Introductory Remarks by Omar Kabbaj, President of the African Development Bank, at the Opening Session of the Sixth Meeting of the Governors’ Consultative Committee (GCC)

Addis Ababa, Ethiopia
1 June 2003
Mr. Chairman,
Honorable Governors,
Ladies and Gentlemen,

It is my pleasure to welcome you all to the Sixth Meeting of the Governors’ Consultative Committee (GCC). On behalf of the Boards of Directors and Management, let me thank you for agreeing to meet for the third time in six months to deliberate and make recommendations on important issues that affect the future prospects of the Bank Group. Your continued engagement in these matters is testimony to your concern that the Bank Group does have the institutional capacity to continue to support the development efforts of its regional member countries.

For this meeting, the Boards of Directors have prepared, for your approval, the report on the 4th and 5th Meetings of the Committee. They have, in addition, submitted to you a detailed Status Report on the temporary relocation of Bank Group operations. Further, they have presented, for your consideration, a proposal on the timeframe of the temporary relocation. With your permission, I would like to provide you with a short background on the rationale behind the proposal. But before I do so, I would like to update you on the measures that the Bank has taken in the last three and a half months to implement the recommendations you made at the 5th meeting of the GCC.

In this regard, I would first like to express my appreciation to the Governments of Cote d’Ivoire and to the Government of Tunisia for facilitating the Bank’s relocation. Both governments have honored their commitments, helping us to overcome speedily many of the difficulties that necessarily arise out of such an exercise. Let me, in addition, express,
once again, my appreciation to the Government of Ghana for hosting the two previous meetings of the GCC.

Permit me also to add that since the last meeting of the GCC, the government of national reconciliation in Côte d’Ivoire has made good progress in its efforts to normalize the situation in our host country. We do wish it every success in this endeavor. But as I will elaborate more fully later, it is important to stress that, for the Bank to return its operations to its host country, there should be a restoration of normal conditions that are necessary for the smooth operation of an international financial institution such as ours. Let me reiterate however the views of the Board of Directors and Management that the Headquarters of the Bank remains in Abidjan.

_The Temporary Relocation of the Operations of the Bank Group_

Mr. Chairman,
Honorable Governors,

Following the conclusion of the 5th GCC Meeting in February 2002 in Accra, the Boards of Directors met and endorsed your recommendations and authorized Management to take the necessary steps to relocate temporarily the operations of the Bank Group. In accordance with the recommendations you made, the basic guiding principal behind these actions was to reconstitute the Bank in as short a time as possible, to enable it to continue to deliver on its development mandate.

While I will report fully to the Boards of Governors on the various actions related to the temporary relocation, let me highlight some of the
major steps that we have taken and the accomplishments made in this regard. As Honorable Governors are aware, the complete details on the relocation exercise are available to you in the Status Report we submitted.

We have, in the first place, leased the required office space to accommodate all the staff members who have been recalled to Tunis. This has necessitated that we lease two other buildings, in addition to the building that had earlier been leased for the Temporary Relocation Agency (TRA). Further, the needed office furniture has been acquired, the information technology system and network have been established, and some 1300 computer workstations have been installed. I would like to stress that in line with your recommendations the Bank has not acquired any facilities that could be construed as being of a permanent nature.

To enable the Bank to undertake all the necessary logistical work connected to the relocation, the Boards of Directors have approved a supplementary budget of UA 31 million for administrative expenditures and UA 8.4 million for capital expenditures. However, with the savings identified from the 2003 budget, the net supplementary budget now stands at UA 19.6 million, representing an 18 percent increase over the original 2003 budget and about 11 percent of the net operating income for 2002. In addition, in line with your recommendation that the Bank make every effort to reduce the costs of the temporary relocation, the Boards of Directors and Management are examining other potential savings. In this connection, the Boards of Directors, with a view to limiting the budgetary implication beyond 2003, have adjusted the indemnities paid to staff from a full mission per diem to a relocation allowance of 12.5 percent of salaries, but with a minimum floor and a maximum cap.
With these logistical preparatory works having been completed, all the staff members who are required for the operations of the Bank have now been recalled to Tunis over the last three months and they have assumed their duties. Some staff members have, however, been assigned to maintain relations with our host country and to ensure security and the upkeep of the Bank’s facilities in Abidjan.

In addition to these measures, the Management and the Boards of Directors have reviewed the work program of the Bank for 2003. The goal of the exercise was to ensure that the Bank’s financial and human resources are clearly targeted at achieving the lending program for 2003, while ensuring that the quality of the portfolio is maintained. In this connection, those activities that we believed would not have an immediate adverse effect on the quality of the portfolio have been postponed to 2004.

With respect to the decentralization of the Bank’s operations the Bank has, in line with your request, made preparations for a study to be completed before the end of the year. The Board of Directors will be examining the terms of reference for the study in two weeks time.

And lastly, as your Executive Directors have reported to you, the Boards of Directors, since their temporary relocation to Tunis, have met regularly and as required to discharge their oversight functions. In addition to their review and approval of proposals brought to them in connection with the temporary relocation, they have also approved a number of Country Strategy Papers as well as projects. They have also
submitted for the consideration of the Boards of Governors, the Annual Report and all the necessary work required for the Annual Meetings.

