Statement by Omar Kabbaj,
President of the African Development Bank Group
at the Opening Session of the
5th Meeting of the Governors’ Consultative Committee

17-18 February 2002
Accra, Ghana
Your Excellency the Chairman of the Board of Governors,
Honorable Governors of the African Development Bank,
Executive Directors of the African Development Bank,
Ladies and Gentlemen,

On behalf of the Boards of Directors and on my own behalf, I would like to welcome you to the fifth meeting of the Governors’ Consultative Committee (GCC). I would like, at the outset, to express my appreciation to the Government of Ghana for kindly agreeing to host, for the second time, this meeting of the GCC. I would like in this regard to request the Honorable Governor for Ghana, H.E. Mr. Yaw Osafo-Maafo, to convey to H.E. President John A. Kufuor and his government our heartfelt appreciation for the kind gesture and warm hospitality. I would also like to thank our Honorable Governors for taking time from your busy schedules to gather once again, to deliberate on the crucial challenge facing your institution, as well as to provide critical guidance to our Board of Directors.

In line with the decision you took at your meeting in December 2002, the Boards of Directors have prepared, for your consideration, a proposal for the temporary relocation of the Bank’s operations to Tunis. But before you start your deliberations, permit me to share with you Management’s perspectives on the matters before you, particularly in the light of recent developments in our host country.

Mr. Chairman,
Honorable Governors,
Ladies and Gentlemen,

Since the last meeting of the GCC in December 2002, important developments have taken place in our host country in a number of areas. On the political front, steps have been taken by ECOWAS and France to find a peaceful resolution to the political crisis that has engulfed our host country since mid-September 2002. Towards this end, all parties have reached and signed a political accord. This has been endorsed by West African Heads of State, the United Nations, the African Union, France, and a number of other countries at the Summit hosted by President Chirac in Paris, to which I was invited...
and had the honor of participating. In line with the agreement reached, the new Prime Minister has assumed his post and has started consultations to form a new government.

In this connection, let me take this opportunity to express our sympathy and our best wishes to the government and people of Côte d’Ivoire in their effort to resolve the crisis that they have experienced over the course of the last four months. Indeed, it is our profound hope that peaceful conditions would return soon.

As Governors are also aware, the United Nations has continued to monitor and assess the security situation in Côte d’Ivoire. And as you would all recall, following the attempted coup d’état in September 2002, the United Nations declared in October 2002 Security Alert Phase IV for the rebel-held zones and Phase III for Abidjan and the remaining parts of the country. This triggered the Bank’s own Security Phase III, with the Boards of Directors consequently approving assistance to staff members to relocate -- on a voluntary basis -- their dependents. At that time, one third of the staff took advantage of the offer and relocated their families to their home or third countries bringing to two-thirds the number of staff separated from their families. And following the recent disturbances in Abidjan, the Bank has assisted the remaining staff to relocate their dependents.

On 5 February 2003, the United Nations declared Security Alert Phase IV for the entire country of Côte d’Ivoire, including Abidjan. Following the declaration, the Boards of Directors met and approved the activation of the Bank’s own Phase IV to ensure the Bank’s business continuity and to provide for the security of its staff. As Governors would recall, at your last meeting you had endorsed the Bank taking such action should the United Nations declare Phase IV for the entire country, or if conditions made it impossible for the Bank to operate.

The implementation of the Bank’s Phase IV has involved the following major actions, following its approval by the Boards of Directors:

- 100 staff members have been dispatched to the Bank’s emergency back-up site in Paris to ensure the continuity of the Bank’s essential financial and other business processes. The back-up facility at SUNGARD has for the first time been activated.
• Another 300 have been sent to the Bank’s Temporary Relocation Agency (TRA) in Tunis to maintain other essential functions. They will soon be joined by the staff complement sent to Paris. The approximately 400 staff at the TRA will have the responsibility for maintaining overall business continuity.
• The remaining internationally recruited staff has been relocated to their home countries. They have been placed on administrative leave until such time as they are recalled by the Bank to resume their normal duties.

I would like in this connection to express the Bank’s deep appreciation to the authorities of our host country for the full cooperation and assistance they provided to the evacuation exercise, in line with the commitment made by the Governor for Côte d’Ivoire at the last meeting of the GCC.

Let me also take this opportunity to commend the staff of the Bank for the serenity, commitment, and professionalism they have shown during this difficult period. I wish also to thank the Boards of Directors for their keen sense of responsibility, as evidenced by the hard decisions they took to safeguard the Bank’s core business functions and to protect its staff.

