Statement by Omar Kabbaj to Ambassadors from the Member States of the Bank, 26 January 2005, Tunis, Tunisia

Statement by Omar Kabbaj, President of the African Development Bank Group to Ambassadors from the Member States of the Bank accredited to Tunisia and Representatives of International Organizations, 26 January 2005, Tunis, Tunisia

Your Excellencies,

Ladies and Gentlemen,

I am delighted to welcome you all to this gathering and to thank you for kindly accepting our invitation. We have for sometime now organized these annual gatherings for ambassadors from the member states of the Bank and representatives of international organizations. This is the third of such meetings since the temporary relocation of the Bank Group to Tunis in February 2003.

These gatherings, at the start of a new year, give us an opportunity to update Your Excellencies on the salient aspects of the Bank Group’s activities during the previous year. In also enables us to review and discuss with Your Excellencies recent economic and social developments on the African continent, the progress made by our regional member countries, and the challenges they continue to face. Further, it gives us an opportunity to briefly assess the state of Africa’s development partnership with the international community and to review global developments as they affect our Continent.

Before I start, let me first extend to Your Excellencies and to your families my best wishes for the New Year. Let me also take this opportunity to thank H.E. President Zine El Abidine Ben Ali and the Government of Tunisia for their hospitality and for the excellent arrangements made for the temporary relocation of the Bank in Tunis.

Africa’s Economic Performance in 2004

Your Excellencies,

Ladies and Gentlemen,

Permit me to begin with an overview of Africa’s economic performance in 2004. Before I do so, let me point out that the data I am presenting to you are preliminary and, as customary, are likely to be adjusted in the coming months.

The year 2004 was marked by major global economic events and developments that had a major bearing on Africa’s economic performance. These included the rebound and consolidation of global economic recovery -- with world GDP estimated to have grown at
5 percent and world trade at 9 percent -- the dramatic rise in oil prices, the continued strengthening of some non-fuel commodity prices, and the significant depreciation of the US dollar.

The rebound in the global economy and favorable commodity prices, together with a relative improvement in domestic macroeconomic management, made 2004 an exceptional year for Africa. The region’s GDP growth rate reached an average of 4.5 percent in 2004, resulting in a per capita GDP growth of 2.3 percent. This compares with the GDP growth rate of 4.1 percent and per capita growth of 1.8 percent for 2003. More significantly, it is gratifying to note that this is the highest GDP growth rate recorded for the continent since 1996, and considerably above the average of 3.4 percent for the previous five years. It is also notable that this is the first time in over two decades that the continent has recorded growth rates exceeding 4 percent per annum for two consecutive years. Although this performance is largely attributable to a favorable evolution of commodity prices, we are, nonetheless, hopeful that this trend will continue in the future.

As was the case in the past, growth in 2004 exhibited a considerable variation across individual countries, although it needs to be stressed that the trend, overall, was quite positive. Some 20 countries achieved GDP growth rates of above 5 percent and 17 others recorded growth rate of between 3 and 5 percent. It is also pleasing to note that only two countries witnessed negative growth rates, compared with six in the preceding year.

In 2004, Africa’s oil exporters saw their GDP growth rate rise to 5.1 percent, with high oil prices conferring on these countries substantial revenue and foreign exchange windfalls. Nonetheless, oil-importing countries also performed well, although higher oil prices did put heavy pressure on their external accounts, particularly for those countries with limited export revenues. In this regard, it is significant to note that of the 20 countries that recorded growth rates exceeding 5 percent, 12 were oil-importing countries. It is also encouraging to note that the leading reforming countries on the continent such as Burkina Faso, Ghana, and Mali in West Africa, Mozambique, Tanzania and Uganda, in East and Southern Africa, and Tunisia and Morocco in North Africa continued to perform well.

