ADF 13 replenishment: An innovative and focused response to Africa’s requirements

Opening Statement

Dr. Donald Kaberuka
President
It’s my pleasure to welcome you to Paris for this final round of ADF 13 replenishment. I wish to thank Deputies and Ministers who are representing RMCs for finding the time to be with us today. On your behalf I also wish to thank Richard Manning for the outstanding job he has done in coordinating this replenishment.

We are now at the end of a process that started in February 2013, which is taking place at a very upbeat time for Africa:

- Many African countries are fully in the midst of strong economic growth;
- It is now 50 years since independence, and African countries stand ready to do more for themselves;
- We are approaching 2015, when we will see how well we have done in meeting the Millennium Development Goals.

We have reversed the downward trend and African economic performance is on the upswing. What we are pursuing now is good quality, sustainable growth. The Bank and the Fund – strong institutions staffed by dedicated experts – are the vehicles for achieving that growth.

Three aspects of ADF 13 I will be emphasizing today are that it will be innovative, it will be focused, and it will be strategic. It will bring new instruments and new ideas in response to what Deputies and RMCs are asking us to do. I will also be outlining for you two realistic replenishment scenarios.

The good news is that today African countries are increasingly taking African development into their own hands: I am very encouraged to see the ADF Regional Member Country donor base expanding, with Libya and Angola becoming new donors, joining South Africa and Egypt.

A. INNOVATIVE

Let me start with innovative financing and reforms of the allocation system. Previously all ADF-only countries had the same lending terms but now we are introducing three different terms for the different ADF clients:

- ADF-only regular, which are the most concessional;
- ADF-only advanced, which are slightly less concessional; and
- Blend/gap/graduating, which are the least concessional
We designed the structure this way to ensure that we provide the most concessional resources where the needs are the greatest while preserving the long-term financial sustainability of the ADF.

**New instruments**

With ADF 13 we are introducing two new innovative instruments for all ADF clients. They will leverage the Fund’s scarce resources to attract commercial sources of financing.

The first is the Partial Credit Guarantee. You will recall that we agreed PCGs should be introduced in ADF 13 on a pilot basis. They are intended to address the challenges faced by well-performing ADF countries with low or moderate risk of debt distress in their quest to mobilize domestic and external commercial financing. The Bank is ready to accompany them in this transition process. The product will serve in part to guarantee eligible countries’ debt service obligations and to ensure there is no reckless accumulation of debt. We expect this will create the conditions to attract more FDI to Africa and help to deploy the Bank’s resources more effectively in all RMCs.

The second is the Private Sector Credit Enhancement Facility, for which we are seeking UA 165 million. The PSF allows the Bank to lend four times as much in ADF countries, so we will have a greater impact on African development than previously. The PSF’s significance lies in its emphasis on the private sector, which will be the real development motor for ADF countries.

**Allocation system reforms**

As to reforms in the allocation system, this part of our discussion still needs agreement and it’s important that we obtain it at this meeting. It is important for us to adjust the performance-based allocation system to give greater support to the priorities of our clients.

Performance remains the main driver of resource allocation, but we need to ensure that our allocation system and our strategic focus remain coherent. In that respect, it is important that we align our instruments and ADF performance with the Bank’s Strategy for 2013-2022.

We fully appreciate Deputies’ concern and agree on the need to avoid major shifts or distortions on country allocations. Our analysis shows that the redistributive effect of the proposed changes is limited but sufficient to affect things positively (around 100 million units of account for the entire cycle). But the principle is very important for us, which is aligning the system with our mandate and allocating our resources where they can have the best impact.
While tweaking the PBA will not result in big changes in distribution, we expect to see significant gains in terms of policy dialogue.

On the performance side, Cluster E is a new part of CPIA that will look at the policies and institutions that enable infrastructure development and promote regional integration. These are areas that have not been assessed properly in the past yet they are areas where we put a lot of our money, time and effort. The Cluster E assessment will permit the Bank to deepen the conversation with its clients on these issues. In terms of policy dialogue, CPIA is an annual and intensive exercise, so we ought to be making the best use of it, particularly in terms of policy dialogue with our clients. Soft infrastructure could be better developed and Cluster E will provide us with the factual analysis to hold frank, detailed and evidenced-based policy dialogue with RMCs.

