

**“After climbing a great hill, one only finds that
there are many more hills to climb”
*Nelson Mandela***

Statement at the 2015 Annual Meetings

Donald Kaberuka

President of the African Development Bank Group

Abidjan, May 26, 2015

Mr. President, Madam First Lady,

Your Excellencies, Heads of State and Government,

Former Presidents of the African Development Bank,

Dear Governors,

Distinguished Guests,

Ladies and Gentlemen in your respective ranks and capacities,

I am glad to welcome you to our Annual Meetings in Abidjan.

Our annual event has been growing over the years.

This year, it has mobilized nearly 4,500 people: Governors, delegates, the private sector, civil society, the media, and many more.

This is a new record.

However, beyond the numbers, we should see this strong mobilization as a symbol of friendship and support for the AfDB and its activities across the continent.

I would like to extend to you our profound gratitude.

Now that I am about to pass on the baton after ten years at the helm of our institution, I would like to share my thoughts with you on the future in light of what I have learned during my term of office at the service of Africa.

First of all, allow me to express our joy and pride, on behalf of my colleagues and myself, to finally welcome you to our official Headquarters in Abidjan after eleven years of relocation in Tunis, following the political crisis that hit our host country, Côte d'Ivoire.

We officially returned to Abidjan in September 2014.

I wish to sincerely thank all those who made this operation a great success, especially as two-thirds of the current staff were not at the Bank in 2003 at the time of the relocation.

The return to the Headquarters took place as planned: smooth logistical services, minimal staff loss of less than 7%, and controlled financial costs, without any overspending.

With regard to our biggest concern, namely the negative impact and potential disruption of our operations, it did not materialize.

On the contrary, the year 2014 recorded one of the best performances of our institution since 2008.

The Bank owes this success, first and foremost, to the full support of its Governors, Executive Directors and Bank staff, whose planning and implementation of the return operation could be the subject of a course in major business schools.

Three other factors were vital in the success of the operation: close cooperation from Côte d'Ivoire and Tunisia, our decentralization policy, and the Bank's robust financial health.

It is therefore the appropriate time for me to sincerely thank Tunisia again for hosting the AfDB for eleven years.

Since I took office in Tunis, I know the extent to which Tunisia contributed to the Bank's smooth operation.

Finally, I would like to extend our deep gratitude to you, Mr. President, to your Prime Minister, and to the entire Ivorian Government and people of Abidjan and Côte d'Ivoire in general, for all the sacrifices you have made and for the warm and fraternal welcome given to us.

Your Excellencies, Ladies and Gentlemen,

This Assembly is also the culmination of our 50th Anniversary.

Not so much a festivity, but rather a solemn occasion, to pause, to look back, to scan the future in the context of the new global landscape – which is the theme for these meetings.

It is a moment to quote Nelson Mandela:

“After climbing a great hill, one finds that there are many more hills to climb”.

It is time to pay homage to the founding fathers and reflect as to whether we have been true and faithful to their ideals.

When the Bank was founded in 1964, Africa had great aspirations.

Those aspirations were to be challenged, in subsequent years, by economic decline, political instability and geopolitics.

Nonetheless, those aspirations never died.

Men and women of goodwill, such as those who at different times have led or worked for the African Development Bank, soldiered on.

Thanks to them, our Bank was able to continuously reboot itself, overcome the many virtual obstacles and “stress tests” to serve the African continent.

Your Excellencies, in 2005, I was given that immense honour and privilege to lead the African Development Bank.

The mandate I was given was quite strong, for I was elected with a very large majority, 78%.

At this meeting, in a competitive, transparent way, you will elect my successor to whom I will have the honour to hand over to on September 1.

So, as I prepare to step down, my first thought is to thank you, the member countries for your support, beginning with my own country, Rwanda, which sponsored me.

At each point during my tenure, when key decisions were necessary, you rallied behind the Bank. You believed in our strategic choices, and management of global crises, the focus on comparative advantage, provision of a narrative on Africa’s development, including in the G20.

It is because of that strong support that we were able to mobilize the resources needed; 25 billion USD in the last three ADF replenishments; and of course, the historic tripling of the General Capital in 2010, which incidentally, is all subscribed and technically paid up because our transfer rules do not permit arrears.

I wish to express my profound appreciation to successive Boards of Directors for providing the strategic direction and the way oversight responsibilities were exercised.

I have been privileged to lead a group of some of the most committed and talented people – the staff of the Bank.

This is one of the highest concentrations of talent on the African continent.