In terms of sub-regional performance, Central and East Africa witnessed the most robust growth performance, with GDP growth rates of 8.7 and 6.5 percent, respectively. The strong economic growth in Central Africa was driven by post-conflict dividends and higher oil prices. And the improved economic performance in Eastern Africa was boosted by the bumper harvests in the region. In North Africa, average growth rate in 2004, at 4.7 per cent, was above the African average but marginally fell short of the 4.9 percent recorded in 2003.

In Southern Africa, GDP increased appreciably to 3.9 per cent, compared with the 2.7 percent in the preceding year, largely caused by a rise in South Africa’s GDP growth from 2.8 percent in 2003 to 3.6 percent in 2004, despite the continued strengthening of the Rand. The West African sub-region saw its overall GDP grow at 4 percent, well below the 6.7 percent recorded in 2003. This was largely due to the difficulties faced by
two of the largest economies of the sub-region, Nigeria and Côte d’Ivoire, following a series of disruptions to oil production in Nigeria and civil conflict in Côte d’Ivoire.

Your Excellencies,

Ladies and Gentlemen,

A number of factors, both external and internal, contributed to making 2004 one of the best years in terms of Africa’s economic performance. Externally, Africa’s terms of trade improved significantly -- by 6.7 percent -- in part accounted for by the rise in oil prices and the further strengthening of the prices of major non-fuel commodities. In addition, the rebound in the global economy along with strong demand from Asia for the region’s primary export commodities also boosted the Continent’s exports. These grew by 18.6 percent in value terms and by 4.6 percent in volume terms. As a result, Africa’s current account improved significantly in 2004, recording a surplus of over $5 billion, despite an import growth of 7.2 percent. With the exception of the years 2000 and 2003, this is the only year when the current account was positive in over two decades.

In addition, improved export performance and debt relief measures have contributed to a continuing decline in the debt service ratio for the Continent, which reached 11.8 percent in 2004, the lowest in some two decades. Similarly, Africa’s total debt in relation to its GDP continued its trend decline, reaching 43 percent from a high of 76 percent in 1994.

These favorable external factors were complemented by the progress that most African countries made in implementing sound macroeconomic policies and strengthening the management of their economies. And although much remains to be done, many countries continued with their programs of reforms, including privatization of state owned enterprises, public sector reforms, as well as the strengthening of regulatory frameworks. Significant strides in creating a better environment for private sector participation and for attracting foreign direct investment have thus been made, with many adopting policies to promote small and medium enterprises.

This combination of policies has resulted in strikingly improved key macroeconomic indicators such as the fiscal balance, monetary growth, and inflation for the region as a whole. In 2004, the average fiscal deficit for the region stood at 1.7 percent of GDP, the lowest for over a decade. And monetary growth, at 15.6 percent, was substantially lower than the 26 per cent historical average for the past five years. These two factors contributed to the region experiencing its lowest average inflation rate of 8.8 percent in over two decades.

Your Excellencies,

Ladies and Gentlemen,

While welcoming the improved economic performance of the African economy in 2004, we must nonetheless note that our Continent continues to face major challenges,
including conflicts in some regions, a high incidence of poverty, and the relentless surge of the HIV/AIDS pandemic.

It is evident that peaceful and stable conditions would need to be maintained or restored if Africa is to make economic and social progress. Much has been achieved in the recent past in Angola, Burundi, Congo, the Great Lakes Region, Liberia and Sierra Leone. Further, the agreement signed in Nairobi this month between the Government of Sudan and the SPLA, as well as the recent agreement reached to bring to an end the conflict in the Casamance region of Senegal are also most welcome. Nonetheless, conflicts have erupted in other regions and efforts will necessarily have to be made to resolve them. In this regard, we are heartened by the deep engagement of the African Union and several Heads of States in the effort being made to bring to a peaceful end some of Africa’s remaining major conflicts.

