The African Development Bank Group

Statement by Omar Kabbaj,
President of the African Development Bank Group
at the Opening Session of the 2003 Annual Meetings of
the African Development Bank Group

3 June 2003
Addis Ababa, Ethiopia
Your ExcellencyPresident Mamadou Tanja,
Your Excellency Prime Minister Meles Zenawi,
Your Excellency Prime Minister Seydou Diarra,
Your Excellency the Chairman of the Board of Governors of the
African Development Bank Group, Seydou Bouda,
Mr. Amara Essy, the Interim President of the African Union,
Mr. K.Y. Amoako, the Executive Secretary of the Economic
Commission for Africa
Honorable Governors of the African Development Bank Group,
Distinguished Guests,
Ladies and Gentlemen,

On behalf of the African Development Bank Group and on my own behalf, it is a
pleasure for me to welcome you all to the 2003 Annual Meetings of the Bank Group. We are
particularly honored this year by having in our midst, the President of Niger and current
Chairman of the Economic and Monetary Union of West African States (UEMOA), Mr. Mamadou Tanja, the Prime Minister of Ethiopia, Mr. Meles Zenawi, and the Prime Minister of Cote d’Ivoire, Mr. Seydou Diarra. On behalf of all of us assembled here today, permit me
to express to Your Excellencies our heartfelt appreciation for taking time to be with us here
and for gracing our Meetings with your presence.

I would like, in addition, to express our deep appreciation to Prime Minister Meles
Zenawi, his government, and the people of Ethiopia for agreeing to host our Annual Meetings
for the second consecutive year. Mr. Prime Minister, we see this kind gesture by your
government as further proof of the unwavering support of your country for the African Development Bank Group. It is indeed a pleasure for us to be back in this historic land and to
be among its most friendly and hospitable people.

I would also like to express our appreciation to Mr. Amoako, the Executive Secretary
of the United Nations Commission for Africa, for making these excellent facilities available
to us once again, and for providing us the needed logistical support for our Annual Meetings.
Indeed, this year has witnessed an unprecedented level of cooperation between our Bank and
the Economic Commission for Africa (ECA). As Honorable Governors are aware, we are
holding our Annual Meetings back-to-back with the ECA Annual Conference of Ministers.
We also jointly organized our Annual Meetings Symposium that was held yesterday, and the Bank will be an active co-organizer of the Commission’s next African Development Forum. We plan to build on these collaborative ties between two of Africa’s continental development institutions to create greater synergy towards our common goal of supporting the development efforts of the people of our region.

Mr. Chairman,

Your Excellencies,

As you are all aware, the Bank has temporarily relocated its operations to Tunis in line with the recommendation of the Governors’ Consultative Committee that met twice on the matter. Given the considerable importance and magnitude of this relocation for the Bank Group, I would like to begin my address to Your Excellencies with a status report on this exercise. And with your permission, I will then provide highlights of the Bank Group’s operational, financial, and organizational outcomes in the year 2002. I will conclude my statement by outlining the major challenges that the Bank Group faces in the coming years in the broader context of our continent’s recent economic performance.

But before I do so, let me express my profound appreciation and that of the Bank to the government and people of Côte d’Ivoire for having hosted the Bank Group for close to 40 years. They have indeed been gracious hosts and it is our hope that the current efforts of the government of national reconciliation will succeed and that conditions will return to normal to allow our operations to return to our Headquarters in Abidjan. Let me also assure the Ivorian authorities, and in particular H.E. Prime Minister Seydou Diarra, that the Bank, in close cooperation with other development partners, will do all in its powers to support the country’s rehabilitation and reconstruction efforts.