Whether working from Headquarters, or in the field offices, and sometimes in challenging environments, you continue to give your best; it remains for me only to say “Thank you” for what, together, we have been able to achieve in the last ten years.

My deep appreciation to partners in Africa and around the world.

Your Excellencies, Governors, Ladies and Gentlemen,

When I assumed office in 2005, Africa was at a turning point, beginning to reverse years of decline, registering positive real per capita GDP growth in almost two decades.

Human development indicators were improving, a dramatic decline in infant mortality and wide availability of anti-retroviral drugs.

Yet, it is also evident that translating economic growth into economic transformation; to create jobs, had only just begun.

Sustainability was not assured, and poverty levels were still deep due to high population growth and the initial low base.

In addition, a number of countries; large regions of Africa, were still mired in instability or recovering slowly from years of bloodletting and mayhem.

And there was something else:

While the achievements, such as those in the health sector were remarkable, sustainability depended very much on the ability of African countries to build strong economic foundations to fund them in future years.

It was therefore vital to do two things: first, build an agenda fit for purpose, and for the times, and two: carefully examine our comparative strengths, do a few things and do them well.

This is what the new African dynamic needed. It was time for a strong push on the growth agenda, largely missing in the MDGs.

I also concluded that five things were now urgent:

1. A big push on Infrastructure
2. Lead from the front on the private sector
3. Economic integration, an important *raison d'être* for the Bank
4. Fragile states
5. Leveraging convening power, knowledge and voice

Let me explain briefly:

First: A Big Push on Infrastructure

Over the last ten years, the Bank has committed 28 billion USD to infrastructure, of which 11 billion USD is for energy, 11 billion USD for transport, 4 billion USD for water and 2 billion for ICT.

Although these are significant amounts, almost double what the Bank has done in the previous 40 years, in terms of Africa's needs, the gap remains large.

Going forward, two things will be pivotal:

- (i) Innovation; getting project ready and de-risking them to attract additional private capital.
- (ii) Further deregulation in the energy sector; including reform of energy subsidies, strengthening the balance sheets of the national off-takers and truly independent regulators.

That was the spirit of innovation was the Africa Growing Together Fund (AGTF), now co-financing infrastructure projects such as the Sharm el Sheikh Airport in Egypt.

This is the spirit of Africa50 whose constitutive shareholders Assembly took place yesterday.

I am very much encouraged by the support to Africa50.

I commend those countries who have subscribed almost 700 million USD, and hope more will join in the near future.

My belief is that there are far too many regional, sub-regional infrastructure funding initiatives, which are fragmented and cannot attain critical mass.

Africa 50 offers a continental alternative.

The second area: the Bank would lead from the front on Private Sector, to provide the needed signaling that Africa was ripe for business; that we understand the risk profile and how to mitigate for it.

This was the spirit behind the decision to scale up the Bank's private sector operations, which has gone up ten times in the last 10 years,

From 200 million USD to 2 billion USD per annum.

And as expected, it has had the desired effect: catalytic, crowding in, especially for private equity.

And significantly, this rapid expansion was so well done by Bank staff that the problematic projects are less than 5% of the entire portfolio.

My take is that on this trajectory, private sector activities in the Bank could surpass public sector operations within five years.

Third area was the need to ratchet up Economic Integration in the continent on the physical infrastructure side, on soft issues, as well as regional public goods.

Over the last 10 years, the Bank has committed 4 Billion USD to this area, ranging from transport corridors to power pools.

The Bank championed the approach that, after all, Infrastructure is only a means to more trade, higher services.

However Infrastructure is only the means to an end, which is more trade and services. I therefore hope that in the future, progress can be made, especially on the Non -Tariff Barriers.

The fourth area which required deeper attention was the FRAGILE STATES,

not only because that is where progress on MDGs was slowest, but also because of the regional spillovers by way of refugees, internally displaced persons, small arms and drug trafficking.

We learnt a lot in the first few years, on how to kick start the economies, build capacity and help with debt.

I want to express my special thanks to H.E. Ellen Johnson Sirleaf, President of Liberia, here with us today, who chaired a high level panel to assist the Bank on how to better address fragility within countries and across borders.

It is through this initiative that we were able to be among the first organizations to respond effectively to Ebola and many other emergencies.

Your Excellencies,
Ladies and Gentlemen

The Bank is, above all, a provider of financial resources. But it is not money that delivers development: It is the policies that bring good return to that investment, in addition to delivery capacity.

Therefore, we had to refocus on knowledge, voice, convening power of all, including non-borrowing countries to enhance policies and delivery, such as helping countries.