With respect to poverty, African Heads of States at their meeting in Ouagadougou last year, affirmed that reducing poverty and achieving the Millennium Development Goals (MDGs) would continue to be a central focus of their development efforts. Halving the number of people living in poverty by 2015 would, however, require that more countries continue to raise their growth rates and reach the level of 6-8 percent required to achieve the MDGs. Appropriate policies have also to be adopted to ensure that higher growth rates are indeed pro-poor and that they result in lowering poverty and improving the distribution of income. Further, governments would need to take measures to reduce high population growth rates, still evident in many countries. We would therefore encourage our countries to sustain the prudent macroeconomic policies that they have begun to implement and deepen their reform programs, as these are critical to improve the region’s growth and development prospects.

In particular, financial sector and governance reforms -- including legal and judicial reforms and systems to protect property rights -- are critical to create a more favorable climate to mobilize domestic resources and to attract foreign investment. In addition, in an era of globalization, it is imperative that our countries strengthen their regional cooperation and integration arrangements, particularly in the context of the NEPAD initiative. Towards this end, we would urge them to strengthen and streamline their regional economic communities (RECs).

I wish to stress in this regard that it is vital that our countries take advantage of the improved external environment to push through vital reforms. As I noted last year, the higher oil and commodity prices have resulted in significant windfall earnings for many countries. We would therefore advise our countries to use such earnings to finance critical reforms as well as put aside a large share of these windfalls to enable them to withstand adverse terms of trade shocks that are likely to occur in the future.

The other major challenge facing many of our countries is the devastating impact of the HIV/AIDS pandemic. The high prevalence rate of the pandemic continues to reduce the capacity of some of the most productive members of society, thus affecting both employment and growth. And in a number of countries, it has reversed some of the hard-
won social and economic gains of the past decades, as reflected, for example, in a lowering of life expectancy rates. Many countries, supported by the international community, have devoted considerable resources to tackling the scourge of the disease. We urge them to continue to give high priority to combat the pandemic by designing and implementing appropriate medium to long-term programs.

**International Support for Africa’s Development Efforts**

Your Excellencies,

Ladies and Gentlemen,

African countries will continue to need the support of the international community to assure their continued economic and social progress and to enable them to make strides towards the achievement of the Millennium Development Goals. In this regard, as the recent United Nations Report “Global Plan to Achieve the Millennium Development Goals” – led by Professor Jeffrey Sachs -- makes clear, on current trends, with the exception of North Africa and South Africa, few countries are likely to meet the goal of reducing the number of people living in poverty by half by 2015. Some countries may, however, make progress towards meeting some of the MDGs related to education and health. Support from the international community therefore remains critical, especially with respect to official development assistance (ODA), debt reduction, and market access to Africa’s exports.

We are heartened in this regard by the proposal of the United Kingdom to launch a ‘Marshall Plan’ for Africa and to place the continent’s development at the top of the G8 agenda. And with respect to ODA, we are also encouraged by the trends in the last two years. There have been sizeable increases in ODA to Africa increasing from $15.8 billion in 2001 to $24.7 billion in 2003, although much of the increase is accounted by debt relief. We are also reassured by the establishment of the Millennium Challenge Account by the United States to increase its ODA, and by the initiatives sponsored by the United Kingdom and France to set up the International Financing Facility (IFF), with the goal of scaling up ODA in the short to the medium term.

Despite these developments -- and as the Sachs Report makes clear -- ODA still falls short of what is required for Africa to be on course towards attaining the MDGs. This year, Heads of States will gather at the United Nations in New York to assess progress towards the MDGs. It is our hope that on this occasion the donor community will re-dedicate itself to increasing its ODA with the goal of meeting the financing needs of the low-income countries of Africa, in line with the pledges it had made earlier at Monterrey and other fora. This is critical to support the considerable progress that many African have made in the recent past, as evidenced by high GDP growth rates, and strikingly improved macroeconomic performance.