The Temporary Relocation of the Bank Group’s Operations to Tunis

Mr. Chairman,

Your Excellencies,
The Governors’ Consultative Committee (GCC) has provided you with a detailed report on its deliberations regarding its recommendation that the Bank relocate its operations to Tunis. In providing this guidance, the GCC underlined the fact that the Headquarters of the Bank remains in Abidjan and that the relocation is indeed temporary. The GCC also emphasized that the Bank should take all the necessary actions and relocate as many staff as required to enable it to deliver fully on its development mandate. The Board of Directors, pursuant to the guidance provided by the GCC, decided on 19 February to temporarily relocate the operations of the Bank Group to Tunis.

Since February, the Bank has worked vigorously to implement the recommendations of the GCC and the decision of our Boards of Directors. What have we achieved in these three and half months and where do we stand today? Permit me to highlight a few of the major tasks that we have accomplished:

- **First**, the implementation of the Bank’s Emergency Plan has enabled the Bank Group to undertake all financial transactions without any interruptions, first from its emergency back-up site in Paris and later from its TRA in Tunis. These have included: fulfilling its obligations with respect to its borrowings of close to $6 billion from the capital markets; the continued management of its $7 billion portfolio of its own financial resources; and disbursements to over 600 on-going projects and programs throughout the continent, with a loan portfolio of $23 billion.

- **Second**, as our external auditors were unable, for the first time in the history of the Bank, to come to Abidjan to conduct the annual audit assignment for 2002, this had to be undertaken at our emergency back-up site in Paris. I am pleased to report that despite the high risk associated with this change of venue, the Auditors reported that they had access to all the information they required and, as shown in the Annual Report we submitted to you for your consideration, they have issued an unqualified opinion on the accounts of the Bank Group, as in previous years.

- **Third**, in addition to the TRA building itself, we have leased two other buildings to enable us to assemble in Tunis the over 1000 staff members required for the Bank Group to deliver on its development mandate. The task, of necessity, had to go beyond the identification of space to installing the equipment and necessary information technology network on which the Bank now depends for its daily
operations. The logistical challenge involved was considerable as we were forced to evacuate over 3000 staff members and dependents in a very short period of time and as we had to make arrangements for the transfer of large quantities of equipment and documents as well as set up our information technology system in Tunis, with over 1,300 computer workstations.

- **Fourth**, all the required staff, needed for the fulfillment of the Bank Group’s development mandate have been recalled to Tunis, as advised by the GCC. Some have, however, been left at the Bank’s Headquarters in Abidjan to maintain relations with the authorities in our host country and to safeguard and service its facilities.

- **Fifth**, the Boards have undertaken a close review of the 2003 work program of the Bank Group to ensure that its lending and technical support operations in its regional member countries are given the highest priority in terms of the allocation of budgetary resources and staff time. Special attention will also be given to NEPAD and the Bank’s Water Initiative, as well as to supervision missions for the management and monitoring of the Bank’s project portfolio.

With these measures, I have the pleasure of reporting to our Honorable Governors that your Bank has indeed been reconstituted at its temporary relocation site in Tunis and that it is now operational. In particular, the pace of the work related to our operations in our regional member countries has steadily picked up. Some 13 Country Strategy Papers (CSPs) -- the basic planning tool for our lending, grant and technical assistance operations -- have already been finalized and by mid-July a total of 28 would have been distributed for the consideration of the Boards of Directors. These CSPs account for about three quarters of the ADF-IX country allocations, auguring well for the timely use of these resources.

And since their temporary relocation to Tunis, the Boards of Directors and some of their Committees have begun to meet regularly and as often as necessary, with 19 meetings having been held. This has enabled them to discharge their oversight functions and to meet their statutory calendar. In brief, while we will inevitably face some delays in some parts of our work program, we are optimistic that we will indeed deliver on our year 2003 lending program approved by the Boards of Directors in December 2002.
I would like to stress that this rapid reconstitution of the Bank’s operations has been made possible by the support we received from the Governments of Côte d’Ivoire and Tunisia. In line with the commitments that it made, the Government of Côte d’Ivoire did facilitate our relocation. And the Government of Tunisia has not only fulfilled the assurances it gave us but has gone out of its way to ensure that the relocation exercise did indeed go smoothly. I would therefore like to take this opportunity to thank both governments for their support to the Bank.

