



Opening Speech at the First Meeting of the 14th Replenishment of the African Development Fund

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Dear Governors, Board of Directors, ADF Deputies, Observers from other development organizations, Bank staff, Ladies and Gentlemen.

On behalf of the Board of Directors and the management and staff of the Bank Group, I welcome you back to Abidjan for this first meeting of the Fourteenth Replenishment of the African Development Fund (ADF). We thank our hosts, the Government of Côte d'Ivoire, for greatly facilitating the work of the Bank Group.

At the mid-term of ADF-13, we discussed the progress made thus far in the current replenishment cycle. I also put forward my strategic vision and direction for the AfDB Group and I promised to update you on where we are regarding the implementation of such strategic direction. Your feedback and constructive engagement, including the work of the ADF Working Group have helped fine-tune our proposals for the ADF-14 replenishment.

Our discussions over the next two days are taking place in the immediate aftermath of landmark global agreements that have set ambitious goals for sustainable development. These include the 2030 agenda for sustainable development, the Addis Ababa Action Agenda on Financing for Development, and the COP21 agreement on climate change. The discussions over the next two days are part of our important journey together to help position the African Development Fund and, for that matter the Bank Group, to help deliver on the expectations, thereby improving the lives of hundreds of millions of vulnerable and impoverished people in Africa, particularly women and children.

The Bank Group operates in the most challenging environment; but therein also lies the opportunity to make an indelible mark in the history of human progress. Against this background, I would like to focus the rest of my remarks on the following:

- A resilient Africa – but one that still requires assistance amidst economic headwinds.
- The Fund's responses to the needs of RMCs;
- Our delivery capacity; and
- The ADF as a value proposition.

A Resilient and Dynamic Africa in the Face of Global Headwinds - Economic Outlook of ADF Countries

Ladies and Gentlemen;

The team will make a presentation on the economic outlook, so let me share just a few thoughts on the subject. With GDP growth of 4.5% in 2015 and growth outlook of 5.3% in 2016 and 5.6 % in 2017, the economic outlook for ADF countries remains generally positive. No one can deny that ADF countries are now more resilient in part because of the reforms they successfully undertook.

However, this growth remains below the 7% threshold needed to meet the SDGs. As ADF countries move towards these goals, vulnerabilities and risks remain. These include sharp declines in commodity prices, weak capital flows, subdued global trade and in some cases, high

debt. While domestic resource mobilization has improved, domestic savings rates are still insufficient. Moreover, remittances and FDI have also slowed down.

Certain ADF countries face peace and security challenges with potential negative spillovers effects in the neighbourhood and beyond. Of particular concern are the increasing refugee flows and the rise in extremism. The continent is part of the ongoing large-scale displacement of people; the largest since World War II. The migration out of Africa, particularly of young people, is a problem whose solution lies first and foremost in a thriving and prosperous Africa. In our collective search for long-lasting solutions, the role of ADF has never been more important than it is today.

Ladies and gentlemen,

The challenges facing ADF countries are long-term and structural. Although the continent has experienced consistent growth over the past decade, human development indicators in ADF countries remain. Four areas stand out for urgent attention:

- (1) High levels of poverty and inequality, particularly affecting women and children;
- (2) Shortage of physical infrastructure, especially energy;
- (3) Youth unemployment and under-employment; and
- (4) Persisting fragility.

The Fund's Response to the Challenges

With its proven track record in reducing poverty and improving the lives of people in low-income and vulnerable countries in Africa, the ADF is ideally placed to support the transformation of its recipient countries. Thanks to your strong support, the Fund has consistently and transparently provided concessional development assistance for over 4 decades to the most impoverished and vulnerable in Africa. In our administration of the scarce resources made available by your taxpayers, we have placed and continue to place emphasis on cost-effectiveness, results and impact. During that period, the Fund has provided more than US \$45 billion for projects and programs that helped poor families and communities escape poverty.

Ladies and gentlemen,

The Bank's Ten-Year Strategy informed discussions during the ADF 13 replenishment discussions and it will continue to do so for ADF-14. However, to continue delivering on the ADF's value proposition and to be more selective in its contribution to the achievement of the SDGs, the Bank Group will have a sharper focus on five priority areas over the course over the next several years: Lighting up and powering Africa; Feeding Africa; Industrializing Africa; Integrating Africa; and Improving the quality of lives for Africans - the High 5s as we like to refer to them. What has happened since we last met here in November 2015? First, we have received unanimously strong endorsements from within and outside Africa for the High 5s. Further, we have developed a number of strategies to guide the implementation of these five priority areas and will be discussing them with the Board of Directors over the coming days and weeks. The timeline for implementation is provided in the paper on Strategic Orientations. Let me provide a quick update on where we are in our march from vision to implementation and results.