Progress has also been made in terms of reducing Africa’s external debt burden, in part due to the HIPC initiative. Of the 32 countries that were expected to qualify for HIPC
With regards to further debt relief measures, we are encouraged by the initiative taken by Chancellor Gordon Brown of the United Kingdom to provide additional debt relief on the debts owed by post-completion HIPC countries to the international financial institutions. We urge other countries to support this initiative, as it would release considerable resources for reducing poverty in the low-income countries. In addition, we welcome the decision of the donor community to base future ODA financing terms on an in-depth analysis of debt sustainability to reduce the risk of debt distress in the future. This is expected to result in a considerable increase in the level of grant financing by the international financial institutions.

With respect to external trade, I wish to note that African counties continue to face major impediments in the form of heavy domestic support and export subsidies for agricultural products provided by the industrial countries to their farmers. In addition, non-tariff barriers are often imposed and African countries also face tariff escalation on the exports of processed and manufactured exports, although the AGOA initiative of the United States and the Everything but Arms (EBA) initiative of the European Union have eased some of these obstacles. In addition, we are gratified by the progress made in the WTO July 2004 Framework, which sets out modalities for the elimination of protectionist measures. In this regard, we urge the industrial countries to throw their weight behind the ‘July Framework’ to expedite the speedy fulfillment of the Doha Development Agenda.

**Overview of Bank Group Operations in 2004**

Your Excellencies,

Ladies and Gentlemen,

Permit me now to outline the main features of Bank Group operations in 2004. I am pleased to report that for the Bank 2004 was, in many respects, also an exceptional year.

- The Bank Group registered the highest level of lending, grants, and debt relief operations since it started operations;
- Its disbursement levels were also the highest ever;
- The net income of the Bank Group was a record;
The African Development Fund had the highest replenishment since its establishment in 1972;

The Bank recruited the largest number of new staff in a single year; and

The number of government officials who participated in the training programs offered by Joint Africa Institute also reached record levels.

In 2004, lending, grant and debt relief activities reached US$ 4.4 billion. As I noted earlier this was the highest level for the Bank since it started operations. Of this amount, US$2.4 billion was in support of our non-concessional operations through the ADB window, including private sector operations amounting to $306 million. The balance of US$2 billion was accounted for by concessional operations in our low-income countries.

In addition to its own lending and grant operations, the Bank Group, through its co-financing operations, succeeded in 2004 in mobilizing additional resources, which stood at $3.1 billion. Thus, the total amount of resources generated for our regional member countries -- including our own resources -- stood at $7.4 billion in 2004 as compared to $6.3 billion in 2003. The level of Bank Group resource disbursements to borrowing countries also showed a sharp rise, reaching over $1.83 billion in 2004, representing an increase of 20.3 percent over the level of disbursements attained in the previous year and the highest amount recorded to date. It is gratifying to note in this regard that disbursements from our ADF window for low-income countries increased by 46 percent in 2004 as compared to 2003.

Our operations through the ADB window are earmarked for middle-income credit-worthy countries and their emphasis is mainly on providing resources to improve the competitiveness of their economies. Bank Group operations support key reform programs, and provide financing to strengthen private sectors, upgrade infrastructure, and generate employment opportunities.

For our 40 low-income countries that are only eligible for concessional financing from the African Development Fund our support is focused on poverty reduction and promoting sustainable economic growth. Accordingly, priority was given to agricultural and rural development, which accounted for over 25 percent of ADF approvals in 2004. The Bank has also given high priority to the development of rural infrastructure, accounting for close to 20 percent of approvals in 2004. Similarly, interventions in the education and health sectors projects and programs accounted for over 16 percent of ADF approvals in 2004.

Another major area of intervention for the Bank Group is regional cooperation and integration. Support has been provided to capacity building of regional economic communities, the development of regional infrastructure, the creation of an enabling regional environment for the private sector, and promotion of sustainable development at
the regional level. The Bank’s support to such initiatives has increased substantially over the past 3 years averaging close to $183 million per year of concessional operations.

