



## **AFRICAN DEVELOPMENT BANK GROUP**

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# **REMARKS AT THE ADF 13 REPLENISHMENT**

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President

African Development Bank Group

Event: ADF 13 Replenishment – First Meeting

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I am delighted to extend a warm welcome to you all to Tunis and to the 13th ADF Replenishment.

Thank you Deputies, Ministers representing RMCs for finding the time.

In your name I want to express our thanks to Richard Manning for accepting to take on the task of Coordinator for this replenishment. His long experience and extensive knowledge of the issues at hand will be of enormous value.

We are singularly honoured and privileged to have among us a distinguished African Leader, President Ellen Johnson-Sirleaf.

Despite the numerous demands on her time at home and abroad including co-chairing the UN Panel on post 2015 she has found time to be with us, to share her experience, vision and expectations of the Fund.

We look forward to hearing Madam President.

This replenishment comes at a momentous juncture for Africa and her partners. Three years to MDG target 2015. A time of great promise in Africa. A time sometimes called the rise of Africa. But also a time of significant risks, old and new, risks which could undermine or even reverse achievements.

*The Economist* magazine this week carried an article, and I quote: "Over the past decade Africa has gone from being a perennial source of bad news to a beacon of hope". I know there is a school of thought rather skeptical of this narrative. What is not in doubt, though, is the remarkable story of strong economic growth of the past decade in most of Sub-Saharan Africa.

The global economic crisis was a setback, as it was for the rest of the world, but African countries bounced back. In 2013 our expectations are that the Sub-Saharan Africa region on average will still grow at above 6%.

Human development indicators have continued to improve, the decline in infant death being the most dramatic story of the decade. So is HIV/AIDS as is school enrollment for children of both genders. What is not in doubt too are the challenges remaining to be overcome:

- How to sustain growth momentum, because that is the basis;
- The need to build on the strong growth to reach economic transformation;
- To pursue inclusion, shared prosperity, opportunities for our youth; and
- How to sustain progress leaving no one behind, be it on basis of ethnicity, gender, geography or those in fragile states, fragile regions.

In several African countries, the growth drivers have been mainly, but not entirely, natural resources. In those regions the challenge is to pursue transformation while avoiding the natural resource curse – natural resource nationalism – and build on that natural inheritance create infrastructure and human capital which constitutes the real wealth.

For every region of Africa, the urgent necessity is to pursue transformation while preserving the environment – our land, our marine resources, and so forth, on which the majority of Africans depend for livelihood.

Instead how to take careful husbandry of our natural capital, the green resources to ensure food security, energy and create jobs for our people.

Mme President, Dear Deputies,

This is what is at the heart of our new 10-year strategy, much like Liberia's own: a strategy for transformation, building on the base established in the past decade, the last two cycles of the Fund's work. Going forward, inclusion is the anchor of sustainability: inclusion in our work on infrastructure, private sector and fragile states.

An area where I know you all want us to deepen is our role in the fragile regions of Africa. This morning management will further articulate our approach on the way

forward on fragile states. After our latest meeting in Cape Verde, I traveled to Guinea, Liberia and Côte d'Ivoire. I saw again for myself the challenges of fragility in countries rich in natural resources but with weak states.

We have the Busan principles on the New Deal on how to engage fragile states. These are countries where it is difficult to get quick results; it is risky but it is high return. The Eminent Group of Persons which Madam President has graciously agreed to chair will be crucial in helping us think through these issues in a practical way to translate the Busan principles into reality. In this work on fragile states and regions I have been frequently asked: "What do you bring to the table?" Speaking to the Board yesterday, Madam President described the comparative advantage of the Bank in very simple language: "We trust you." This is the capital which only an African institution can bring:

- Open dialogue on difficult issues;
- Responsiveness and ability to bring others along; and
- Building the country's ownership to take charge of its development vision.

I have seen how this works in practice on our work in Zimbabwe and in the two Sudans, supporting the AU Panel.

But this is only one aspect of the franchise value of the AfDB. The second aspect is that we must deliver a better product in these countries:

- We will strengthen our political economy analytics;
- We will tackle regional dimensions;
- We will refine and re-engineer our instruments, our processes.
- We will strengthen our presence and provide more astute risk management.

Many institutions and bilaterals do this and we partner in most of our work. However we are firm believers that problems of fragility are best dealt with at the nearest level. The ADF 13 must keep the ambition. We understand the fiscal challenges. An ambitious agenda requires an ambitious ADF.

The advance commitment capacity is not as strong as it was a few years back. In the early 1990s, ADF actually declined while other funds were growing. The process of rebuilding the Fund restarted around 1997. Only in the last three replenishments has it begun to catch up. At the very least we must ensure that our achievements – the achievements of the Fund – are preserved. And our aim must be to keep Africa's momentum in these critical years.

I believe the Fund has been an effective partner to African countries in normal times and in periods of crisis.

The African Development Fund has been very focused and very selective, concentrating its resources on those areas which constituted Africa's expressed priorities at this time, and where its comparative strength is demonstrable as we strengthen partnerships with other institutions to ensure selectivity is not neglect:

- Infrastructure;
- Regional economic integration;
- The private sector;
- Governance and state building;
- Skills; and
- Support to fragile states.

Our choice and focus were informed by Africa's needs: reduce costs, the risks of doing business and cost of balkanization. We are revving up in energy, connectivity and urban mass transit systems. The Fund is leveraging up the private sector more than ever, a leveraging power of one to six.

The new strategy will build on these strong foundations. It will focus on ensuring that these achievements are irreversible and take Africa to the next stage, the stage which in the not too distant future will see Africa depend more and more on its resources, on trade, on investment.

One area we intend to address with unique vigour is gender. We fully appreciate what we must do. This is why I will shortly be appointing a Special Envoy on Gender. This is not simply a matter for the AfDB but for each and every African country to refocus on with renewed vigour so that half of Africa's people and women play their rightful part in this critical period.

As Madam President mentioned this morning that the Fund is responsive was amply demonstrated during the financial and food crisis. All these achievements were not always attained in ideal conditions. As I have mentioned before there is no other international financial institution I can think of which has operated under our conditions. And yet at no time did the quality or the attention of our delivery falter. Always first class, world class and under conditions which were truly unique in the ecosystem of IFIs. As you reflect on the effectiveness of the institution, please bear that in mind.

But you are right to demand even better results and value for money. That is why we have been able to cut down the vacancy rates. That is why for the past three years senior management has gone without a salary increase. That is why we have ourselves proposed zero budget increase since 2010.

But I know you agree that there are important Bank initiatives which do cost money, must cost money. But at the end pay very high dividends. That is our case with decentralization. Indeed that is the most important cost driver. But it is bringing dividends already with 39% of our projects being managed from the fields, against a target of below 30%.

I do understand the issues around the cost sharing model ADF/ADB. You will recall that the compromise on the income model is still recent, that includes the commitment to an increased contribution to the ADF Replenishment.

Let me now, as I finish my remarks, turn to a few areas of concern to you, to all of us. I would like to reaffirm our conviction that the PBA is the rock, the anchor of our resource allocation system. The ideas before you responding to the requests you made to us to think forward are meant to enable exploration of how best to address the emerging

issues. As we move forward towards 2015 we must aim to keep up our effort. The African Development Fund will remain a key part of the architecture. I know how the African people themselves are determined to do more for themselves:

- Mobilizing more domestic resources;
- Better husbandry of natural resources; and
- More effective management of the budgets and national debts.

Our task is to supplement that task effectively and they are looking forward to our work.

Thank you.