

**OPENING STATEMENT**  
**AT THE ADF-XI MID TERM REVIEW**

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1. I am pleased to extend to you all a warm welcome to Helsinki and to the ADF-11 Mid Term Review. My deep appreciation goes to the Government of Finland for the warm hospitality. Let me also, in your name, express our gratitude to Geoff Lamb, our new ADF Coordinator for accepting to take on this task. He brings to this exercise, vast talents and experience on development issues and, deep knowledge of MDBs. Allow me also to extend a warm welcome to the four distinguished Ministers representing ADF countries.
2. This Mid-Term Review comes at a critical time for Africa, for the Bank and the Fund. When preparing for this meeting, I looked at the opening statement I made at the ADF 10 MTR in the Hague in 2006, a time of broad concurrence that Africa faced its best opportunity in 30 years. And that indeed was the context in which we negotiated and concluded ADF XI, a time of hope and optimism.
3. Today, we face a dramatically different landscape. What began as a financial crisis at the epicenter of the global economy, has translated into an economic crisis for many African countries, which is still working its way through. Governments are struggling to minimize damage, maintain momentum with very limited fiscal room. The majority of whom cannot afford the resources for counter cyclical packages. In several ADF eligible members, particularly fragile states, the risk is real that, gains painfully made, are eroded. In countries who have been making steady progress, with the support of the ADF, and other partners, the threat of slippage is substantial.
4. Yet, it doesn't have to be. The stamina built up over years of reforms had, in many countries, established a credible, resilient base, even though fragile, on which to rebuild. If this crisis had hit Africa a decade ago, I am persuaded the picture would have been dramatically different. Africa of course is made up of 53 countries, sharing similar challenges, but also different in many ways.

The impact, has been, very much a function of three factors: first; the structure of the economy and dependence on commodities, second; the degree of reliance on external inflows of various types; and third; the capacity to respond in terms of fiscal space, level of external reserves etc. Fragile states economies strongly dependent on mining regional engines of growth were particularly badly affected with domino effects on the neighbourhood.

5. At this juncture, although prospects for Africa as a whole in 2010 look less somber and more optimistic, our analysis show about 18 African countries still extremely vulnerable. Another dozen, or so, are projected to return to growth exceeding 5% in 2010. The remainder, including several ADF eligible, though affected, have shown a remarkable staying power, unimaginable ten or fifteen years ago.
6. But; it is all very fragile and could unravel; because the relative resilience for some ADF eligible countries, while certainly a result of improved policies, the larger reality is the beneficial effects of lower oil prices and to an extent food prices which, though historically still high, eased somewhat from the peaks in 2008. Overall therefore, we are passing through a delicate period; but we, the Fund, and its partners, have a window, to limit damage and enable the countries return to a growth trajectory.
7. Throughout the successive crises, The African Development Bank Group alongside other IFIs has played a key role in both the Middle and Low Income countries. We responded appropriately, helping them weather the storms and adapt to the changing circumstances. The International Community asked us, and other MDBs, to step up our efforts, during the food crisis. We did so, quickly and flexibly. When economic crisis hit; in the absence of a flexible crisis response instrument and limited tool box, we were able to draw on the lessons of that experience. We have provided support by front loading resources, portfolio restructuring, and by speeding up processing time. In addition, at the behest of the G20, we developed new initiatives, traditionally not part of our

core business such as Trade Finance. And in the Middle Income countries, many of them important regional economic locomotives, the ADB window is playing its part. But, we have not simply been a source of finance. We have utilized our convening power to coordinate responses. Through the Committee of Ten Ministers and Central Bank Governors we played an advocacy role for Africa and provided additional analytical capability to enable them design adequate responses. We have, I believe, as a Bank, as a Fund, played the role expected of us, facing a major challenge, which I define as: “how to respond to the crisis without the tools and instruments for crisis response while at the same time, remaining focused on our Medium Term Strategy, and avoiding strategic drift”.

8. I am persuaded; this swift response by the Bank and the Fund, to two successive crises would not have been possible, without the institutional reforms implemented in the Bank over the past few years, which have upgraded the Bank’s delivery capacity. Our client countries recognize this progress and they are asking us to do more. We are conscious of the road ahead and the unfinished business but we are determined to stay the course.
9. The outcome of the ADF-11 consultations demonstrated your confidence in the Bank and your unswerving support to Africa and in particular low income countries. We arrived at a compact. You agreed to a record replenishment of the Fund. In return, we committed to managing for results, the quest for quality and a much greater operational focus in the domains spelt out in our Medium Term Strategy – around infrastructure (transport, energy, water), governance, regional integration, fragile states and Higher Education and Science. And, above all, we committed to deepening our institutional reform agenda with a view to increasing the Fund’s delivery capacity and the results culture.