- **LIGHT UP AND POWER AFRICA** Through the New Deal on Energy for Africa and the Transformative Partnership on Energy that accompanies it, we aim to achieve universal access to energy in Africa by 2025. We will invest US \$12 billion in energy in the next five years, and aim to leverage about \$50 million from private and public sources over the same period.
- **FEED AFRICA** We aim to make Africa food self-sufficient by transforming the agriculture sector from one of subsistence to one that is a creator of jobs, wealth and growth.
- **INDUSTRIALIZE AFRICA** We will diversify our economies, reduce our reliance on primary commodities and build veritable industries. This will increase the value added of our manufactured goods, increase the manufacturing sector's share in our GDP and increase the share of merchandise exports in total exports.
- **INTEGRATE AFRICA** We aim to significantly increase intra-African trade from the current 12% level by investing heavily in high quality regional infrastructure – especially rail, transnational highways, power interconnections, information and communications, air and maritime transport.
- **IMPROVE THE QUALITY OF LIFE OF THE PEOPLE OF AFRICA** We aim to create vocational and employment schemes for the youth – so that they do not undertake the perilous journey across the Mediterranean to Europe – through such schemes as the 'Jobs for Africa's Youth' Initiative. We believe that the Initiative can reach over 50 million youths over a 10-year period, and stimulate the creation of 25 million jobs. We believe it will inject an additional US \$30 billion into African economies.

This will require the Fund, our donors and development partners including the AfDB, as well as Regional Member Countries to leverage all resources, together with those of the private sector.

We estimate that we shall require US \$130 billion per annum to sustain a growth rate of at least 7% per annum in order to achieve the SDGs over the next ten years. Consequently, this calls for innovation. There is also a strong need to diversify the sources of funding by continuing to develop domestic and regional capital markets and boosting public-private partnerships (PPPs). Capital markets are generally not well developed in ADF countries, although that is slowly changing. Countries like Ghana, Kenya and Nigeria have recently seen substantial growth in their capital markets. Similarly, PPPs can help public sector entities shorten delivery times, share risks, achieve better value for their money and increase innovation in their infrastructure rollout and provision of services.

The ADF will therefore continue to crowd in private-sector financing. You will recall that several innovative financial instruments were launched to spur private-sector growth. With your support we launched the Private Sector Credit Enhancement Facility, specifically dedicated to private-sector operations in fragile states. We also recently rolled out new financial instruments to increase our private sector outreach. These include Partial Credit Guarantees that cover scheduled repayments of private sector lenders against the risk of default, and Partial Risk Guarantees that cover private sector lenders against government defaults.

During this replenishment, I would like the ADF to do more to support private sector development. Clearly, if ADF resources are used to lend more to the nascent private sector, this would contribute to diversify economies, build resilience, and expand the taxable base of these countries while at the same time creating jobs for millions of people, in particular young

ones. Unless we create such opportunities, many young Africans will migrate at any costs outside of its shores. At the same time, the harder terms for the private sector would improve the financial sustainability of the ADF.

Ladies and gentlemen,

In everything we do, we will seek to increase the capabilities and opportunities of women and girls in our societies, as the participation of half the African population is one of the biggest potential sources of boosting productivity on the continent. It is also fair, just and long-overdue. African women and girls bear significantly more than half of the continent's burdens, but they also carry disproportionately high potential as generators of income. A focus on knowledge, skills development and access to capital is the precursor to empowering women's enterprise, and we will develop interventions to help ADF recipient countries address those issues.

Our Capacity to Deliver

During the last several months, we have been developing an improved business model to deliver more effectively on the TYS, with an enhanced focus on the High 5s. We aim to deepen market confidence, improve Bank Group profitability and enhance the developmental impact of all our interventions. The improved business model is fully aligned with the Bank Group's strategy. It will optimize our field presence; improve performance and streamline our processes with the view of allowing us deliver to scale. We expect to increase the Bank's revenues; grow our loan volumes by better targeting our clients and their needs; have a much faster processes with higher and accelerated disbursement and optimize operational costs in line with best practices.

Consultations with the Board of Directors on this new Business Delivery Model and key strategy papers supporting our enhanced focused are currently taking place. Indeed, our last discussions took place only yesterday. As we proceed with those consultations, we are gearing up to scale up the Bank's delivery capacity in critical priority areas. Interim arrangements and recruitments for key positions in priority areas are taking place to bring in the right skills. I have ensured there is seamless continuity during the transition period leading up to the new business model.

I am pleased to share with you that the Senior Vice-President/Chief Operating Officer, the Vice President Human Resources and Corporate Services, and the Director Human Resources Department have been recruited. They will join the Bank in the next 1 or 2 months. These senior management officers will be key in laying a strong foundation for the planning and recruitment of staff with the right skills for the implementation of the business development model.