In addition, the temporary relocation and its success – unprecedented for any major multilateral financial institution -- is testimony to the hard work and tenacity of the Board of Directors, the management, and staff. In particular, it is a testimony to the foresightedness of the Board of Directors in approving an Emergency Plan and the mastery of information technology by our staff. I would like to commend them all for this outstanding performance.

Mr. Chairman,
Your Excellencies,

The Bank is now back in business, and from hereon it will focus its energies on delivering on its development mandate. This will entail not only preparing new projects and programs but on enhancing the quality of the Bank Group’s portfolio to assure the impact and development effectiveness of its operations. Towards this end, there are two major outstanding human resource management issues that require urgent attention. The first is the difficulty the Bank is facing in resuming its recruitment drive to fill about 150 vacancies, particularly in new skills related to poverty reduction, governance, and new initiatives such as support to NEPAD. Recruitment was all but suspended following the events of 19 September 2002 in our host country, as potential candidates were unwilling to come to Abidjan for interviews. And it has not resumed in Tunis as candidates need a firm indication of their place of work. The second is the continued separation of staff members from their families, as they were obliged to evacuate and relocate their dependents in other countries following the crisis of September 2002.

The resolution of these two issues requires that the Bank and its staff have a reasonable and firm planning horizon with respect to the minimum duration of the temporary relocation. The Board of Directors has brought these issues to the attention of the GCC.
At its 6\textsuperscript{th} meeting held in Addis Ababa on 1 June 2003, the GCC unanimously affirmed that the Headquarters of the Bank remains in Abidjan, Cote d’Ivoire. In addition, the GCC agreed to recommend to the Board of Governors the following, I quote:

- The timeframe for the Bank’s relocation of its operations to the TRA would be two years.
- There would be an annual substantive review by the Board of Governors at the Annual Meetings of the Bank Group.
- There would also be six-monthly assessments of the situation in the host country to be conducted by the Board of Directors, and, if necessary, the GCC would be convened to review the assessments and make recommendations to the Board of Governors for its annual substantive review.
- There would be a one-year notice to the Bank to allow for an orderly and planned return of the operations of the Bank to its Headquarters. Accordingly, if there is a favorable decision to return in 2004, the operations of the Bank will resume at the Headquarters in 2005, and if such decision is taken in 2005, the operations of the Bank will resume in 2006.

I would like to express my gratitude to the GCC for making these recommendations which will give much-needed stability to the Bank. It will also enable it to deliver on its development mandate and help its regional member countries achieve the MDGs by retaining its existing staff and recruiting the skills it requires. I therefore appeal to all Honorable Governors to approve the recommendation of the GCC.

\textit{Overview of Bank Group Activities in 2002}

Mr. Chairman,

Your Excellencies,

Permit me now to report to you on the outcomes of the Bank Group’s activities in 2002 with respect to the level of financing operations in our regional member countries, the management of the Bank Group’s financial resources, and related organizational issues.
Organizational Matters

As Honorable Governors would recall, the Bank reorganized its services in the past year, with the new organizational structure having come into effect on 1 January 2002. The new structure has been designed to enable the Bank to have the institutional capacity and the accompanying key skills to fully operationalize the Vision that it adopted in 1999, following wide consultations with all stakeholders. At the request of the Board of Directors, management had prepared an implementation blueprint to clearly demarcate the various steps that would be required to fully implement the new structure. While the first phase of the blueprint was successfully implemented, subsequent actions pertaining to the consolidation of the structure and the fine-tuning of some of its parts have had to be postponed.