Furthermore, in line with the request of the Heads of State Implementation Committee, the Bank has mobilized its human resources to provide support to the NEPAD initiative. As Your Excellencies are aware, the Bank was assigned the leadership role in infrastructure and banking and financial standards, and we are also working closely with the ECA in the area of economic and corporate governance. I am pleased to report that the Bank has established a NEPAD Support Unit within its organizational structure to spearhead its effort. We have, in addition, established a Regional Integration Unit tasked with coordinating the Bank’s interventions in this area. I may add that while the Bank has felt the need to establish these two units for administrative and budgetary reasons, all the relevant organizational units of the Institution have been mobilized to contribute to these critical endeavors.

The Bank has also drawn up a NEPAD Infrastructure Short Term Action Plan (STAP), 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 $8 billion, of which half is envisaged to be financed by the private sector. The Bank has already approved $520 million to finance projects identified in the plan, and has mobilized a further $1.6 billion from other sources to co-finance these projects.

In addition, the Bank has launched a study to draw up a medium to long-term strategic framework for regional infrastructure in close collaboration with the NEPAD Secretariat, the regional economic communities (RECs), the World Bank and the European Union. The Plan is expected to cover all the sub-regions of the Continent as well as all infrastructure sectors.

As well as provide loans and grants, the Bank Group has continued to provide debt relief under the HIPC initiative. With the support of ADF donors, and partial financing from the ADB window, the Bank Group has, to date, extended nominal debt relief amounting to $4.2 billion to 23 countries, including support to the Democratic Republic of Congo in the past year for an amount exceeding $1.8 billion. In this regard, it is noteworthy to point out that some 80 percent of the cost of the Bank’s HIPC debt relief is covered by funds mobilized from donors through the HIPC Trust Fund at the World Bank.

In addition to providing the bulk of resources to the priority areas, the Bank Group has also promoted interventions to improve systems of governance, as well as efforts to mainstream gender dimensions and promote the sustainable management of the environment. It has also provided support to HIV/AIDS projects and programs. Further, the Bank Group has supported selected research programs and continued with its regular capacity building programs by offering training through our African Development Institute and the Joint Africa Institute (JAI), which we established in 1999 with the IMF.
and the World Bank, with close to 2,000 participants taking part in the programs of these two Institutes.

New Initiatives

In 2004, the Bank also launched two major initiatives. The first is its Rural Water Supply and Sanitation Initiative, which has as its objective accelerating access to sustainable water supply and sanitation to rural Africa by increasing coverage to 80 percent by 2015. The investment requirement up to 2015 for the Water Initiative is estimated at over $14 billion and is expected to be raised by leveraging additional resources from multilateral, bilateral, as well as national, private and community sources. The proposal has garnered the support of a number of governments such as Canada, France, the Netherlands, Norway, as well as the European Union. A major event to mobilize resources for the initiative and co-hosted by the Government of France and the Bank is planned for the end of March this year in Paris.

The second major initiative is the establishment of the Bank’s Post-Conflict Countries Facility. The Facility has been established with an allocation of UA100 million over three years from the net income of the Bank and an additional UA100 million from the African Development Fund. Efforts will be made to mobilize additional resources from the net income of the Bank’s ADB window and other donors including contributions from the Nigerian Trust Fund, bilateral donors and the European Union. The funds would be used on a case-by-case to assist post-conflict countries that meet specific criteria. Two countries – Burundi and Congo – have already benefited from the Facility. Their arrears to the Bank Group were cleared by using resources from the PCCF and by mobilizing funds from the European Union and bilateral donors.

The Action Plan to Improve Operations, Results-Based Management and Harmonization

Your Excellencies,

Ladies and Gentlemen,

Allow me to now review some of the key measures taken by the Bank in recent years to improve the quality and development effectiveness of its operations in close cooperation with its other partners.