In the meantime, we continue to move closer to our clients in a smart and effective way. The Bank has increasingly decentralized its operations and placed highly skilled staff where they are most needed to improve the delivery of products and services and strengthen donor coordination and policy dialogue. Our presence in transition states is particularly important with 12 field offices. Today, 95 percent of operations (in value) are managed in countries with field presence, and 93 percent of the CSPs are prepared by field offices. We will continue to make our decentralization more effective and results-focused.

One objective of our new business model is to improve our portfolio performance. The Bank is managing a growing portfolio while at the same time maintaining the disbursement rate of its operations in ADF countries at 18 percent. This is a remarkable achievement considering the difficulties to disburse in transition states that represent close to half of ADF countries. The disbursement rate is expected to improve in the coming months following the directive I issued to ensure first disbursement occurs within a maximum of 6 months from the date of approval of financing.

We will complete our move to our Headquarters by the end of this month. We have a clear plan of transition to the proposed new organization and we are on track to meet our operational targets for 2016 and well poised to tackle the expected larger work programs of 2017 and beyond.

The Fund's Value Proposition

We owe it to the people we serve and also to our donors to ensure that every dollar made available to the Fund is used to deliver maximum benefits to recipient countries and communities. On this there cannot be compromises. While the Bank Group's overall lending has significantly increased since 2013, actual budget over the same period has declined, implying that the Bank has been doing more with less. Our administrative costs per UA 1 million disbursed reached UA 98,000 in 2015, compared to UA 109,000 in 2009. But we will not rest on our achievements as we know that much remains to be done to reach UA 80,000, our target for 2016.

We will continue to improve efficiency and effectiveness to deliver on our mandate. In order to achieve an even better performance and maintain the position of trusted partner within the African continent, the Bank Group will continue improving its institutional effectiveness by scaling up the implementation of reforms.

In the current challenging context, the ADF's value proposition remains. Among other things:

- The Fund remains the largest source of long-term concessional and country-based financing for Africa's most vulnerable countries solely focused on the continent. Indeed, the Fund's legitimacy lies in its largely African character and central place in the African architecture. With an African president and a largely African staff drawing on the best African talent and experience, with an exclusive focus on the socioeconomic development of Africa's most vulnerable countries, and with a strong presence across the continent, the Fund is a motor for economic progress and integration and the voice of Africa and African development across the continent—and far beyond. The Fund has successfully operated in the most fragile of environments, establishing a solid track record of responding to emergencies;
- The Fund helps build inclusive economies, where opportunity for all also promotes productivity, resilience and growth – including through investments in human and social development, and in mainstreaming gender considerations;
- The Fund customizes global, continental and regional knowledge to specific local conditions and thereby contributes to development policy-making and facilitation among countries;

- The Fund supports recipient countries in finding solutions to regional development challenges, thereby overcoming some of the pressing scale and capacity challenges of small countries;
- The Fund provides predictable, countercyclical financing and policy advice that helps recipient countries protect essential public investments and services and build targeted social safety nets to protect the most vulnerable. In this regards, the Fund partners, with other organizations and donors at the global, regional and country level with a strong results focus;
- The Fund strengthens governance, particularly in public financial management through budget and sector support operations helping promote greater transparency and accountability necessary for spending public resources wisely;
- The Fund generates substantial on-the-ground knowledge and advice based on its upstream fragility assessments aimed at better understanding the socio-economic drivers of conflict and how to best be of assistance; and
- The Fund supports the development of the private sector as an engine for job creation and growth through its ability to leverage finance.

The Need for a Robust Replenishment

Ladies and gentlemen,

Much remains to be done to achieve the SDGs and this requires the combined efforts of development partners, regional member countries, and the private sector to amplify investment levels “from billions to trillions”. The ADF remains central to this undertaking. We strongly count on donor countries to scale up their contributions and approve the proposed innovative use of those resources so as to help transform the continent.

The Bank Group through the ADF is well positioned to mobilize and channel resources to some of Africa’s most vulnerable countries. The ADF has transformed the lives of millions of Africans by improving their access to better infrastructure and social services. In addition, during the same time frame, the ADF has promoted an enabling environment for enterprises and helped improve transparency and governance, through strengthening public financial management and procurement systems.

Ladies and gentlemen,

We will discuss these issues over the next two days. I am confident that we will have productive deliberations on these and other topics.

As a partner for ADF countries, championing various continent-wide development initiatives, and equipped with a robust strategy focusing on our five priorities areas, the ADF is ideally placed to support Africa’s transformation. The Fund will use all the tools at its disposal, while leveraging its legitimacy and franchise value.

We will continue to need your strong support. The challenges are immense as we implement the Sustainable Development Goals, the Addis Ababa Action Agenda on Financing for Development, and the COP21 agreement on climate change. The countdown to deliver on all

these goals is already underway and I am confident that collectively, we can deliver on these shared goals.

I wish you very fruitful deliberations in the next two days.

Thank you.