10. It was a compact to which we are here to report upon, to account for what we have done with the resources entrusted to us, and with what results. My senior management team has provided you with a large pile of documents – 13 in total – which I hope answer most of your questions. We have tried to make a candid assessment of progress, and indicate how to tackle areas of unfinished business.
11. Let me express my appreciation to you for the broadly positive feedback we have received from Deputies and the time you have spent commenting on the papers, despite the exceptionally heavy international calendar and the competing demands on your time.
12. My assessment is that, while the road ahead remains long, we have made significant headway. Let me spell out a few issues; which are germane to this review:
  - First, the Fund has attained unprecedented levels of commitments, but also higher disbursements. Both have doubled compared to ADF-10. And this increase has not been at the detriment of selectivity. The domain referred to as infrastructure, transport, water and energy, representing around 60% of total commitments at the end of the cycle. Equally, support to Governance and PBLs are expected to account for an additional 22%. You will agree with me that the ability of the Fund to maintain focus, avoiding strategic drift in times of two major crises is quite significant.
  - Second, ADF-XI committed to scale up support to regional integration and to fragile states. To that end, we agreed on a combined 25% carve out of the PBA. This is working very well. Commitments to operations in support of regional integration have reached their highest ever annual level close to UA 1 billion; mainly regional corridors and energy interconnection programmes. The Fragile States Facility has financed arrears clearances operations, supplemental resources to eight fragile states and technical assistance to another six. Not surprising, demand has exceeded supply; both envelopes will be fully exhausted by the first quarter of 2010. We have two

representatives of fragile states among us today, Liberia and the DRC and they will be able to share the experiences with us.

- Third, in ADF 11, we agreed to put in place a robust Results Management Framework. We now have such a framework that systematically attempts to measure the results of our operations on the ground. It is generating early strong, growing evidence that ADF operations exiting the portfolio are contributing significantly to development outcomes, such as the 17 million persons who have been connected to the electricity networks and 2 million persons who were able to access clean water.

- Fourth, in ADF XI we did agree that selectivity cannot mean neglect and has to go side by side with complementarity and division of labour with sister institutions. We have strengthened our collaboration and complementarity with key partner institutions, IFIs, bilaterals, multilaterals, Foundations and UN organizations particularly FAO and IFAD with whom we are working very closely in the agriculture area; a domain in which I know the International community is seeking ways of reinforcing support for food security. Our staff will be sharing with you how we are supporting agriculture, a domain in which the Bank has vast experience, and continues to innovatively support, drawing from lessons of the past.

13. You will be pleased to learn of our collaboration with the private sector, where the non concessional window of the Bank has been able to crowd-in private investment in ADF supported low income countries. We have significantly scaled up our non-sovereign activities in ADF countries; which now account for 52% of all non sovereign operations thus building synergies between the two financing windows of the Bank.

- Lastly, we have continued to deepen our reform agenda in all key operational areas and the business processes.

We have piloted innovative instruments such as readiness reviews for public sector operations. Our private sector operations have to go through a rigorous ex ante additionality and development outcomes screening. Procurement, project financial management and Fiduciary Issues, have been significantly boosted, as have the internal operational review processes. Our budget reforms will further strengthen accountability in 2010 fiscal year. With your support, we have untied ADF financing by eliminating the “rule of origin” for procurement activities financed by the Fund, which was one of the impediments in the context of the Paris Declaration.

14. Many of you have commented on the pace and model of our decentralization exercise. Decentralization in which our experience is still very young is a complex task, which requires constant evaluation to draw lessons and make necessary adjustments. The independent external assessment from our evaluation department has given us a basis for such an adjustment. A roadmap for the next phase, which will draw on several of the recommendations, is under preparation for Board discussion.
15. While time elapsed is still too short to be definitive, it is already very clear that our decentralized Bank Group now covering 26 countries is giving the Bank and the Fund added effectiveness; in responding to the needs of client countries; the Bank’s much greater visibility; its greater role in donor coordination, portfolio quality, policy dialogue and civil society engagement – as I am certain representatives of RMCs here present will attest. Our clients have seen the benefits, they want us to delegate more authority – and countries where we have no presence – even though understanding we cannot be everywhere at this stage – are impatient – especially the fragile states.