In response to the independent evaluation of the operations of the African Development Fund, the Bank Group has developed an Action Plan to improve the implementation of its operations. The three-year plan encompasses actions to improve the Bank Group’s engagement in all phases of the project cycle from identification to evaluation. In addition, it calls for a deepening of the Bank’s Economic and Sector work, capacity building in its regional member countries, and enhancing the Bank’s role in African economic and development research.
Another important step the Bank has taken is putting in place a results-based management system for tracking performance indicators and measuring results. Towards this end, clear and measurable indicators of expected performance outcomes are now part of all project and program documents. In addition, a framework is being designed to re-structure the Bank Group to become a results-based management institution.

A major initiative to improve development effectiveness in which the Bank has been involved at the regional and global levels is the Harmonization and Alignment agenda. To this end, the Bank and partner agencies have undertaken to streamline and harmonize their procurement and disbursement procedures, monitoring and evaluation, environmental, social and governance standards, and financial accountability and to align them to systems used by beneficiary countries. The objective is to significantly reduce the burden of transaction costs faced by these countries in complying with multiple procurement and financial reporting systems of different donors.

In this regard, I am pleased to note that the Bank has taken a leadership role at the regional level in bringing together development agencies and client countries to promote harmonization and results-based management. The Bank co-hosted with the World Bank in February 2004, the Marrakech Second International Roundtable on Managing for Results as well as the African Regional Workshop on Harmonization, Alignment, and Managing for Results in Dar-es-Salaam, Tanzania in November 2004. The latter conference reviewed progress made to date, agreed on further actions to be taken, and drafted a common message to be taken to the High Level Forum in Paris in late February 2005.

Another important component of the Action Plan is the approval by our Board of Directors of the Bank’s accelerated decentralization program. This aims to increase considerably the number of field offices within the next two years. I will discuss this program in greater detail a little later.

**Financial Outcomes and Resource Mobilization**

Your Excellencies,

Ladies and Gentlemen

The significant improvements in the Bank Group’s operations have been accompanied by similar progress in the financial management of the Bank Group. I am pleased to report that the Bank Group continued to develop, refine, and implement financial policies designed to ensure that its financial assets and liabilities are deployed in an optimal manner. As a result of the various measures we have taken, the Bank Group has continued to generate a healthy level of earnings, thereby further solidifying the financial base for its development assistance activities -- a trend that has been sustained over the past decade. For 2004, the combined income from the three windows of the Bank Group is expected to amount to a record $350 million. Such strong performance is attributable primarily to overall improved repayment performance by borrowing countries --
including payments made by or on behalf of certain post-conflict countries -- prudent financial management, and ongoing stringent control of administrative expenses.

**Resource Mobilization: the ADF-X Replenishment**

Your Excellencies,

Ladies and Gentlemen,

The year 2004 was also particularly important in terms of mobilizing new concessional resources, as it marked the end of the ADF-IX cycle. During the year, ADF donors held consultations on the tenth replenishment of the Fund (ADF-X) with the participation of representatives of borrower countries. I am pleased to report that State Participants agreed on a replenishment level of UA 3.7 billion -- approximately US$ 5.4 billion -- for the period 2005-2007. 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 record level of replenishment signifies the continued commitment of ADF donors to support Africa’s development efforts and their confidence in the progress being made by African countries. We also take it as an affirmation of their confidence in the reforms undertaken by the Bank over the last ten years to strengthen the institution and to improve the quality of its operations and thereby better serve its regional member countries.

The framework for Fund operations under ADF-X 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 our countries to allocate more resources to water supply and sanitation, in line with the Bank’s Rural Water Supply and Sanitation Initiative; and

- Fourth, as I noted earlier, an initial allocation UA100 million (approximately US$ 150 million) has been made to support the Bank’s Post-Conflict Country Facility, with a commitment to increase this amount if required.

We believe that the substantial increase in the resources entrusted to us for the ADF-X period and the implementation of the three-year Action Plan will go a long way in
enhancing the Bank Group’s capacity to provide quality support to its clients and allow us to make significant headway in helping our countries meeting their development goals.

I wish to note, in this regard, that with the successful conclusion of the ADF-X consultations, the Bank Group has succeeded in mobilizing a total of $26 billion over the course of the last decade.

