Africa Development Fund
Mid-Term Review
Opening Remarks

Dr. Donald Kaberuka
President

Event: African Development Fund Mid-Term Review
Praia, Cape Verde
13 September 2012
In 2010, despite tight finances, ADF members agreed to yet another generous replenishment of the Fund, as you have done in the past 40 years. In the past three replenishments alone ADF 10, 11 and 12, a total of 21 billion dollars was mobilized.

The last two replenishments with which I have had the honour to be associated – ADF 11 and 12 were able to raise 18 billion dollars. These substantive contributions were made possible by your faith and confidence in the Bank as the trusted "vehicle" for supporting Africa’s development. There are, of course, many other bilateral, multilateral channels or vertical funds through which these resources could have been channelled.

However, beyond this strong commitment to economic growth and fighting poverty in Africa, you have also bought into the all-important principle of providing support to Africa in tandem with building the continent’s own institutions. I cannot overemphasize this point. Strengthening Africa’s own institutions and taking advantage of their legitimacy is as critical as providing the resources. The strength of the AfDB is not only its track record but also its legitimacy as Africa’s own premier development institution.

Today and tomorrow, we will review how the Bank and the Fund have delivered on the compact entered into at the last replenishment. It is an important accountability exercise to which Board and Management have dedicated undivided attention. I hope you will agree that the Fund has done its best to meet its obligations, in its strategic choices and delivery, both in normal and crisis times. We can be proud of the way the African Development Fund has been able to remain focused, selective, and yet building partnerships to ensure selectivity is not neglect.

At the same time, I am the first to acknowledge the extent of the unfinished business and that which can still be described as “work in progress”. My Senior Management is here to articulate what we have done, and the direction of travel in regard to what remains to be done.

You will agree with me that our faith in Africa and the work of the Fund has not been disappointing – it is bearing fruit. The storyline of Africa’s resilience is now well established.

At the recent World Economic Forum on Africa, I think it was Klaus Schwab, founder of the WEF, who pointed out that Africa’s mood has swung from ebullience at independence, then to despair, pessimism (Afro-pessimism, they called it!), scepticism and now to pragmatic enthusiasm.
There are setbacks, uncertainties, large pockets of resistance, the persistent structural challenges, but this is a remarkably resilient Africa – wholly appreciating that the continent is made up of 54 countries, not all with the same endowments, legacy or environment.

In this long, 40-year journey, we have good reason to believe the Fund has made a significant contribution to this resilience and momentum.

Today, we are in this Archipelago, Cape Verde, a country which provides proof, if any was needed, that no matter how bad the initial conditions, a country’s fortunes can be turned around. Here is a largely barren land with limited resources, with some of the islands getting less than three months of rain per year – a country which went through famines and hard times in the lifetime of many living Cape Verdeans. And yet today, through visionary leadership, political stability, the determination of its people, those here and in the diaspora, Cape Verde is a functioning democracy which is now transiting from low income country status, making steady headway into middle income status.

I am told that in spite of the global economic crisis, remittances, tourism and FDI, major contributors to the economy are holding steady. Success, of course, always has too many parents. Partners and friends of Cape Verde have definitely helped, but it is the Cape Verdeans themselves who have performed this feat. That said, Cape Verde also needed its friends.

The African Development Fund has been a committed partner of Cape Verde and one of its greatest friends. We can be proud of what together we have done here. From the beautiful airport we landed in at Praia, vital for such an outpost in the Atlantic, and which we are trying to expand, to the renewable energy farms you have seen – an intelligent leverage between the Fund and the Bank’s private sector. Our footprint in Cape Verde in these and other sectors is evidence of the success that is possible. But this is not a unique case.

We are making good progress in many countries, some of which are here today – in Ghana, in Ethiopia, in Malawi, in Rwanda and many others where economic growth is strong, sustained, broad-based and leading to significant decline in poverty headcount.

In short, while the story of Cape Verde is unique in its own way, it is the generic story of much of Africa.
Just imagine that for the first time in many years we are now talking about a radical decline in child mortality, HIV infections and malaria and a general decline in poverty headcount.

Yet it is true that the continent could have done better, could have gone further. We are aware that while economies have grown strongly, transformation is painfully slow. For that reason, among others, not enough jobs are being created, inequalities have increased and inclusion is a challenge.

In many resource-rich countries, tendentious wealth, poverty and misery co-exist, side by side and that generates huge socio-political tensions. These are familiar and pressing issues which must be addressed for equity, for social peace and, above all, for sustainability.

That is why, as I will be elaborating at a later point, our new long term strategy, while maintaining the same strategic choices, will be strong on issues of inclusion, jobs and sustainability.

That is why the strategy will be strong on preventing the depletion of Africa’s natural capital, and taking advantage of opportunities for greening the continent’s economies in addressing critical challenges, including food security, energy access, job creation, urbanization and broad socio-economic transformation.

That is why the strategy will focus on human capital development and how Africa can reap the demographic dividends.

We will have time to return to these issues. Today and tomorrow we will be making the halfway assessment of where we are – the Fund’s performance. In the document before you, management has presented the Fund’s progress in different domains, anchoring the strategic choices, responding to the successive external shocks and crises while avoiding strategic drift.

Earlier on, I cited an example of countries where we are reasonably succeeding. Until recently, one of the Fund’s good stories was Mali. As we meet here today, for all intent and purposes Mali is a fragile state. Those are the unexpected setbacks the Bank, the Fund will always face.

As you walk around, you will have the opportunity to see a photo exhibition on the African Development Fund’s work in fragile states, home to over 200 million people. Our engagement with fragile states must remain a critical component to the overall success of our work given the linkages between vulnerability and conflict.
We know, through our experience so far, that there is no magic wand here. Building institutions and restoring basic services take time. Responding to the needs of these countries requires flexibility, speed and adaptability.