16. I fully understand those who would say reform progress should be faster, but believe me, we are making very real and deep changes to this institution, and naturally, it takes time, especially when there is a multitude of simultaneous reforms covering all aspects of the Bank. I can state here with all the candor at my command that solid foundation for a stronger Bank has been laid. Yes indeed, it is still work in progress, but the achievements are real and are starting to produce results.
17. But we are not complacent; we know that sustained efforts will continue to be required. We know which improvements have to be made and weaknesses that have to be addressed. One of the most important documents in your pack is an Action Plan for the remainder of ADF 11, which spells out what we intend to do to consolidate gains to date.
18. In the current climate of competing demands for donor resources, we are very aware that our delivery capacity will be an area of greater scrutiny. Some of you will ask if the Bank Group has sufficient capacity to deliver on its ambitious commitments. The documents before you, attest to the improvements we have made. The extent to which we responded to the crises is the best indicator - as are our disbursement performances which have doubled.
19. In 2008, a new HR strategy was adopted. It is now under implementation in all its components. A new multi-rater performance evaluation system has been rolled out. More than 150 staff have joined the Bank since January 2009 and another 60 have received offers from us. That is 210 additional staff in 2009. These are new, motivated younger staff, with a better gender balance and bringing in new skills and fresh insights. Of course, we also have on board consultants, and secondees equivalent to more than 210 full time staff, allowing us to import, as we need it, scarce and specialized skills, to tap into broader experience.

20. We are continuing to upgrade and reinforce our IT systems and have concluded two major IT audits – skills and infrastructure.
21. As we grow our business, we are constantly seeking to have risk management at par with the very best. To that extent, I have commissioned an external independent assessment of our risk management.
22. With its cohesive management team, highly qualified staff, talented, multicultural, with its growing legitimacy and franchise value, its reach across the continent, I believe that this Bank is steadily building up unrivalled capacity on issues of development on the African continent and our recent operational record is there to show. And that is precisely what a regional development bank should strive for and is expected to do.
23. Many of you have told me, we need to communicate more. I agree. As you will see from the presentation today aptly named “Africa achieves”, the Fund has a lot to celebrate and the Bank much to be proud of. We are working to improve our outreach, including posting and updating briefs on all projects on the Bank’s website and developing strong contacts with all stakeholders including civil society. Action in this area will be a priority for the second half of ADF 11 and to that effect, we are hiring an external communication firm to assist in the process.
24. Finally, before you is a paper on how to improve the cost effectiveness of the replenishment process, following our initial informal discussion in Dakar last May. I look forward to hearing your further thoughts on how we can reduce the transaction costs of this exercise.
25. Let me say that we can all be encouraged by the achievements of the Fund especially during these two exceptional years of crisis.

Looking ahead, I am now turning to you to ask for your guidance as to your expectations during the remaining part of the ADF XI, and how you see the way forward into ADF XII, so that we can enable the Fund to avoid a hiatus in resources. I look forward to hear how we can ensure sufficient commitment capacity to continue our lending programme as we await for the resources of the ADF XII replenishment to kick in.

26. Just to conclude: I understand those who would say, but we are going from replenishment to replenishment, but are we succeeding? The first policy-based graduation of a Fund supported country (as opposed to natural resource induced graduation) will occur during the ADF 11 period. Cape Verde, a small island state without large oil or mineral reserves. Yet, with focused, strong, sustained policies, and support from external partners such as the ADF, the country now meets the criteria for eligibility to ADB resources. I hope, we can at some point, agree on a graduation policy to define how best we continue to support such blend countries get the right mix of concessional and non concessional resources based on their individual circumstances. Of course, there has been disappointments in the past, including reverse graduation; but I am convinced there are other successes on the way – the crisis may have delayed that transition but it has not stopped it. The continent, now home to one billion people is moving on, and the Fund is contributing.
27. Finally, let me express my appreciation to all of you, to your Governments for your continuous and constructive support to the Bank Group and to the Fund even in these hard times and tough budget choices. I would also like to thank our Board members, Senior Management and staff who have gone beyond call of duty over the past 12 months, responding to the crises and yet delivering an ambitious operational programme and a reform agenda that the Bank has ever had for quite some time.

28. By most accounts, the prospects for the global economy over the coming months are said to be more promising. But the low income countries still face a long period of uncertainties. There is no guarantee that once economic recovery returns it will be symmetrical although we very much hope it will be. For now, we are therefore once again called upon to rededicate our efforts and our talents to the noble cause of our Fund, fighting poverty on the African Continent. Thank you again to you all and I look forward to our discussions today and tomorrow.