In 2002, the Bank also adopted its first Strategic Plan covering the period 2003 to 2007. The plan identifies the key operational areas for the Bank Group and will guide the deployment of the Bank’s human and financial resources in line with the strategic goals and priorities envisioned in the Bank’s Vision. The preparation of the 2003 budget was for the first time linked to the strategic plan and in the coming years, this link will be strengthened to ensure that the allocation of the budgetary resources of the Bank is indeed in line with the priorities set in the Strategic Plan.

Lending and Non-Lending Operations

Despite the difficulties that the Bank Group began to face in the last quarter of 2002, the total financing operations for the Bank Group as a whole, including lending, grant and debt relief operations reached $2.8 billion for 2002. While this level was somewhat lower than the record level achieved in 2001, it is nonetheless significantly higher than in previous years. In terms of the performance of our different windows, I am pleased to note that financing operations through the ADB window and the Nigerian Trust Fund -- at $1.5 billion -- did actually increase and reached the highest level in eight years. This included loans through our private sector window that continued their growth of recent years, reaching $270 million or approximately 20 percent of our operations through the ADB window.
Our financing operations through our concessional ADF arm – at $1.3 billion -- was lower in 2002 than in the previous year. This was in part due to the delays faced in concluding the Ninth Replenishment of the African Development Fund (ADF-IX). The negotiations had all but concluded at the end of 2001, but had to be delayed until differences among donors on the issue of grants had to be settled. Nonetheless, an Interim Financing Mechanism of $550 million was established allowing the Fund to carry out lending operations in 2002. I would like to express our appreciation to the donors that made this possible.

In 2002, the Bank also continued to extend debt relief to the 22 regional member countries that have qualified for such relief under the HIPC Initiative. The total debt relief approved by the Bank Group now stands at $2.2 billion, with $614 million approved in 2002. As the remaining 10 regional member countries qualify under the Initiative, we expect debt relief approvals to wind down in the coming years. We will however work with our partners – particularly the Bretton Woods Institutions – to ensure that the total debt relief granted to all HIPC countries is indeed adequate to enable them to reduce their debt to sustainable levels. This has increasingly become a major issue as our regional member countries continue to face sharp terms of trade losses as a result of declining commodity prices. In this connection, I would like to express our appreciation to the European Union and to our bilateral donor partners for the substantial financial support they provided us to finance our involvement in the HIPC Initiative.

In addition to the approvals we made from our own resources, we continued in 2002 to mobilize resources through our co-financing operations from our bilateral and multilateral development partners. A total of $3 billion in external resources was thus mobilized, which, together with our own resources, resulted in the mobilization of total resources of $6 billion for projects and programs approved in 2002.

Disbursements on on-going projects also continued their growth observed in the last two years. This is a reflection of the lagged response to the sharp growth in total approvals for projects and programs over the last six years. In 2002, disbursements reached $1.4 billion, an increase of over 30 percent over that of 2001. While the increase occurred for all the three ADB Group windows, it was sharpest for our concessional window – the ADF – which registered an increase of 50 percent in US dollar terms.
Mr. Chairman,
Your Excellencies,

Bank Group support to the developments effort of our regional member countries was not limited to lending operations alone, but encompassed other activities such as the provision of technical assistance, capacity building, and support to regional initiatives such as NEPAD. The Bank extended support to some 20 regional member countries to help them develop fully-fledged poverty reduction strategy papers (PRSPs). I may note, in this connection, that these PRSPs have become the basis for the formulation of our new generation of Country Strategy Papers (CSPs) for ADF-only countries, as we seek to ensure that our assistance does indeed reflect the priorities set by our regional member countries.

In addition to such technical assistance, we have continued to provide training through our own African Development Institute and the Joint Africa Institute, which we established with the IMF and the World Bank in 1999. Though the situation in our host country led to the cancellation of a number of activities, the two Institutes were nonetheless able to attract over 2,000 participants in their various seminars and courses which covered macroeconomic and financial issues, as well as other development and project management topics. Further, we have agreed in principle to co-sponsor and finance with the IMF and other donors two pilot African Technical Assistance Centers (AFRITAC) being established in Dar-es-Salaam for East Africa and in Bamako for West Africa.

