President Kabbaj's Statement on the occasion of the visit of Alpha Oumar Konare, president of the Commission of the African Union

Statement of Mr. Omar Kabbaj, president of the African Development Bank Group, to Alpha Oumar Konare, president of the Commission of the African Union, on the occasion of his work visit to the ADB Temporary Relocation Agency in Tunis, April 25, 2005.

Your Excellency, Alpha Oumar Konare, President of the Commission of African Union,

Your Excellencies,

Distinguished Guests,

Ladies and Gentlemen,

On behalf of the Board of Directors, Management and staff of the African Development Bank Group and on my own behalf, allow me to welcome you to the Bank in Tunis. I would like specially to thank President Konare for making time out of his busy schedule to personally lead the African Union delegation on this historic mission to the African Development Bank. In effect, this is the first time the Chairperson of the African Union Commission accompanied by a high-level delegation is visiting the Bank. This event which is already engraved in the annals of our institution mark a new milestone in an effort to ensure a synergic partnership between the Bank and the African Union.

It may be worthwhile to recall that soon after the Organization of African Unity (OAU) was established in Addis Ababa on 25 May 1963, inspired mainly by a political agenda of solidarity and cooperation, the Agreement Establishing the African Development Bank was signed on 4 August 1963 in Khartoum. The aspirations of those leaders were premised on the fact that political independence would be incomplete without a solid foundation in economic and social development coupled with peace, economic cooperation and integration.

In spite of all the odds, the OAU served its time with a fair measure of distinction and for forty years successfully kept alive the embers of African unity. At the same time, the African Development Bank has had the singular merit of remaining in operation in a very difficult and teething environment and its achievements speak for themselves. Against all constraints, we have kept the faith. Today the African Development Bank is in a much more robust position than it has been in years back.

Permit me to indicate that since its establishment some forty years ago, the Bank’s principal mission has been to mobilize resources to support the development efforts of our regional member countries. Towards this end, it has adopted poverty reduction and achieving sustainable economic growth as its over-arching objectives, as laid out in its 1999 Vision Statement and its 2002 Strategic Plan covering 2003-2007 period. The Bank
views the Millennium Development Goals (MDGs) as essential benchmarks to assess the economic and social progress of its regional member countries, as well as its own contribution.

Bank Group Operations

As at the end of 2004, the Bank Group has approved loans, grants and debt relief of close to US$ 52 billion to our regional member countries, of which US$ 30 billion was from the ADB window, US$ 21 billion from the ADF and over US$ 400 million from the NTF. The approvals include debt relief amounting to US$ 4 billion in nominal terms. The year 2004 for the Bank was particularly noteworthy, as the Bank Group approvals reached the highest levels since its establishment, with lending, grant and debt relief operations reaching US$ 4.3 billion. Of this amount, US$ 2.4 billion was from the ADB window, including private sector operations amounting to US$ 260 million. When we include its co-financing operations, the total amount of resources the Bank generated for its regional member countries in addition to its own resources stood at US$ 7.4 billion in 2004, compared to US$ 6.3 billion in 2003.

In response to the debt crises of most low-income African countries, the Bank Group has been active in the HIPC initiative from the very start. As I noted earlier, it has to date approved US$ 4 billion of debt relief to the 23 African countries that have qualified. Over 80 percent of the resources required to finance the Bank Group’s involvement in HIPC has been financed by ADF donors.

Resource Mobilization

The year 2004 was also particularly important for the Bank Group in terms of mobilizing new concessional resources through its ADF window. State Participants in the ADF agreed on an ADF-X (2005-2007) replenishment level of approximately $5.4 billion. This represents an increase of 43 percent over the actual resources mobilized under ADF-IX and represents the highest replenishment in the history of the Fund.

The framework for Fund operations under ADF-X also incorporates a number of significant new features: first, the level of grant resources has more than doubled from 21 percent under AFD-IX to about 44 percent, with 26 countries, or two-thirds of the eligible countries, now receiving assistance solely in the form of grants; second, the special allocation for multinational projects has been increased from 10 to 15 percent of total ADF resources to allow the Fund to provide additional financing for such projects, particularly in the context of the NEPAD initiative; third, the increased envelop of resources will allow low-income countries to allocate more resources to water supply and sanitation, in line with the Bank’s Rural Water Supply and Sanitation Initiative; and fourth an initial allocation of approximately $150 million has been made to support the
Bank’s Post-Conflict Country Facility, with a commitment to increase this amount if required.

Efforts will be made to mobilize more funds from bilateral and multilateral sources. The resources of the facility will be used on a case-by-case basis to assist post-conflict countries that meet specific criteria. Two countries – Burundi and Congo – have already benefited from the facility and the Bank Group has started its regular operations in these countries.

Need for Partnership

Despite these efforts we cannot delude ourselves into thinking that one single institution holds the panacea to the enormous demands to face the challenges of Africa’s development. To us, the emergence of the African Union marks a turning point in the considerable efforts that our countries have made over the past four decades to build and strengthen their regional cooperation and integration arrangements. In this, we should be quick to recognize that the basic tenets of unity, balanced economic development, cooperation and integration espoused by our founding fathers still remain valid, more so as the OAU transforms itself into the African Union.

Indeed, the African Union represents a special milestone; a step in the aspirations of our peoples to create a united, peaceful and progressive African Economic Community. The Union further marks the realization of the “Syrte Declaration of 1999”, wherein African Heads of State resolutely announced their determination to ensure that the new millennium would usher a century of hope for Africa.

