

OPENING STATEMENT

ADF-XII REPLENISHMENT CONSULTATIONS

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President – African Development Bank

Cape Town, 22 February 2010

1. I join Minister Pravin Gordhan in extending to you all a warm welcome to Cape Town and to the ADF-12 Replenishment Consultations. My deep appreciation to the Government of South Africa and the People of this historic city of Cape Town for the warm hospitality.
2. Let me also take this opportunity to express our gratitude to Geoff Lamb, our ADF Coordinator, for the magnificent work he is undertaking for the Fund. To our distinguished Ministers - Mme. Marie-Therese Drabo-Keita, Mr. Augustine Ngafuan, and Mme. Syda Bbouba - representing ADF countries, thank you again for taking on the task and for being here today.
3. When we met in Helsinki last year, the Bank demonstrated its ability to deliver high-quality support to ADF countries in line with commitments made under ADF-11. The Fund was able to do so as a result of its ability to focus, growing capacity and flexibility to changing circumstances.
4. From that Mid Term Review you agreed on an early beginning to the ADF-12 Consultations - consolidating and deepening our strategic priorities while at the same time innovating and fine tuning.
5. Over the next two days Management will be presenting papers that will attempt to articulate this directive. My appreciation to you for the very constructive feedback you have provided and the time you have spent commenting on the papers.

6. We have, together, in successive previous cycles achieved a great deal on the continent. The Fund has demonstrated its dexterity, its relevance and its place in the aid architecture. Now, as we go forward: we essentially face three challenges which I would describe as:
- i. Consolidating gains and preventing slippages
 - ii. Sustaining and building on our achievements
 - iii. Being ready at all times to adapt to exogenous shocks and changing landscape.
7. Yesterday, the Committee of Ten undertook a deep review of the economic situation on the continent. It concluded that while much of Africa has avoided the worst effects of the recession, we face significant risks and uncertainty. The impact of the global turbulence though varying, from region to region, has been a major setback and a threat to our common achievement to date.
8. But, at the same time; much of Africa has demonstrated remarkable resilience. The reform programs and economic policies put in place by many African nations over the last decade have minimized pre-existing vulnerabilities, providing that surprising degree of resilience.
9. It is right to conclude that the Fund has contributed to that resilience. In addition, by frontloading supportive action, the Fund and its partners provided additional capacity to resist the external shocks. We are proud of the role which ADF played at this critical time while avoiding strategic drift.

10. Now, as the global economy begins to show fragile signs of recovery. We fully understand that the temptation is to look after one's own. But I know you will agree with me that preventing slippages and consolidating the gains in Africa, to which the African Development Fund has made such a contribution, is a call which we must respond.

11. Our aim must be to see ADF countries progress significantly in prosperity creation and graduate, as Cape Verde has done, to less dependence on aid. And that means acting on sources of growth, and growth drivers such as our core areas of operations. The Bank has put forward what I believe to be a credible proposal as to how it intends to do so:

i. Our projected pipeline for ADF-12 already has 336 national and multinational projects valued at UA12.35 billion (US\$18 billion). This demand is fueled mainly by the infrastructure gaps, particularly energy, the needs for regional integration, investment in climate change adaptation. All priorities of ADF-11 and ADF-12.

ii. Much has been said about our institution's capacity – on which there is much to do always. Nonetheless, representatives of RMCs present here will confirm, the AfDB is becoming a lender and partner of choice both in normal and crisis times. Our selectivity and focus has enabled us to deepen our understanding of the sectors and countries we operate in and we are more and more able to demonstrate results with each dollar.

12. At this discussion, you expect us to demonstrate how we intend to consolidate, fine tune and innovate, going forward, while drawing on lessons of the past, in such domains as economic integration, PBOs, support to fragile states and what we intend to do in the domain of climate change.

13. In addition, you expect us to spell out clearly our resource framework and ambition levels. Management will be articulating that in detail, but please allow me a few thoughts on some of the areas:

- i. On regional economic integration. Shareholders of the Bank, donors to the Fund, the African people expect the AfDB to be the leader on Africa's economic integration. Regional integration provides the underpinning for private sector development and economic diversification.