Another important area of operations in 2002 was the support we continued to give to the NEPAD initiative. In this connection, I am pleased to report that the Board of Directors has approved budgetary allocations to enable the Bank to set up a small unit of experts to work solely on NEPAD-related initiatives.

The NEPAD Heads of State Implementation Committee has assigned the Bank the leadership role in infrastructure and banking and financial standards. With respect to the latter, we have developed a framework for fostering such standards in our regional member countries. This framework was endorsed by you and by African Central Bank Governors at a
seminar we organized last year during our Annual Meetings. These standards have also been incorporated into the African Peer Review Mechanism.

In infrastructure, the Bank has developed a short-term action plan that has received the full endorsement of the Heads of State Implementation Committee. Within this framework, the Board of Directors has approved four projects and a further five are at an advanced stage of preparation. We have also started work in preparing a medium to long-term action plan in close collaboration with the regional economic communities and in cooperation with the World Bank and the European Union. Projects and programs identified in the short-term action plan are estimated at $7 billion. Under the ADF window, some $500 million has been earmarked for multinational projects and it is our hope that these resources can be used as a catalyst for mobilizing additional resources for NEPAD. In addition, the Bank will support the NEPAD program through lending from its ADB window, including private sector operations.

Another major regional initiative that we launched last year relates to water supply and sanitation. The Bank participated in the Camdessus Panel on Financing Water infrastructure. Within this framework, it has prepared a proposal for a rural water supply and sanitation initiative, which was recently presented at the Third World Water Forum in Kyoto. The goal of the initiative is to accelerate access to sustainable water supply and sanitation to rural Africa with the aim of achieving 80 percent coverage by 2015 and 100 percent by 2025. This will be done by adopting a program approach, as opposed to single projects, and using technologies that are appropriate to local skills and knowledge. The facility will operate under the broad framework of NEPAD and the Africa Water Vision.

The investment requirements up to 2010 for the Water Initiative are estimated at around $10 billion which is expected to be raised by leveraging additional resources from multilateral, bilateral, as well as from public, private and community sources. The proposal to establish the Water Facility will be submitted for the consideration of our Boards of Directors by the end of 2002 and the Bank will thereafter launch a program to mobilize the required resources, over and above the resources it mobilizes for its regular lending and technical assistance operations. I would therefore like to take this opportunity to appeal to the donor community, and particularly those engaged in NEPAD, to support this important initiative.
Financial Outcomes

Mr. Chairman,
Your Excellencies,

Permit me now to turn to the financial outcomes of the Bank Group in 2002. I am pleased to report that we have continued to make progress in strengthening the Bank Group’s financial base. As a result of the various policies we adopted over the past six years – including strengthening the quality of the portfolio and aggressive provisioning measures -- the financial position of the Bank Group has steadily improved. In 2002, all three windows of the Bank Group earned healthy incomes, as has been the case in the last five years. The Bank, in particular, registered a strong increase in its operating income reaching $257 million, a 63 percent increase over the $158 million reported for 2001. Furthermore, I wish to stress that for the ADB all financial performance indicators improved in 2002, with most comparing favorably to our sister multilateral development banks.

I am pleased to add that the strong shareholder support, the financial reform measures, and the solid financial results have allowed the Bank to continue enjoying excellent ratings. Moody’s, the Japanese Credit Rating Agency, and Fitch IBCA have reaffirmed their triple A rating. Standard & Poor’s, rates the Bank at AA+, with a stable outlook.

The Bank Group was also successful in its resource mobilization efforts. It launched, as part of its annual borrowing program, a $500 million three-year global bond, which, as we reported at our Financial Presentation, was voted IFR’s Agency/Supranational Bond of the Year for 2002. The Bank was also ranked 12th among the world’s most successful 500 bond issuers by the Banker, a publication of the Financial Times.

