

AFRICAN DEVELOPMENT BANK GROUP



**Statement by Philibert Afrika,
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at the
4th African Development Forum (ADF-IV)
*(Addis Ababa, Ethiopia, 11-15 October 2004)***

Prime Minister of Federal Democratic Republic of Ethiopia,
Chairperson of the African Union,
Executive Secretary of the UNECA,
Your Excellencies,
Distinguished Participants,
Ladies and Gentlemen,

On behalf of the President of the African Development Bank Group, it gives us great pleasure for the Bank to have been associated with the preparation and organization of ADF-IV Forum. We are thankful to the ECA and its Executive Secretary, Mr. K.Y. Amoako and to the African Union and its Chairperson, H. E. Mr. Alpha Omar Konare, for collaborating with the Bank on this major initiative. We wish particularly, to express our gratitude and appreciation to the Prime Minister of the Federal Republic of Ethiopia, H.E. Mr. Meles Zenawi, who has accepted to honor this meeting by his presence, demonstrating his commitment to the pursuit of good governance in Africa.

The theme chosen for this forum, "Governance for a Progressing Africa," is indeed timely. It addresses an issue that is

highly critical and recognizably the most important for our collective quest for economic growth and sustainable development. This forum provides the African Development Bank the opportunity to share its views and experiences on this important theme with such a distinguished audience.

As you know, the Bank has highlighted good governance as one of its key concerns in Africa following the adoption of the Bank Policy on Good Governance in 1999 and the adoption of its Strategic Plan in 2003. In the last few years we have put great emphasis on improving governance systems in our regional member countries. The Bank does so through its contributions to macro-economic stability, better management of scarce resources, greater accountability, transparency, and the creation of an enabling policy environment in which domestic and international investors can have confidence and trade can be advanced.

The interventions of the Bank in good governance are underpinned by the now universally accepted axiom that systems of governance are essential pillars for sustained economic growth and development. Having in place predictable frameworks, an effective and transparent public administration, and a functioning and independent judiciary are deemed necessary for securing state effectiveness and legitimacy. In other words, implementation of policies and strategies that promote broad-based growth and poverty reduction cannot achieve sustainable development in the absence of good governance.

Distinguished Participants,
Ladies and Gentlemen,

The African Development Bank addresses good governance within a broad perspective, which encompasses the enhancement of transparency, accountability, stakeholder participation, combating corruption and the creation of enabling legal and judicial frameworks. These are enshrined in the Bank Group's Policy on Good Governance in line with the Bank's Vision for sustained African development in the 21st Century. The main objective of the Policy is to mainstream governance into the Bank's operations, in a manner consistent with its Charter and lessons learned.

The Bank Group raises and discusses issues of good governance with its regional member countries through policy dialogue, and in the context of economic and sector work. Through such dialogues and interactions, effective programs and projects that seek to improve governance are jointly identified, designed and implemented. We all know that weak policies, and poor governance, impede the effectiveness of development projects and programs. As a result, governance issues have come to assume an increasingly important role in our efforts to enhance the development effectiveness of all our operations.

The Bank Group has provided financial and technical assistance to improve systems of governance and support in a number of countries on the continent to the tune of about 800 million dollars cumulatively. In these projects, the Bank Group, consistent

with its policies and with the national priorities of its regional member countries focuses on promoting the rule of law, transparency in the management of public resources, supporting public sector reforms and combating corruption, strengthening capacity and supporting institutional development.

In order to enhance its governance activities, the Bank has started preparing Country Governance Profiles (CGPs) for all its regional member countries. The CGP is a diagnostic tool used by the Bank to identify key governance issues and develop a common understanding of the strengths and weaknesses of regional member countries' governance arrangements. By enhancing the Bank's knowledge of governance arrangements in these countries, CGPs allow better assessment of risks to Bank funds and facilitate dialogue on the design and implementation of governance reforms and capacity building programs. Also, the Bank collaborates with the World Bank in the preparation of Country Financial Accountability Assessments (CFAAs) and Country Procurement Assessment Reviews (CPARS) in order to enhance knowledge of financial management and procurement mechanisms within RMCs. This will help ensure proper management of national resources for effective development results.

Additionally, the Bank uses governance indicators and instruments in relating to regional member countries. The country performance assessment (CPA) uses a combination of institutional and policy assessment (CPIA) and country portfolio rating (CPR) to determine the African Development Fund (ADF) resource allocation to RMCs. To demonstrate the importance the Bank attaches to good

governance, about 30% of country ADF allocation is based on scores for good governance indicators. Moreover, there is a governance factor, which could increase a country's allocation by 50% for good performing countries.

The Bank is providing support to NEPAD, where it has contributed substantially to the formulation of Banking and Financial Standards. Additionally, the Bank serves in the Technical Experts Committee on the development of benchmarks and indicators for the African Peer Review Mechanism (APRM). The Bank will continue to collaborate with the ECA and AU on the implementation of the economic and political governance dimensions of the APRM.

On improving corporate governance, a Bank study on "Corporate Governance Developments in Africa" was used by the NEPAD secretariat and APRM to identify and establish the priority areas to be assessed. A Bank Strategy and Plan of Action on Corporate Governance, to better address governance issues is close to completion. Among other things, it is expected to guide the Bank's assistance to RMCs in creating the enabling environment to access capital markets and promote private sector development. Also, the Bank conducts due diligence to ensure full compliance with good corporate governance principles for projects supported by the Bank.

Distinguished Guests,
Ladies and Gentlemen,

While we agree that substantial action has been taken on the African continent to address the issues of good governance, the pace of change remains slow. There is still the need to deepen public sector reforms, enhance the fight against corruption, enhance participatory decision-making processes that allows for the inclusion of women, youth and the vulnerable in the process, as well as deepen legislative and judicial reforms. Over and above these, we still need to ensure the capacity of countries to deal with enforcement and compliance issues. Without adequate enforcement and compliance mechanisms, our efforts to promote good governance will not yield the desired results.

As well, domestic governance reforms alone will not bring about the type of development changes that we are looking for – either in terms of the attainment of MDGs or the promotion of technology and development. Also required is progress on trade access, debt relief and a substantial increase in donor assistance. Undoubtedly, this calls for an improved global governance framework that seeks to integrate the views, needs and aspirations of African countries.

While it may not be exhaustive, we believe these are critical issues deserving further discussion and to which the attention of this forum will be directed in the next five days.

Concluding Remarks

Distinguished Guests,

Ladies and Gentlemen,

Permit me to conclude by stressing that the African Development Bank Group is committed to assist regional member countries in their endeavour regarding good governance in Africa. We shall continue to direct our attention, resources and effort to promoting good governance in regional member countries. It is therefore, important that we closely monitor performance in this area in order to make sure that the desired impact is achieved. It is for this reason that we are glad to be associated with the Africa Governance Report (AGR) initiative, which is the first comprehensive regional attempt at "measuring and monitoring progress towards good governance". The Africa Governance Report provides us with the opportunity to deliberate and exchange ideas on governance issues on the ground and will guide our interventions in regional member countries. It is hoped that the process will be a continuous one and that the results of the present exercise will focus on some of the areas highlighted above. Without doubt, this effort will complement the work of the NEPAD Peer-Review process. I hope that our discussions in this meeting will engender new ideas and concrete suggestions for an action plan that would help move the governance agenda forward in a substantive way.

I thank you once again and wish you all fruitful deliberations.