre.

5. Tomorrow we will discuss how much risk capital we can reasonably assume in the medium term, which will influence our overall risk appetite. As you know, Regional Member Countries requested us to develop a credit policy which is autonomous because for 13 years we have been using the credit policy of the World Bank.

6. We are very much encouraged by what you say about the Bank's primordial role in economic integration. We will improve steadily on the "how to do".

We have taken note of your guidance on cost sharing, on regional public goods, on soft issues, on building REC capacities and working with others. You have emphasized the need for us to lead. As I said yesterday we are now the leading lender and we are also active in many Pan African initiatives such as corridors and power pools.

The challenges we face in regional integration are not only of resources but a constellation of many factors. Let me give you an example that I was discussing with the Coordinator. In Africa, the sources of hydropower are enormous. We have no challenge of getting to clean energy. But the hydro capacity is concentrated in a few countries around the Congo River basin such as DRC, Cameroon, Ethiopia, Zambia, Mozambique, Angola and Guinea.

Now, the story, which the Board knows very well, is we have not been able to develop the Guinea hydro capacity and yet West Africa is suffering from severe energy shortages. Navigating our resources framework, small allocation for some countries and cost sharing have meant that we have shelved that particularly important regional clean energy project. Now the paradox is that we ended funding a coal fire plant in one of the countries that was facing energy shortages, even though there is plenty of hydro capacity in neighboring Guinea.

I think that the kind of flexibility you are building into the system can enable us to address a clear case like the one I gave above that has multiple advantages beyond one country.

The second example I would like to give pertains to your comment on taking more leadership on regional dialogue. In this region, Southern Africa, we are the leader in what is known as the tripartite initiative between SADC, the EAC and COMESA. They are working to have a joint Secretariat and common programs. I hope we can also do this in other regions because it is not simply an issue of regional integration; it is also integration between regions, especially on the issue of corridors.

7. I totally agree that we need to attract more co-financing and private sector resources into our core activities including multi-national operations. We are having some success especially in IT area, submarine cables and fibre optics. As you know one

of the big challenges Africa faces relates to the high cost of access - whether it is the blackberry, phone, or internet. African consumers and businesses face the highest cost of any consumer in the world! Not surprising the last AU conference was on this issue – Information Technology. We were able to show how we were leveraging public and private sector windows to address this issue. Perhaps if need be, we can produce a paper on this issue because it provides an opportunity of linking up the two Bank windows for both nation and multinational projects and also crowding in private investment.

On climate change, Antony Nyong addressed the issues in his presentation this morning. I would like to add that we supported and will continue to support African negotiators in the climate change negotiations, as we did ahead of Copenhagen. Antony also mentioned to you that:

- We are supporting 4 regional Climate Centers in Africa.
- We host the CBBF, thanks to the support of UK and Norway, and we are looking for ways to extend the benefits of dealing with the forest issue beyond the Congo Basin.
- Above all, we are initiating a process to develop an Africa-wide green growth strategy to bring coherence in what are disparate approaches in different paths of the continent which will also guide the Bank's investment.
- We are reflecting carefully on what would be the components of a “green Bank” and how to balance the need for development and green growth.
- You will be pleased to know that I have an informal Board go ahead to have a dedicated Department for Energy and the Environment. We intent to split our infrastructure department to have a department for energy and environment as the portfolio in renewable energy has increased drastically over the last year.

8. I cannot but again come back to Fragile States. I would like to reaffirm what you have said here – it is one of the most important initiatives to have emanated from this process of ADF discussions.

The case has been made. I need not repeat. However, for emphasis of the matter I will note that millions of people are “developmentally trapped” so to speak in such states. Secondly, issues affecting fragile states have regional spillover effects. Consequently, the regional integration and fragile state approach of the Bank are woven into each other; they are the reason why the flexibility you are giving to the Bank is extremely important.

We all know that the risks are very high but even higher are the returns. And so we are building our understanding of the political economy in fragile states, which is never easy. And I think a strong push for our presence in the fragile states is extremely important.

9. I know there are a range of views on the role of PBOs in fragile states but I can tell you from a personal modest experience that subject to design and a number of fairly straightforward safeguards; budget support, PBOs - dollar for dollar – can be one of the most effective ways of supporting fragile states. The task of reconstructing a post-conflict country is of course very much about physical things; schools, roads, water etc. However, the most important aspect is rebuilding the state – this is important for sustainability. This includes the progressive ability of the state to raise its domestic resources as we are doing in Liberia, and some of you bilaterals are doing in Burundi.
10. Far too often in the past, reconstruction support is provided by numerous well meaning actors (as I am sure is happening in Haiti right now!) bypassing Governments, creating parallel systems that weaken the state and delay the reconstruction efforts. In Davos, I was discussing with Professor Collier on what is happening and what should be the approach. The chances are that the hundreds of well meaning initiatives are scattered and passing the state. I am not saying we should go in blind-folded, far from it, I think the flexibility you are providing gives us an ability to work with the states themselves on building their capacity as we do work on physical infrastructure instead of creating parallel systems. We shall continue to work with regional organizations which often understand the local politics better than we do.
11. Finally, let me say a few words on managing expectations going forward in an era of hard fiscal choices. I begin from the premise of what the Minister of Finance of South Africa told you about the C10. We sat in the C10 meeting, looked at the numbers, region by region, from the Governors of Central Bank and Ministers of Finance. The picture emerging is quiet interesting. The Tanzanians, for example, informed us that they are going back to 5.5% to 6% growth next year. The Governor said they were surprised at how they were able to withstand this shock. This means that the ADF countries, even though they face risks, have demonstrated remarkable staying power. Not all of them but the majority. And so I think in terms of managing expectations, we need to balance two things. These are hard time, many scenarios discussed here will be straining for your budget but I think we need to look at that side by side with the track record of what the Fund has done, including giving ADF countries ability to resist external shocks.
12. Now, we could make a modest effort to at least ensure that achievements of the Fund to date will not slip and I hope we can do everything possible to try and make that happen. I cannot say this to you without saying this to our own in the Bank. We are going to pull all the levers in the Bank, look at all the corners on the internal resources and see what we can do to the maximum possible, consistent with sound

policies in the Bank. And I hope you can do the same. I have been to 47 countries and I say this frankly because I think something significant is going on inside Africa, with the exception of a few conflict affected countries. I think we have the possibility to sustain momentum.

13. One of the Davos speakers stated that if we look at the numbers across the Africa, and if we did the right thing, it is possible that in 2011, Africa could be the second fastest growing continent after Asia. I hope we can make an effort both internally and externally to make that happen.

14. Finally, referring back to the C10 Meeting, at the next G20 we are looking to try and take the Africa case beyond the traditional prism of more of the same. The African countries are saying something different this time. We want to go to the G20 saying - it is quite possible for Africa to be another pole of growth and for that to happen there are a number of things that we can do together, combining aid modalities, investment, partnerships of different types. The Fund has a major role to play.

15. I would like to end these remarks by saying, you have seen what the institution can do, the excellent staff we have and the work they do. We think the institution has demonstrated capability to deliver more and the Africa theatre is improving. We know the challenges we are facing but hope that internally and with you, we can join forces for a good replenishment this year. We are fully aware of the challenges you face and we are prepared to help you make the case. One of the ways of doing this is by improving our own delivery capacity and ensuring there is internal contribution to the maximum.

16. I thank you again for the support you are giving to the Fund.