In the area of concessional resource mobilization, the year 2002 marked the successful conclusion of the ADF-IX replenishment negotiations. The grants issue that had held up the negotiations was finally resolved, with an agreement reached to raise the level of grants to between 18-21 percent of all ADF-IX resources. In addition, complete agreement was reached on the policy framework that will guide Fund interventions during 2002-2004. The agreed level of replenishment is also significantly higher than that of ADF-VIII. We take
this outcome as a sign of confidence of ADF donors and a further endorsement of the recent reforms of the Bank Group, as well as the direction taken in implementing the Fund's mandate.

In this regard, I wish to note that the Bank’s wide-ranging reforms in the last seven years have enabled it to fulfill its development mandate with respect to the mobilization of resources. Since 1996, the Bank Group has succeeded in raising $17 billion to support the development efforts of its regional member countries. This has consisted about $9 billion of concessional resources raised through three successive ADF replenishments as well as a general capital increase of the ADB of close to $8 billion, approved in 1998. I wish to stress that these outcomes would not have been possible without a strengthened and credible financial base.

**Future Challenges: Sustaining the Recent Achievements and Enhancing Development Effectiveness**

Mr. Chairman,

Your Excellencies,

While we are gratified by the progress that the Bank Group has made in the last few years and particularly in 2002 we necessarily have to continue to build on these achievements. In our view, two important challenges face the Bank in the coming months and years. The first is to fully restore and build the capacity of the Bank to deliver on its development mandate, despite its temporary relocation to Tunis. The second, as I stressed in my address to Your Excellencies last year, is to continue to enhance the development effectiveness of the Bank Group’s interventions. In this regard, the Bank will be guided by a clear focus on poverty reduction and the efforts of our regional member countries to achieve the Millennium Development Goals.

With respect to enhancing the development effectiveness of our operations, I reported to you last year that our strategy was based on three fundamental principles:

- *First*, country ownership of development programs and projects
- *Second*, the use of participatory approaches to empower all stakeholders; and
• Third, closer cooperation and collaboration with key bilateral and multilateral partners.

I am pleased to note that we have made significant progress in applying these principles to the Bank Group’s operations in its regional member countries. With respect to country ownership, the new generation of Country Strategy Papers (CSPs) that have been prepared, or which are under preparation, have been done with close consultations with all stakeholders. And where Poverty Reduction Strategy Papers (PRSPs) have been prepared, we have tried to reflect the priorities set in these papers in our own CSPs, while fully aware that the CSPs are our business plans in these countries.

The use of participatory approaches have not been limited to CSPs only but have also been applied to the preparation of projects and programs to ensure that they do indeed reflect the needs of stakeholders. In addition, as the level of co-financing operations indicates, we have worked closely with all our bilateral and multilateral development partners and consulted with them in the preparation of projects and programs as well as CSPs. I wish to express particular satisfaction with the close working relationships we have developed with the World Bank and the IMF.

Your Excellencies,
Ladies and Gentlemen

As I indicated to you in my statement at the Annual Meetings last year, the Bank Group had plans to take a number of additional measures to reinforce our efforts at enhancing the development effectiveness of our Institution. Permit me to report to you on the progress we have made in this respect.

The first major initiative was the reorganization of the Bank to enable it to fully operationalize its Vision, by strengthening the capacity of the institution in some critical areas. The reorganization has now been effected and the first phase has been implemented. The remaining phases that were interrupted by the events in our host country will now begin to be implemented in the course of 2003 and 2004. The increased professionalization of the organization, which is part of the reorganization -- and which aims at improving the ratio of professional to support staff to 2 to 1 -- is, however, crucially dependent on the resumption of our recruitment drive.
The *second* measure we had proposed was the preparation of the Bank’s first Strategic Plan. The plan covering the period 2003-07 has been finalized and approved by the Board of Directors. The preparation of the 2003 budget has also been linked to the Strategic Plan. In the coming years, the Strategic Plan will guide the operations of the Bank Group, as well as ensure that the human and financial resources are deployed in line with its priorities.