In this regard, may I seize this opportunity to commend the AU Commission for the achievements so far, particularly in the area of conflict resolution in a number of African countries such as the Democratic Republic of Congo, Cote d’Ivoire, and Sudan. I congratulate Your Excellency for the able way you have steered the affairs of the African Union Commission since you took over the helm of the Pan-African Institution. Of particular significance to us at ADB, are broad consultations and participatory approach with which, the African Union has carried out its restructuring exercise. It is an honor to note the importance, which the African Union also attaches to the Bank as a reliable partner in the realization of the emerging development agenda for the continent.

Your Excellency,

Ladies and Gentlemen,

Over the next two days, the Experts of our two Institutions will hold high-level technical meetings to review a broad spectrum of areas to further enhance collaboration between our two institutions. I trust that we will be able to draw from the wealth of experience
acquired over several years of partnership activities under the ADB-OAU and ECA Joint Secretariat. It is my candid hope that these consultations will reinforce our vision on the respective roles that the African Development Bank and the African Union could play in partnership with other development institutions in the noble quest to make this the African century.

As we carefully review the proposals put on the table by the Commission during these meetings, may I reassure you that the Bank is fully committed to putting its co-operation activities with African Union at the heart of its development agenda in Africa. The African Development Bank, as the regional financial institution, stands ready to play a key role in the consolidation of African Union development efforts, not only directly but through our regional countries and sub-regional groupings.

As you know, the promotion of economic cooperation and regional integration is a key mandate of the Bank. In pursuit of that mandate, the Bank has concluded Cooperation Agreements with sub regional groupings such as the ECOWAS, SADC, UEMOA, CEAMAC, ECCAS, and COMESA etc. It is our hope that the African Union will itself adopt and implement the required comprehensive and growth-oriented policies that will accelerate the pace of integration, and will consolidate and strengthen our regional economic communities.

Your Excellency,

Distinguished Guests,

The New Partnership for Africa’s Development (NEPAD), represents for us the renewed commitment that African leaders have boldly embarked upon to ensure that our nations will truly become free, peaceful and prosperous. As you are aware, the African Development Bank has been called on by the NEPAD Implementation Committee of the Heads of State, to play a lead role in two areas namely, infrastructure as well as banking and financial standards. In both areas, the Bank has made notable achievements. In infrastructure for example the Bank has developed a short-term action-plan which outlines priority investment projects and programs for the period 2002-2007 in the energy, transport, water and sanitation and Information and Communications Technology (ICT) sectors. The estimated total investment cost of the projects included in the short-term action plan is approximately US$ 8 billion, of which half is envisaged to be financed by the private sector. The Bank has already approved US$ 520 million to finance projects identified in the plan, and has mobilized a further US$ 1.6 billion from other sources to co-finance these projects. A special NEPAD multi-donor infrastructure facility to assist regional economic communities and countries in the preparation of bankable infrastructure projects has been established. The fund was seeded with a grant of Canadian $10 million from the Canadian government.

Another major initiative that the Bank has launched is its Rural Water Supply and
Sanitation Initiative (RWSSI). The immediate goal of the Initiative is to accelerate access to sustainable safe water supply and basic sanitation in rural Africa, with the objective of reaching a coverage of 80 percent by 2015 – in line with MDG goal for this sector. Its fundamental conception is, first, to mobilize the international community around a common framework, with African governments assuming leadership and, second to help raise the required financial resources to achieve the MDG for water supply and sanitation.

Preliminary estimates of the total investment requirements indicate that it would be in the order of US$ 14.2 billion. The resources requirement for attaining the intermediate targets set for 2007 is US$ 4.6 billion -- or about US$ 1.5 billion per year for the next three years. Current resource flows to rural water supply and sanitation would cover around 40 percent of the cost – including country contributions of around 20 percent. The Bank Group has committed to provide up to 30 percent of the total financing requirements from both its concessional and non-concessional windows – the ADF and ADB. The balance of the resource needs therefore stands at about US$ 460 million per year up to the end of 2007.

The Initiative was discussed at the International Conference on Rural Water Supply and Sanitation in Africa on 1 April in Paris, organized by the Bank and co-hosted by the French Government. African governments strongly supported the Initiative and the donor community also indicated its intention to provide additional financing, with some countries making actual pledges.

It goes without saying that, the quality of assistance from the international community is predicated not only on our own collective dedication and resolve to live up to the conditions we have set ourselves in NEPAD, but also on our coordination, clear framework agreements, objective division of actions along realistic comparative advantages. In the recent past, the Bank has sought to enhance its development effectiveness and has taken a series of actions to improve the quality of its operations, align and harmonize its country programs with other development partners and pursue results-based management. These efforts, I believe, are central to the development cooperation with the AU.

At the end of our two-day discussions, we would have been able to map out immediate, short and long-term activities we could jointly undertake to accelerate regional integration particularly in the areas of economic harmonization, convergence processes on the path towards economic union. We hope that the African Union Commission will continue to provide the required leadership in strategic policy frameworks in regional integration and more effective security architecture for the continent.

We at the ADB, on our part, will continue to act as the privileged channel for financing the development projects and programmes resulting from the broad consensus of leaderships and publics on our continent. In furtherance of these objectives, I believe it is vital that the Bank and the AU need to establish focal points within both institutions in
order to monitor and strengthen their collaborative efforts. The road ahead is full of challenges, but it is my conviction that where there is a will, there is a way.

Conclusion

In conclusion the mission of the African Union Commission to the Bank is a wonderful occasion to reinvigorate Africa’s commitment to brace up to the challenges posed by poverty and underdevelopment in a renewed spirit of the African Renaissance. Cooperation and partnership among the ADB, AU and ECA are the sine qua non watchwords for us to attain the Millennium Goals, and make this Africa’s century.

Thank you for your attention and I wish you fruitful deliberations.