I would like, in this connection, to stress to our Honorable Governors that the placement of the 400 staff members in Tunis -- in line with the Bank’s Emergency Plan -- would only permit the Bank to maintain essential business functions such as its treasury and disbursement functions, as well as oversee existing operations. The Bank Group will, however, not have the capacity to implement new lending operations. Neither would it be in a position to launch the various new initiatives envisaged under ADF-IX and in its newly adopted Strategic Plan.

In approving the activation of the Bank’s Phase IV, the Boards of Directors also agreed that it would convene in Tunis for the duration of the emergency period, although this was not foreseen at the time the emergency plan was prepared. The Boards felt that their presence in Tunis would be required to provide the necessary guidance and oversight during these difficult times.
The Need to Temporarily Relocate the Bank’s Operations

Mr. Chairman,
Honorable Governors

As I noted earlier, the Boards of Directors, in line with the directives you gave that preparatory work for the temporary relocation of the Bank be undertaken, has submitted such a proposal for your consideration and guidance. In addition, an explanatory note has been circulated. In submitting the proposal, the Board of Directors was guided by the principles you agreed on at your last meeting. These included: (i) maintaining the Bank’s Headquarters in Abidjan, (ii) assuring the protection and well being of staff, (iii) maintaining the Bank’s business continuity; and (iv) taking into account the specificity of the requirements of international financial institutions.

In addition, and as you would also recall, you had advised that in designing the proposal, efforts should be made to: (i) maintain the Bank’s development mandate to its fullest extent by taking a flexible approach to the number and composition of staff to be assigned to the TRA; (ii) include the Board of Directors in any temporary relocation exercise; and (iii) examine the possibility of relocating staff to existing field offices.

The proposed temporary relocation plan has sought to adhere to your basic directives. As the relocation is viewed as temporary in nature – and to be reviewed on a six-monthly basis – the basic time frame adopted for the relocation is six months. Accordingly, the proposed staff policies and the UA 25.3 million budget approved by the Boards have been prepared with this time frame in mind.

To ensure, to the extent possible, that the development mandate of the Bank is fully maintained, the proposal recommends that 950 persons be relocated to the TRA. A further 67 are to be added once the decision to relocate the Boards of Directors is made by the Boards of Governors and suitable office space is secured. Some 236 staff, including short-term staff, will, however, remain in Abidjan to ensure the security and maintenance of the Bank’s Headquarters, its IT and telecommunication facilities, as well as its other
assets. Management, with the concurrence of the Boards, has decided to extend the contracts of such short-term staff for the time being.

At the time the proposal was prepared – that is prior to the activation of the Bank’s Phase IV – the relocation exercise was planned to be implemented in a continuous two-phase exercise from March to May 2003. This was intended to minimize disruptions to the Bank’s business processes and to take into account the availability of the facilities at the TRA site. The decision-making organs of the Bank and the majority of the staff were to remain in Abidjan during the first phase.

Mr. Chairman,
Honorable Governors,
Ladies and Gentlemen,

It is evident that the temporary relocation plan submitted to you for your final guidance has in part been over taken by the implementation of the Bank’s Phase IV, resulting in the transfer of 400 staff to Paris and Tunis, and the evacuation of the remaining internationally-recruited staff. The relocation proposal must therefore be adjusted to take into account these developments.

I wish to stress, however, that the underlying rationale for the relocation has been considerably strengthened by recent events. Accordingly, we believe that it is essential that a decision be made immediately to temporarily relocate the operations of the Bank to Tunis and to bring back, when facilities are available, those essential staff who, under the Emergency Plan, has now been evacuated to their home countries. There are a number of reasons that argue for such action at this time:

First, as the GCC advised at the conclusion of its meeting in December 2002, every effort should be made to maintain the Bank’s development mandate by taking a flexible approach to the number and the composition of staff to be assigned to the TRA.

Second, as we indicated in the documents we submitted to the last GCC meeting the political crisis in the host country has had many adverse effects on the activities of the Bank Group. Essential project and program development activities were
disrupted and had to be postponed or altogether cancelled; the Bank’s credibility in the financial markets has begun to be questioned; and the strong partnerships that the Bank had established with its clients and its other development partners have begun to unravel. In addition, these events have put enormous stress on the critical resource of the Bank – its staff. It is therefore essential that these high operational and reputational costs be minimized by making all efforts to restore the institutional capacity of the Bank in as short a time as possible.