We concluded that focus will be on helping countries, including those rich in natural resources to better manage their wealth - whether oil, gas, minerals, or the blue economy.

Again to quote Nelson Mandela, "It looks impossible until it is done".

The road ahead remains long, and we have to persevere.

But the initial building blocks are well laid: The big push on infrastructure is happening.

So is progress on the private sector and a better understanding of fragile states.

One thing I have learnt in this job is that while strategic setting is important.

However, an organization such as the AfDB must stand ready to also respond to external shocks; to crisis.

Maintaining strategic focus while responding to crisis is possible, but it is challenging for all IFIs.

Nonetheless, the Bank's well-crafted countercyclical response to the global financial crisis in 2008/2009, to the turbulences in North Africa, to the Ebola epidemic, showed the **Bank at its best**.

I take off my hat to everyone who made this possible. As I get near the end of my intervention, let me point out four other factors strike me as critical for strategic success:

First, maintaining the strong finances: the African Development Bank is very robust, financially.

It has retained its triple AAA rating, even during the Global Financial Crisis.

Together, we tripled its capital base, all fully subscribed and no arrears.

The paid-in capital plus reserves is now equal to 9 billion USD.

At times we had, in accordance with our risk management metrics, to take strong conservatory measures, as in instances when lending to North Africa, which had to be slowed down due to the downgrading of Egypt and Tunisia.

But, a solution was found which now creates additional lending headroom for those countries.

A combination of diversification, geographical de-concentration and an innovative exposure – swap instrument amongst MDBs provide the way forward.

Second: An organization that keeps its business model under constant review. With a diverse portfolio that has doubled in the last ten years, strong field presence is a necessity.

Hence a robust DECENTRALISATION - the Bank now has presence in 38 countries and 50% of the portfolio is managed from the field.

Now, there is no perfect model.

The Bank has to keep trying to get it right; but one thing is for sure: DEVELOPMENT BY REMOTE CONTROL is not possible.

Third – An organization that recognizes its weaknesses.

One such weakness was full and robust mainstreaming gender activities.

I decided to appoint a Special Envoy on Gender to champion the cause both in the Bank and across Africa.

Now, as I pass on the baton to a new Administration, 2015 will be another turning point, and which some have labeled as the most important year in development since 1945.

The Conference on SDGs in New York and COP 21 in Paris will define our world for a very long time.

The link will be success of the Addis Ababa Financing for Development Conference and the role MDBs will play.

The African Common Position is clear: that SDGs will be largely funded through economic growth, transformation, through trade and investments, through sustained domestic efforts; Domestic resources mobilization – local capital markets- minimizing illicit flows- better financial management- leveraging natural resources- and of course, smarter use of ODA.

MDBs can also play a major role.

Working together as MDBs over the last few months, we have produced a report on how these institutions can play a major role funding SDGs – and Climate Change.

It will require rethinking the business models, innovation, institutional governance and better collective use of MDBs balance sheets, as we have just done with the exposure swaps with the World Bank, thereby opening up more headroom for lending to North Africa.

Africa, which has weathered many storms in recent years and maintains its dynamism, will have high expectations of 2015's outcomes.

Let me now close.

In early 2000, a European leader described Africa as a scar on the conscience of the World. Just a month ago, this same leader called Africa the most exciting continent on the planet because of the opportunities it offers.

You may agree or disagree with Tony Blair on this one, but it is a measure of how far Africa has come in one decade.

Nothing, however, is pre-ordained.

Success will depend upon what we do.

The young people being lured by human traffickers to an imaginary El Dorado, only to perish in the Mediterranean, remains indeed, a scar; an indictment.

There are indeed many mountains to climb.

(i) Managing the vortex of forces Africa faces - demographic dynamics, rapid internal migration, and management of natural resources.

(ii) Fighting inequalities, promoting inclusive societies, well in the knowledge that gross inequality hinders growth, corrupts politics, squanders talent, and undermines the very foundations of society.

(iii) Seizing the windows of opportunity- such as the demographic dividend, which opens only once, by fixing our primary health care systems and getting all our children quality education.

The African Development Bank's Ten Year Strategy provides a radar on that journey.

To my incoming successor, my very best wishes; ten years goes by very quickly.

It is a complex and merciless job, but very exciting.

It is, in fact, not a job – but a mission.

It is the fire in the belly that will see you overcome the many inevitable moments of frustration.

We are preparing a well-designed transition for your smooth landing and to hit the ground running.

For my part, from wherever I will be, count me in always as a foot soldier for the economic transformation of Africa.

Thank you and God bless you all.