**Strengthening the Institutional Capacity of the Bank Group**

Your Excellencies,

Ladies and Gentlemen,

In addition to these financial measures, we have undertaken a number of initiatives aimed at strengthening the Bank Group’s institutional capacity to deliver more fully on its development mandate as well as enhance the transparency of its operations.

One of the notable measures in this area is the strengthening of the Bank’s field presence in its regional member countries. As I noted earlier, as part of the Bank’s program of opening up field offices, our Board of Directors has approved an accelerated decentralization program involving the opening of 16 offices over the next 2 years, in addition to the nine offices that are currently under operation or will open soon. This will bring to 25 the total of field offices. This is expected to increase the Bank’s capacity for sustained policy dialogue with its regional member countries and for more effective project management, as well as better coordination with other partners and the donor community.

And although delayed by the temporary relocation, the Bank has also re-launched its recruitment drive to strengthen its human resources capacity. This is aimed at filling the skills gaps, particularly in the crosscutting areas of governance, gender, environment, and regional integration. I am pleased to note that in 2004, close to 100 new professional staff were recruited – a record for one year for the Bank.

In addition, the Boards of Directors have endorsed a Strategic Resource Framework for InstitutionBuilding, aimed at significantly scaling-up the Bank’s organizational capacity to improve its operations and deliver effectively on its mandate. The Framework envisages an increase of the Bank’s budget by UA 51 million over the 2005-07 period, or approximately 34.4 percent. In addition, the Bank plans to increase the complement of its professional staff by a further 200 over the next three years. This substantial increase does not include the approximately 300 staff that will be recruited locally to assist in the operations of the field offices.

The Bank has also taken a number of measures to increase the transparency of its activities and to combat fraud in the operations that it finances as well as in its internal operations. With respect to transparency, the Boards of Directors have agreed to release the summary of their proceedings. In addition, the Bank will take additional measures to
ensure that its policy and project documents are made promptly available on its website which is being upgraded and made interactive.

And with respect to corruption the Board of Directors in 2004 approved Guidelines on Preventing and Combating Fraud and Corruption in Bank Operations. In addition, the Board of Directors is considering the establishment of an Anti-Corruption and Investigation Unit. These measures aim at strengthening internal safeguard mechanisms and also include procedures for reporting on allegations of fraud or corruption. We believe that these actions constitute significant steps towards bolstering the anti-corruption efforts of our regional member countries.

**Concluding Remarks**

Your Excellencies,

Ladies and Gentlemen,

Permit me to conclude by noting that the year 2004 has indeed been a remarkable year for both the Bank and its regional member countries. The macroeconomic indicators for the continent – such as GDP growth, inflation, fiscal balance, and the current accounts -- are some of the best we have seen in over two decades. Although these results were in part bolstered by an improved external environment, they give us hope that an increasing number of our countries are indeed moving towards a path of high growth, bolstered by sustained reforms and improving macroeconomic management. In this regard, we call on our regional member countries to take advantage of the windfalls obtained from high commodity prices to finance and deepen vital reforms, particularly in the area of governance, and, more generally, undertake further reforms aimed at creating a conducive environment for private sector development.

For the Bank Group, 2004 has, in many respects, also been a record year. Its approvals were the highest since it started its operations, its net income was also a record, and the level of disbursements was the highest since 1994. And as importantly, the ADF-X consultations also resulted in a replenishment level that was significantly higher than any replenishment since the establishment of the Fund in 1973.

With its strengthened financial base and the measures it will take to further enhance its institutional capacity, we are confident that the Bank Group will continue to provide significant support and high quality services to its regional member countries. It will also do its utmost to help our regional member countries reduce poverty on the continent and achieve the MDGs. And towards this end, let me assure you that we will make every effort to strengthen our partnership with our regional member countries while deepening our cooperation with all our development partners.

I thank you for your kind attention.