This is an area that has the full backing of African nations. Yesterday the Ministers and Governors at the Committee of Ten Ministers of Finance and Governors Meeting unanimously agreed that regional economic integration is central to Africa's sustained growth. Indeed, we heard from BEAC that in regions such as French speaking West Africa, unity was a source of resilience.

You will be pleased to know that the bank is becoming the lead financier of regional integration work in Africa.

Since the turn of this decade, we have invested close to \$9 billion, making the Bank the largest financier in the domain in Africa.

We fully recognize that regional operations are more complex and imply higher transaction costs in preparation, coordination, and close monitoring. That is inevitable with multi-country operations, especially in the context of RECs with varying capacity. We will learn as we go – and in this respect it is important to note the progress in the implementation since ADF-10.

In any case, we have no choice; regional integration is fundamental in ensuring Africa's convergence with the rest of the world, and in facilitating growth on the continent. We must learn how to do better as we do more – in partnership with others – but this is the Bank on whose shoulders lies this historic responsibility.

- ii. I would now like to say the same for fragile states. The Africa Development Bank needs to be relevant to all its Regional Member Countries (RMCs), and that includes fragile states. These are states in need of our expertise and support. We must continue to uphold the vision and boldness the Deputies had when they founded this initiative.

We must use all available instruments to respond to the needs of these states, including public support

instruments; of course tailoring the response to the circumstances.

The risk of operating in these states is high, but even higher is the return or the cost of failure. We must therefore always and at all times continue to seek ways to mitigate the risks associated in operating in these fragile environments.

We have two representatives of fragile states among us today, Liberia and the DRC, able to share with you our common experiences and achievements and the kind of support they expect from us under ADF-12.

Under ADF-12, the Bank will continue to support these countries in rebuilding fractured institutions, infrastructure rehabilitation, capacity, and arrears clearance. Tailoring our interventions to each country's circumstances and taking into account the lessons we have learned during ADF-11.

We are currently strengthening our results measurement tools, quality-at-entry-operations, portfolio management framework, and country level engagement.

- iii. Budget support operations are an important instrument in our toolbox. I realize this is an area on which there are diverse views. However, the Bank has now acquired solid experience which enables us to maximize the benefits. But as some of you have said to me, our ability

to meaningfully be part of the harmonization process, the Paris Agenda and the Accra Action plan is very much a function of what we do in this sphere.

Management will work on fortifying the areas that we have identified as needing improvements which include the fiduciary risk management framework, and I look forward to hearing more from you during the discussion.

- iv. On Climate Change. For Africa the environment and development are inextricably linked.

Africa faces a huge energy gap. There are obvious consequences not just for economic growth, for the private sector, but also for health and education.

We have an opportunity to follow a new, lower carbon, development path. However such projects will undoubtedly require significant additional financial resources.

You may be aware that Prime Minister Meles Zenawi, speaking at Copenhagen on behalf of the African countries, said that a substantial part of the additional resources should be channeled through the African Development Bank. The Committee of 10 meeting yesterday took a similar view.

- 14. Over the next few months, your Governments will be facing multiple bids for available development finance and will want

to compare the comparative merits of different channels and institutions.

15. In so doing I hope that you will feel that the progress the Fund has made over the last few years, the growing capacity of the Bank as a whole to step up and deliver more than initially expected has demonstrated that we will use well the resources pledged.

16. At this time when the Bank is also undertaking both a GCI and ADF replenishment, the two windows are more than ever complementary. My Management will be articulating in detail the role the Bank window will play in the ADF countries and in the overall resourcing of the institution.

17. I would like to assure you of our commitment to see the Bank contributing more via net income and in the burden share of administrative costs.

18. In closing, I would like to express my appreciation to all of you, to your Governments for your dedication to our common cause.

19. Let me also thank our Board members, Senior Management and staff who have worked tirelessly, to provide excellent papers for our work. I look forward to our discussions today and tomorrow.