*Maintaining the Development Effectiveness of the Bank*

Mr. Chairman,

Honorable Governors,

The relocation exercise, despite its magnitude and the short time we had to execute it, has been implemented successfully. We did encounter the inevitable problems and difficulties that are to be expected with moving some 1000 staff members, along with 1800 family members, and setting up the required offices. Since moving to Tunis, we have made every effort to resume our operations in our regional member countries and to minimize the disruptions that the temporary relocation has created. As a result of the measures we took, we are reasonably confident that, while some activities will be postponed to 2004, we will indeed largely deliver on the 2003 lending program, including assistance to major initiatives such as NEPAD.

I am, therefore, pleased to note that the Bank can now indeed concentrate on meeting its development mandate by assisting our regional member countries in their efforts to reduce poverty and promote sustainable economic growth. It is also ready to resume being an active development partner as they seek to achieve the Millennium Development Goals (MDGs). However, I wish to stress that any further disruption to the Bank’s operations this year, would inevitably affect the Bank’s ability to deliver on its mandate over the next 2 to 3 years. It would compromise the timely utilization of ADF-IX resources, create
difficulties for engaging in effective policy dialogue, as well as further delay the development of a credible pipeline of projects and programs.

For the Bank to enhance its development effectiveness, it needs to complete the measures undertaken to strengthen its institutional capacity. In this regard, Honorable Governors would recall that a new organizational structure came into effect at the beginning of 2002, and a Strategic Plan at the beginning of 2003, to fully enable the Bank to operationalize its Vision.

The new organization and the implementation of the strategic plan require the staffing of 100 new professional positions. These include critical vacancies in such areas as poverty reduction, governance, regional integration, water and, more generally, the skills required to ensure development effectiveness as well as achieve the ADF-IX policy framework. Governors will therefore appreciate how important it is for the Bank to resume and accelerate its recruitment drive as well as retain its experienced staff.

**Timeframe of the Temporary Relocation of Bank Operations**

Mr. Chairman,

Your Excellencies,

Honorable Governors,

The Bank’s recruitment drive has been seriously curtailed since the events of 19 September 2002. It could not continue in Abidjan as candidates were unwilling to come for interviews, and it has not resumed
in Tunis as the Bank cannot offer prospective candidates firm indications of their work place.

The issue of staff morale and retention relates to the continued separation of staff members from their families. As Honorable Governors will recall, most staff members’ families were relocated to their home countries following the declaration of security phase III by the UN, with the remaining evacuated under phase IV of the Bank’s Emergency Plan. At this time, the Bank cannot assume financial responsibility for staff to bring their families to Tunis, given the uncertainty of the length of the temporary relocation. As a result, staff members are facing difficulties in making firm plans to reunite with their families and to arrange for the schooling of their children.

To allow the Bank to begin to fill the many vacancies that it has and to give staff a firm basis on which to plan their family lives, the Boards of Directors have proposed, for your consideration, a few guiding principles for the duration of the temporary relocation. These are required to reduce the uncertainty associated with the temporary relocation. The four guiding principles being proposed are the following:

*First*, for the Bank to return to its host country and Headquarters the conditions necessary for its operations as an international financial organization must be restored. This would imply that in addition to security consideration – which is clearly of primary concern – other conditions such as transportation, telecommunication, and insurance services, as well key social infrastructure such as schools and health services will need to be restored.
Second, the Bank must be in a position to offer to prospective candidates the minimum two-year contracts with a definite posting position for it to resume its recruitment drive and be in a position to attract candidates with the required experience and expertise.

Third, staff should be given the possibility of reuniting with their families as well as have a firm basis with which to plan for the education of their children. This will require, in particular, a degree of certainty with respect to the 2003/04 school year.

Fourth, an eventual return to Abidjan should be conducted in a deliberate, well-planned manner to minimize disruptions to the work program of the Bank and to the lives of its staff. This will require that particular attention be paid to the school year cycle.

In the light of these considerations, the Board of Directors has proposed, for your consideration, that the minimum duration for the temporary relocation should be two years. In addition, it has proposed that the situation in the host country and the conditions for the return of the Bank to its host country be reviewed annually at the time of the Annual Meetings by the Board of Governors. Further, it is proposing that a one-year notice be given to the Bank to allow for an orderly and planned return of its operations to its Headquarters.

In this regard I wish to stress that in the proposal of the Boards of Directors, the first review by the Boards of Governors is to be undertaken at the time of the Annual Meetings in 2004, to determine whether a return to Abidjan can be envisaged for 2005.
The above proposal would allow the Bank to resume its recruitment drive and offer prospective candidates two-year fixed term contracts. It would also bring a much-needed stability to the lives of its staff. It is for these reasons that I would like to recommend to the Honorable members of the GCC to accept these proposals, with a view to their adoption by the Board of Governors.

**Conclusion**

Mr. Chairman,

Your Excellencies,

Permit me to conclude by thanking you once again for the clear support and guidance that you provided us in these difficult times. These have enabled the Bank Group to temporarily relocate successfully and to resume its operations in support of the development efforts of our regional member countries.

The Boards of Directors have proposed to you certain guidelines regarding the duration of the temporary relocation. I am confident that you will find the rationale behind this proposal sound. We look forward to your deliberations on the matter and let me add that the staff of the Bank is ready to provide any information or clarifications that you may require for your deliberations.

I thank you for your kind attention.