On the needs side, we want to look at the infrastructure deficit and limited accessibility in each country, which the AIDI does.

We are fully aware of deputies’ concern to keep the system simple and not overcomplicate it and we recognize this as entirely legitimate. The AIDI captures the infrastructure gap in each country and the RMCs are fully behind getting this information.

B. FOCUSED

Let me turn now to my second major theme today – being focused. I think we all agree on the value of concentrating our efforts in the areas that donors consider to be important to African development and that Africa needs most to work on: fragile states, gender and governance.

1. Fragile states

Regarding the first, the Fund’s emphasis will shift towards those who need greater support while those who can do more for themselves will be encouraged to do so. We are refining our approach to engaging with fragile states to address the root causes of fragility and not just treat the symptoms. The task is for our instruments and procedures to be flexible and responsive so we can do more and do it faster while remaining focused on operational effectiveness and developmental impact.

This category will subsume more states than before because we are seeing a rise in the number of countries and sub-regions experiencing conflict in Africa. Deeper understanding of the political economy on the ground and of conflict drivers will inform our country strategy and assistance. We will be taking the regional dimension of fragile states into account and we will be paying greater attention to partnerships and donor coordination in fragile states within the New Deal’s
framework for peace-building and state-building. As we explore ways to adapt better our rules and procedures to respond better and faster to the needs of fragile states, the High Level Panel is looking at these and related issues.

2. Gender

Secondly, in terms of gender, I am pleased to announce that we are progressing quickly on our commitment to mainstream this even further. The new Gender Strategy for 2013 to 2017 has reached the Board of Directors, who discussed it this week.

The Special Envoy on Gender is at work to guide the Bank’s strategic direction on gender-related activities and internal capacity building, policy dialogue and advocacy among Regional Member Countries. She will be addressing you on this tomorrow.

The new results measurement reflects the Bank’s heightened focus on gender. It includes several indicators and a commitment to disaggregate results by gender whenever possible. This will ensure better tracking and reporting of the development outcome of our programs and projects on women and girls.

3. Governance

Thirdly, it is the Bank’s conviction that governance and accountability promote inclusive growth. Therefore, ADF 13 will build on the results we achieved under ADF 12 in strengthening core state systems, public financial management systems and an enabling business environment.

The ADF will also strengthen its focus, through operations, policy dialogue and advocacy, in governance concerning infrastructure, management of natural resources and domestic resource mobilization. We will improve delivery on these areas of work under the Governance Framework and Action Plan II.

C. STRATEGIC

1. Results Measurement Framework

Today’s third major theme is strategic emphasis. The Results Measurement Framework for 2013 to 2016 signals the Bank’s willingness to deliver results at every level of engagement, and to do so with close attention to cost efficiency and value consciousness. The RMF is strategically focused and aligned to the Bank Group’s Ten year Strategy. It is also better geared towards demonstrating the Bank’s development impact, with clear linkages between outputs (Level 2) and
outcomes (Level 1). It sets out ambitious targets for operational performance (Level 3) and organizational efficiency (Level 4).

These issues are part of a broader set of initiatives Management is taking to reinforce organizational effectiveness. Management welcomes ADF Deputies’ constructive role in urging the Bank to strengthen its institutional effectiveness and pursue a results-driven culture that enables greater staff empowerment and innovation.

2. Initiatives and the Ten Year Strategy

Other ongoing reforms and initiatives aim to improve client responsiveness (especially through decentralization and delegation of authority), to ensure efficient and effective service delivery, and to create working conditions that help staff to be optimally productive.

We are currently working with McKinsey to give greater emphasis to those key areas that require further action to produce faster and more cost-effective service delivery to both our internal and external clients. These are critical to ensuring that we carry out smoothly our two main priorities – return to Abidjan and enhanced decentralization.