The *third* measure was enhancing the field presence of the Bank in its regional member countries. The Bank has designed a program of establishing up to 25 field offices, with four -- in Ethiopia, Egypt, Gabon, and Nigeria -- already operational. In 2002, the Board of Directors approved the opening of four more field offices in Tanzania, Tunisia, and Senegal and Uganda. Arrangements are being finalized to open these offices shortly. And in line with the request of the Governors’ Consultative Committee, the Bank is making preparations to undertake a study on the decentralization of the services of the Bank. The study will be completed by the end of the year.

The *fourth* measure was the launch of a study on the business plan for the Bank’s private sector operations. The study has been completed and the Boards of Directors will shortly examine it and take the necessary decisions with regards to the future organization, orientation, and direction of our private sector operations.

The *fifth* measure involved improving the competitiveness of the Bank’s non-concessional resources. Towards this end, the Board of Directors has approved non-sovereign guaranteed public sector loans, with the first two such loans having been made in 2002. Further, to strengthen our operations in the middle-income countries, the Board of Directors has established a Technical Assistance Fund to enable the Bank to finance project preparation and non-lending activities.

And lastly, the Bank has taken a number of steps to enhance its intellectual leadership on African development issues. It took the lead, in collaboration with its sister financial institutions, in the preparation of the 2002 Global Poverty Report that was submitted to the G8 as a briefing document. It has also taken the lead role, in close collaboration with the World Bank and the ECA, in coordinating the fourth round of the International Comparison Program for Africa (ICP-Africa). In addition to generating the basic data for purchasing power parities, ICP-Africa is also being designed to build up national statistical capacities and to generate data that will be used in monitoring the progress that our regional member
countries are making towards achieving the Millennium Development Goals (MDGs). I call on all Honorable Governors to support this important program.

**The Bank Group and Africa’s Development Challenge**

Mr. Chairman,

Your Excellencies,

The efforts that the Bank Group is making towards enhancing its development effectiveness must necessarily be viewed in the context of the continuing development challenges that our regional member countries face. Permit me, before closing, to bring to your attention the salient features of our region’s economic performance in 2002 and some of the major policy challenges our countries and their development partners face.

Initial estimates by us and the IMF, at the beginning of the year, had Africa’s economic growth rate falling below 3 percent for the first time since 1995. Recent adjustments for some of the larger economies have however resulted in upward revision to 3.1 percent. The latest estimate confirms that Africa’s trend growth rate over the last 5 years is indeed 3.3 percent, considerably below the desired levels. As in previous year, however, growth in 2002 was unevenly distributed across countries. A prominent feature of 2002 is that while the number of countries with growth rate in excess of 5 percent declined from 19 in 2001 to 13 in 2002, the countries with 3-5 percent growth rates increased from 12 to 14 in 2002, and those between 0-3 percent also increased from 16 to 19. Only five countries registered negative growth rates in 2002.

Three factors account for the relatively poor performance of the African economy in 2002:

- **First**: the adverse external environment which affected exports proceeds; this was especially the case for receipts from tourism in North Africa;
- **Second**, the drought which affected agricultural production in East, Northern, and Southern Africa; and,
- **Third**, socio-political conflicts affecting part of the continent, particularly in Central and West Africa
These factors also affected Africa’s standing in the global economy, as evidenced by the weakening of export performance. Both Africa’s trade and current account balances in 2002 deteriorated in relation to 2001. Consequently, the debt service to exports ratio increased to 22 percent, up from 17 percent in 2001. This is despite the fact that 22 countries currently benefit from debt relief under the enhanced HIPC initiative.

In spite of the generally lower growth rates, the improved fiscal policy stance of most countries continued, with the overall fiscal deficit as percentage of GDP remaining below 3 percent in 2002. Moreover, most countries also followed prudent monetary policies such that the region’s average inflation rate declined to less than 10 percent in 2002 compared to 13 percent in 2001.