Third, it needs to be emphasized that were the Bank to remain for any extended period under its current emergency stance, it will entail very high financial as well as other operational costs and risks. Indeed, it could well put into jeopardy the Bank’s short to medium term ability to deliver on its mandate. In this regard, it is important to recall that in addition to the very high direct financial costs, there are other costs as well. For example, maintaining a large part of the staff on administrative leave for an extended period of time is extremely costly. In addition, it will undoubtedly create uncertainty in the minds of staff and their prolonged absence could push many – particularly those who are highly qualified and experienced – to seek other employment opportunities. Such a development could lead to the erosion of the operational capacity of the Bank. It is therefore critical that measures be taken to forestall it.

Fourth, the evacuation of staff from Abidjan and the implementation of the Emergency Plan will undoubtedly disrupt the regular operations of the Bank in its regional member countries, although every effort will be made to maintain certain basic functions, such as disbursement on on-going projects. I believe we should strive to restore these relations with our clients as soon as possible so as to minimize the damage of any extended disruption.

Fifth, it is essential that the Bank take immediate steps to assure the capital markets and its rating agencies that; despite the recent developments; it will restore in short order its full capacity to remain an important player in the international capital markets. As Governors may be aware, the Bank was recently awarded the IFR’s Agency/Supranational Bond of the Year for the exceptional manner in which its 2002 global bond issue was placed and managed. We should therefore not lose such hard-won respect. In this regard, I wish to stress that contrary to some views, the efficient functioning of our treasury operations requires the support of many
other services of the Bank. It cannot be isolated and be expected to operate smoothly.

Sixth, I believe it is important that the Bank restores the many close relationships that it has established with its development partners. During the last four months, the Bank could not take part fully in many of the joint activities and initiatives that it had launched with a wide array of development partners. Unless these are restored in the near future, the Bank faces the real danger of weakening the strong partnerships that it had established over the recent years with many international and regional agencies and bodies.

Mr. Chairman,
Honorable Governors,

The recent developments in our host country and the fact that the Bank has been forced to evacuate its staff and their dependents – as well as the reasons that I outlined earlier – all call for the Bank to relocate its operations to Tunis as soon as the additional facilities are available. Any delay in such a decision runs the risk of weakening severely the ability of the Bank Group to resume fully its lending and non-lending operations in its regional member countries. It also entails the risk of weakening the ability of the Bank to deliver on its development mandate in the short to medium term.

Should the GCC recommend the temporary relocation of the operations of the Bank to Tunis in line with the proposal before you, it will allow the Bank to take the required steps to restore most of its institutional capacity. The stand-by arrangements that we have made to rent additional office space in Tunis can be implemented in short time. And once the facilities begin to be available we will be in a position to begin to recall staff from their home countries in a phased manner such that by the end of May 2003 the Bank’s operations could be restored.

With the re-establishment of most of its institutional capacity, the Bank will be in a position to resume its developmental activities. For example, Country Strategy Papers will be finalized and submitted to the Boards for their approvals, paving the way for the approval of projects and programs in the second half of the year. And while the Bank
Group will obviously find it difficult to reach the same level of financing operations as it did in the last two years, we will make every effort to regain the lost ground.

In addition to the resumption of our lending and non-lending operations, we will also endeavor to launch the various initiatives that have been envisaged under ADF-IX and in our strategic plan. In particular the initiatives foreseen to enhance the development effectiveness of our operations and to monitor more closely the progress being made on the ground will be undertaken. Similarly, we will strive to provide the full array of support to regional initiatives such as NEPAD, in line with the responsibilities entrusted to the Bank by the NEPAD Heads of State Implementation Committee.

In this regard, I wish to stress the critical importance of resuming the Bank’s recruitment drive, which has been stalled by recent events in our host country and the uncertainty it has created. The Bank will need to fill, as soon as possible, its many vacancies in order to build up its human resource base, thereby allowing it to implement efficiently its on-going activities, as well as launch the new initiatives that I referred to earlier.

Concluding Remarks

Mr. Chairman,
Honorable Governors,
Ladies and Gentlemen,

Permit me to conclude by reiterating Management’s strong belief that in the light of recent events in the country, the temporary relocation of the Bank’s operations is essential and should be effected as soon as additional facilities are available. As I stressed earlier, this is required to arrest the erosion of the institutional capacity of the Bank Group and to restore it in as short a time as possible. I wish also to underscore that any delay in this decision would not only entail high financial costs to the Bank Group but also runs the risk of severely undermining its capacity to deliver on its mandate in the short to medium-term.
As I have reiterated on many occasions, we view the relocation of the Bank’s services to Tunis as temporary. Indeed, the Bank’s governing organs, including the GCC and the Boards of Directors, have made it clear that the Bank’s Headquarters remains in Abidjan. On our part, it is our ardent hope that peaceful conditions will soon be restored in our host country to allow the return of the Bank’s operations to Abidjan.

I thank you for your kind attention.