Our One Bank approach means we no longer distinguish between ADF strategy and Bank strategy. ADF 13 will take place during the first three years of the implementation of the Bank’s Strategy for 2013 to 2022. The strategy concentrates our efforts on addressing certain of Africa’s needs and we are beginning to see some real impact. Africa’s story is changing and we are integral to that change. Many people should be congratulated for good results.

But there is still a lot to be done and needs to which ADF responds and therefore the ADF is still very much a requirement for Africa. To make sure that our efforts go furthest, we need to emphasize our comparative advantage. We have expertise in certain areas and the Ten Year Strategy for 2013 to 2022 concentrates our efforts on those areas.

D. REPLENISHMENT SCENARIOS

Before I conclude, please allow me to say a word about replenishment scenarios.

We understand the tough fiscal situation in many donor countries and various, associated challenges: economic slowdown in the industrialized economies; internal financial constraints; the ongoing shift from multilateral to bilateral aid; and the changing narrative around ODA. All of this means that we are seeing a decline in available resources and that is why we set aside the two most ambitious
scenarios. Instead, we have kept what was formerly the low scenario and added a new one, even lower:

- Scenario 1 is based on zero nominal change in donors’ contributions in units of account;
- Scenario 2 is based on zero real change in donors’ contributions in units of account, which equals a 7% increase to adjust for inflation.

Both of these scenarios foresee a lower total amount of ADF 13 resources than the ADF 12 level: by 18% under Scenario 1 and by 12% under Scenario 2. Even though we will be able to integrate some other types of resources in the final presentation (such as the existing Fragile States Facility Pillar 2 balance or the impact of cancelled projects), available yearly resources for countries will decline. That’s why I believe everyone here agrees it’s important that we maintain the gains we’ve made in Africa and not slip backward. None of us wants to lose any of the hard work we’ve all put in together. At a minimum, to sustain our current position we advocate for Scenario 2. Under this Scenario we will together be able to provide critical support to nearly 57 million people:

- We will connect 20.8 million people to electricity;
- We will link 19.7 million people to markets and services through improved transport;
- We will deliver improved access to water and sanitation to 7.9 million people;
- We will give three million people better access to education; and
- We will provide seven million people with improved agricultural productivity and food security.

And if donors can give us more, then we can achieve more. You are, of course, allowed to and encouraged to give more than the current scenarios. For example, with one billion units of account more than Scenario 2, we could help an additional 4.7 million people gain access to electricity, an additional 4.5 million people with improved access to transport, an additional 1.8 million people with improved access to water. These are, of course, just a few examples and we will be able to do more.

In its analysis and calculations the Bank has been pragmatic and realistic, while maintaining its ambitions for the continent. We are now counting on Deputies to achieve this pragmatic, realistic goal of Scenario 2, particularly as more African countries are contributing than in the past: Libya and Angola have committed and Mauritius may possibly step up. It should be clear to all that Africa is increasingly taking responsibility for its own development.
We welcome as well the involvement of new donor countries: Turkey, Luxembourg and Australia give us constant support and I want to thank them for that. We would consider it of great benefit to Africa were they to join us officially during this ADF 13 cycle.

**Conclusion**

Ladies and gentlemen, ADF 13 offers the Non-Regional Member Countries an opportunity to invest in their own future because of what Africa is set to become. When some people who don’t really know the situation look at Africa today, they see little infrastructure, fragile states, poor governance in many spots and a host of other negatives. But the people in this room are experts on Africa and together we have a different vision. We see what Africa is now on the road to becoming: a growth pole for the global economic system, a trading partner, a production centre connected to global value chains and a still largely-untapped consumers’ market for the industrialized economies.

It is that future vision which we are financing today. As I have stated during a previous meeting, our aim must be to keep Africa’s momentum in these critical years. During ADF 13 replenishment you have asked the entirely legitimate question of why the Fund should receive priority at a time of hard budget choices. The simple but strong answer is: Africa knows us and trusts us. Working with us is the most effective way to ensure African development.

Thank you.