Clearly the fact that Africa average growth rate over the last five years has varied in the narrow range of 3 to 3.6 percent together with the continued uncertainties in the global economy do not bode well for Africa’s quest to reduce poverty and its efforts to achieve the Millennium Development Goals (MDGs) except in North Africa and South Africa. A major priority for African countries and their development partners must necessarily therefore focus on raising their growth rates by mobilizing both domestic and foreign resources. As I have noted on several occasions, African countries will necessarily have to take the lead in the formulation and implementation of the required policies with the strong support of their development partners. Some of the policies they could consider in this regard include:

- deepening the reforms of the last decade, as maintaining a prudent macroeconomic stance and avoiding policy reversals are critical for preserving the stability and predictability of the investment climate and for building investor confidence;

- continuing to give high priority to improving governance systems; a particular concern of the private sector in this regards is the need to improve the legal, judicial, and regulatory frameworks;

- improving the efficiency of public institutions to enable them to become effective partners to the private sector;

- deepening financial sector reforms to promote increased mobilization of resources with particular attention being paid to the development of domestic/regional capital markets;
• enhancing the efforts aimed at making African economies more competitive – a critical step in this regard is improvement in the physical infrastructure that is best achieved through public private partnerships;

• providing adequate investments to promote human capital formation, as an educated labor force is a key factor in attracting private investment; and

• continuing to promote and strengthen regional cooperation and integration efforts particularly in the context of NEPAD to create larger markets that have the potential of being more attractive to foreign capital.

While African countries will need to deepen their economic reforms and also implement the various initiatives launched under NEPAD, they will obviously also need a more favorable external environment and the continued support of the international community. Such support is essential to enable them make significant headway towards achieving the MDGs.

In this regard, it is our hope that the donor community will honor the recent pledges it made in various international fora to increase ODA to Africa, as such flows are essential to help low-income countries build the essential social and physical structure that would sustain higher levels of economic growth. While important first steps have been taken in this direction by the European Union and the United States, more clearly needs to be done. The external debt burden of African countries should also be kept under review, and the level of debt relief under the HIPC initiative adjusted, to compensate for terms of trade losses.

Further, it is our hope that the WTO negotiations on the Doha Development Agenda will indeed lead to improved market access, as well as enhance the competitiveness of African export goods. In this regard, we are concerned that the current impasse on such critical issues as reducing farm subsidies may prolong unduly the current round of negotiations. We would therefore appeal to our development partners to seriously consider removing the many tariff and non-tariff barriers as well as various forms of subsidies that prevent the emergence of a level playing field for African exports. We also appeal to then to consider granting special treatment for developing countries.
Conclusion

Mr. Chairman,
Your Excellencies,
Distinguished Guests,
Ladies and Gentlemen,

In conclusion, let me once again stress that the African Development Bank, following the temporary relocation of its operations to Tunis is now operational, having assembled the staff required for its operations and having provided them with the necessary facilities to undertake their work.

The Bank is now in a position to concentrate on meeting the two challenges that it faces in the short and medium term: first, building its institutional capacity to meet the goals that it has set in its Vision and its Strategic Plan and secondly, focusing its attention on continuing to enhance the development effectiveness of its operations. The immense development challenge that our regional member countries face, leaves us no choice but to seek to ensure that our scarce development resources are used effectively and to the maximum effect in support of the development efforts of our countries.

In all its efforts the Bank Group will continue to be guided by the principles of country ownership and assisting our regional countries attain the MDGs. It will, in addition, pay particular attention to facilitating regional integration efforts such as NEPAD and intensify its efforts in support of its Water Initiative.

Permit me to close by assuring our Honorable Governors that the Bank, its Management, and staff will continue to do all in their powers to support your noble struggle to improve the standards of living of the people of Africa.

I thank you for your kind attention.