In the Horn of Africa, working with several of your institutions, we have identified that to put an end to the humanitarian challenges caused by recurrent droughts and the Somalia conflict, we must lead in efforts to build resilience.

That is why the Bank Group has pledged 300 million dollars to finance a program of support through the Horn of Africa Drought Resilience and Sustainable Livelihood Program covering eight countries in that sub-region. We are optimistic, cautiously optimistic, now that Somalia seems to be coming along, and the two Sudans are engaging much more constructively.

I agree that applying innovative ways of helping countries emerge from fragility is the secret to success. As many of you told me at our meeting on Zimbabwe in Tunis, that is what we have done in that country. And that is why you have trusted us with the Zim-Fund. It is our continued hope that as we work to restore capacity in Zimbabwe the country will do what is needed to pave the way for it to gain support for arrears clearance and re-engage with the international financial community, a matter I know you will be looking into at some point.

Going forward, we will benefit enormously from the recent external evaluation on our work in fragile states.

I agree that deeper engagement on the political economy is at the heart of our action. The challenge I think we have been facing is this: as we know too well, there are countries where getting things done is extremely difficult. There are situations where “business as usual” on the basis of standard Bank procedures is really not able to deliver. Innovating, while ensuring full compliance with the Bank’s fiduciary framework is a challenge.

In the next few weeks, we will be upgrading, strengthening capacity and providing greater resources and visibility to the Fragile States Unit – all issues recommended by external evaluators. Those who had the opportunity to participate in the project visits yesterday witnessed a perfect example of how the Bank is helping Africa transition to a greener economy through the application of the One Bank concept – using both ADB and ADF resources.

Management will be providing details on why some of the pilot instruments, like partial risk guarantees, have been slow to take off and the measures now in place. Management will be engaging you on institutional matters. On all the issues, be it
HR, decentralization, outreach or communication, our multicultural management coming from different backgrounds know what works and what needs improvement. There is much in progress, sometimes not always immediately providing the needed impact, but whose long-term effect can be assured.

As I did mention at the Annual Meeting, I commissioned an external firm which had done similar work for a sister institution to evaluate the implementation of the 2008 strategy. That work is now done. I am very proud about the impact of the two successive staff surveys and the just-concluded client survey.

As we delve into these issues we can always be comforted by the resilience of the African Development Bank: resilience it has demonstrated, especially over the past decade when its operational environment would have challenged any institution of this magnitude – I am referring to the relocation and its attendant uncertainties over the past 10 years: revolutions in North Africa; and the global financial crisis.

In the same way that this resilience is a strong reassuring factor, our track record, for example on crisis response, where the Bank has in general excelled, can be a predicator of the future.

Of course, the Bank has to continuously benchmark itself against global world class institutions. This is a must. We must always aim to be as good as the best. However, I can say with all modesty that, on some issues, the Bank itself might be “the” benchmark. The Bank’s operational, financial, performance over the last decade and a half in a challenging environment, the external shocks it has withstood, suggests to me that the Bank is at par with peers on most metrics.

Before I conclude, let me turn to a preoccupation, in the minds of many here. I am referring to the roadmap for returning to Côte d’Ivoire, which we were requested to draw up. Initial discussions have taken place at the Board and I expect the roadmap to be discussed in Tokyo next month. In this complex exercise, we will be guided solely by the need to ensure the Bank remains in optimal conditions to deliver on its mandate, the welfare and working conditions of our staff, and we will be looking forward to the guidance by the GCC in Tokyo.

As we undertake this MTR and anticipating the next steps, we are all too aware of the new global fiscal and financial landscape and implications for ODA overall. We will need to understand these challenges. But as we get closer to the MDG target 2015, we must also keep the fire in the belly to keep the ADF a robust instrument. In addition, it is time to begin a reflection on how the Fund can innovate. There are some ideas in the papers before you around the PBA. I am sure they will enrich your thinking on how best to ensure rewarding performance, addressing needs,
avoiding free riding but also bringing the PBA closer to the focal areas of the Bank such as infrastructure. I fully understand there are complex issues here and this is only the beginning of such a reflection.

Also in the papers before you, are some ideas on different approaches around the ADF resource allocation, taxonomy of recipients, among others. And probably, now thinking aloud, what kind of incentives one can offer potential new contributors. To this extent, I very much welcome the commitment made by some African middle income countries. The amount might be small but the symbol is significant.

Since I was elected President, I have visited 49 African countries. After my visit to Guinea next week that will be 50. In those travels across Africa, it has become evident to me, as you will no doubt hear from RMC ministers here, that Africa too, now has a different set of expectations from the Fund and similar institutions. That expectation is to graduate from aid dependency through better policies, mobilization of internal resources, economic integration and better use of the natural resource boom.

One of the most important roles for the Fund, going forward, is through advocacy and advice to resource rich countries on how to optimally manage those resources and avoid the negative consequences we have seen in the past.

For a few dozen countries, the prize of aid graduation is in sight. However, we are still some way from the day when the ADF will declare success and celebrate into retirement. We are not there yet. But let our presence in Cape Verde be a reminder of what is possible. It will take resources – but not just resources. Policies must be right. But resources and good policies on their own are not enough. It will also require capacities and strong institutions. Institutions that ensure irreversibility and sustainability of the work we do. On all the four anchors, the Fund can be proud of its achievements.

Now is the time to re-energize and determine to prevail over the obstacles and sustain the momentum, of our achievements. I want you to count on us the Bank, Senior Management, our staff, on the journey for which fruits are beginning to bear.

Thank you.