AFRICAN DEVELOPMENT BANK GROUP

Opening Session of the Second ADF 13 Replenishment Meeting

Opening remarks

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Good morning. I join Richard Manning in extending to you a warm welcome to Tunis, for our second meeting. Thank you Deputies, Executive Directors, and Observers for finding the time, only a few days after our Annual Meetings in Marrakech.

I also welcome Australia's presence.

I want to recognize our Regional Member Country ministers here, from Angola, Egypt, Cote d'Ivoire, Ghana, Malawi, Libya, and South Africa.

We had a good start in February, in what I think was a constructive conversation. You requested additional work from us, and clarity across a whole range of issues, from the Performance Based Allocation, to our uniqueness, to why we should be the preferred choice for channelling support to Africa, to how we intend to be innovative in our work with Fragile States. You asked if we have the policies, the people and the capacity, and you asked what is it that we bring to the table that is transformative.

In short, you asked why the Fund should receive priority, at a time of hard budget choices. That work is before you today. I hope you will agree that it constitutes a good basis for our discussion.

In Marrakech, I outlined the 'direction of travel' in the light of our new Ten Year Strategy…

… at a time when most African countries, not all, are turning the corner…

… and at a time, 50 years after independence, when African countries are set to do more for themselves…

… and at a time when we enter the last lap towards the date we set ourselves for meeting the Millennium Development Goals: 2015.

My central point was this: now that the decline of African economic performance seems to be reversed, the prize now is that of quality of growth and sustainability. I indicated how – through our Ten Year Strategy – the Bank and the Fund were positioning to be that vehicle of change. I made the fairly obvious point that while the Strategy was good, any strategy is only as good as the people who implement it, and the strength of the institution that delivers it.

I expect that in the course of the discussions in these two days, you will want to hear from us further, and you will want to be satisfied as to how we intend to bring that to a granular level, through our People Strategy and at the institutional level.

Institutional effectiveness

The first issue I want to address today is this institution, and its effectiveness. Like you, we are determined to continue striving to be among the best in our delivery capacity. That is a task which is continuous. Like all institutions, there are many things we are doing well. I believe that we have, over the years, come a long way.

At our last meeting, I spelt out my faith in the resilience and force of this Institution. I said that the Bank's experience over the last ten years is unique among the MDBs. We must truly give credit to the men and women who, over the years, have made things happen, despite the odds they have often faced.

Consider how the Bank moved from Abidjan (and the circumstances of that move), how it continued to deliver services uninterrupted, how it kept up its work in the transition of moving to the Temporary Relocation Agency, and how it responded to the financial crisis, both operationally and financially. And yet it remained focused on delivering a first class product. This is what gives me confidence: our commitment to excellence, and our willingness to go beyond the call of duty.

But I would be the first to agree that there is more that needs to be accomplished. When the General Capital Increase (GCI) was approved three years ago, we agreed on a matrix of the things the Bank had to do. Those are comprehensively spelt out in the GCI Action plan, whose matrix is carefully monitored.

From my perspective, those things reflect the essence of what the Bank needs if it is to be an even stronger delivery machine. If that matrix is implemented to the letter, it would take the Bank to the next level. My own plea would be that we execute that particular matrix of actions, without adding to the list.

I say so because, at this moment, the African Development Bank finds itself in yet another unique position among MDBs. The Bank has two parallel roadmaps underway, with long term implications. I am referring to the two roadmaps of returning the Bank to Abidjan, and of decentralization. These two are so critical for the future of the organization that, over the next 24 months, they will receive our top priority. They will receive the undivided attention of Senior Management.

If we succeed in these two roadmaps, we will succeed in many other things. If we do not get them right, I cannot imagine anything else going right. I consider therefore that over the coming two years these two constitute the two top institutional priorities.

There are many other things to do, but these two are the fulcrum, especially when they are carried out in a zero budget framework. With the return to Abidjan in particular, I share your concerns on the cost implications and the potential to disrupt operations. Our teams in Abidjan and Tunis are working hard on these issues. They meet weekly, and Senior Management and I keep a close eye. We have the experience; we have a better planning horizon than when we left Abidjan in 2003; and we have our Field Offices.

That said, there are important internal institutional reforms which are always necessary, and which cannot wait. Many of those reforms are under way. But it is important to give them coherence. That is why I have asked McKinsey to do some work for us around the areas of coherence, value for money, business processes, and the search for greater efficiencies. I have asked McKinsey to focus on high impact areas which have quick wins, but also those business processes which are of longer term significance.

One thing of particular importance to me is how to get it right on accountability and incentives. For a long time, the African Development Bank was a highly centralized organization. As you will be aware, a few months back, I put in place a new matrix - the most extensive the Institution has ever seen - for the delegation of authority. It concerned delegation at headquarters, and delegation in the field. This will be accompanied by greater demand for accountability, including performance contracts for those holding managerial duties.

Advanced commitment capacity

The second issue I want to focus upon is the fact that – at the last meeting – you indicated strongly that you wanted a greater internal effort on the Advanced Commitment Capacity, and the Bank's contribution to the Fund. We have no difference of opinion here. I am pleased to tell you that on the ACC, we are able to increase slightly from 950 million UA to 1032 million UA, under the revised liquidity framework. My conclusion is that while this is indeed only a half of what we did in the previous three Replenishments, it is about the maximum.

Bearing in mind the income model and the costs of the return to Abidjan, the Bank has done its utmost to respect sound banking principles. Nonetheless, going forward, your decisions on new lending terms, as well as the declining obligations for the debt treatment for the Democratic Republic of Congo, give scope for greater opportunities. But that is an issue for future replenishments.

Fragile States

Since we met, I have been to the London Conference on Somalia, and the EU sponsored Conference on Mali in Brussels. At the Somalia Conference, I outlined our intention to back the Public Finances Management three year plan for Somalia, so that it can manage its resources and those of the donors. This is exactly our comparative strength, because -- as in the case of the Resilience Programme in the Horn of Africa -- we have been there for three years, and we know what we are doing. Perhaps we do not speak or communicate much – so we don't always get the credit – but the job is done.

Similarly, in Brussels, I outlined our intention to commit 240 million dollars to rebuild Mali in the next two years. But we are also aware of the wider implications of fragility for the region. We will work with you, the regional authorities, and your countries to build more resilience in the Sahel.

That is why the Marrakech event on illegal wildlife trafficking was not an aberration, as some may think. There is a clear link between weak institutions, crime, instability and sustainability, and the Bank's advocacy role in fragile states. This was set out in the Marrakech Declaration.

We are fully internalizing the complex nature of fragility, and how it is best addressed. We understand the risks, and how to manage and mitigate them. And we know why those risks are worth taking.

The bolstering of the resources should not be seen as undermining the PBA, but rather reinforcing it. The more I have looked at the issue of the spillovers and the regional effects of fragility, the more I am persuaded this is the right path.

Innovation and leverage

My fourth point is about innovation and leverage. The Partial Credit Guarantee is designed to ensure that there is no reckless accumulation of debt. I understand the points which have been raised about the risk of moral hazards on debt. Our policies will serve as an external agent of restraint.

I understand concerns about the narrowing window for the PBA, about too many set asides, and so on. I want to confirm here, as I did before, that we believe in the PBA. Nothing here undermines the PBA. On the contrary, the PBA will get stronger by innovation and by leverage, and not by being frozen.

What is proposed here tackles the moral hazard issues, and provides an indication on the ceilings.

Africa50Fund

My fifth point: over lunch there will be a presentation on the Africa50Fund. But before we do so, it is important to clear the ground on what it is and what it is not. First, what it is not.

The Africa50Fund is not a new set-aside. It is an idea on how we can do more with the same on Regional Integration. The Africa50Fund is not a competitor to the ADF. Rather, it complements it.

It is not a fait accompli – it is food for thought. African countries want to do more for themselves. They want the Bank to work in partnership with them. They want the Fund to consider that partnership, but it is not indispensable to it. I believe the Africa50Fund is an important opportunity for the African Development Fund. I would even call it a new way of doing business.

Over lunch, staff will take you through the process and the timelines, and you will see that it in no way affects what you are doing, and nor does it make any new demands.

Level of ambition

Finally, let me talk about our level of ambition. Throughout these discussions, Staff have shared with you our three year Indicative Pipeline for ADF-13 – a pipeline worth 7.6 billion UA, to be exact. As you can see from the documents, this level of ambition does not fit into any of our financing scenarios. Given that situation, what should be our strategic aim?

There can only be one aim: to keep the Fund strong.

At the very least, the Fund should never be weakened.

You will appreciate that, given the lower ACC, even the consolidation scenario implies a zero percent real increase. I hope we can bear this in mind.

But beyond that, we will need to think about how to attract new members, and how to leverage our scarce ADF resources. That is what I hope we can convince you to do between now and September.

Finally, let me express the ardent hope that we can complete this process before October. As you know our financial year runs from January to December.
From experience (remembering the last time when we did not conclude on this),

we faced a period of hiatus and difficulty, where the Fund was not able to operate. Beyond that, we need to discuss how to attract new members to the Fund.

My congratulations to Libya, Australia and Turkey who are taking the last steps. I hope we get more State Participants in Africa and beyond. We will need to engage our spirit of innovation.

Thank you.