



CENTER FOR GLOBAL DEVELOPMENT

Presents

***The African Development Bank: Recommendations
from the High Level Panel***

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Steve Radelet: We welcome everyone, my name is Steve Radelet. I am a senior fellow at the Center for Global Development. We are delighted to have everyone here this afternoon to talk about what is a very important topic in the possible restructuring and reform of the African Development Bank. The African Development Bank is one of the most important institutions in Africa. It has the potential to play quite a significant role and I think everyone involved including most people of the African Development Bank would agree that it has not fulfilled its potential and has not played the role that it could play.

In that environment, over the last many years actually, there has been a lot of discussion about how to strengthen the institution and improve the role that it has played. There is no doubt, it is in a much stronger position than it was 10 years ago when it was financially in trouble and not doing very well in many different ways. But it began to turn itself around and is in a much strengthened position these days. But the debate is very much open as to what role it could play and how it should play that role and this is a debate that goes beyond the African Development Bank. This is an issue more broadly about the role of different foreign aid institutions and the role of the African Bank in the context of the bilateral donors, the other major multilateral donors, the World Bank, the Asian Development Bank and the Inter-American Development Bank, of course the IMF and the role of new foundations that have come to the fore in the last few years that are changing the landscape of foreign assistance.

So it is in that context that there has been a lot of discussion about what role the African Development Bank could play. There has been lots of work on this but last year, the president of the bank, Donald Kaberuka convened a high level panel to think about these issues and to help provide some advice and some guidance to him and hopefully to the board of the banks, some independent guidance of some people who are quite well informed, very knowledgeable and bringing many different perspectives to that role. We are delighted that we have one of the co-chairs of the committee, Paul Martin with us today who chaired the group along with former president Chissano of Mozambique that put together a great report that I think you all have. There are copies of it out front to give some guidance and their ideas of how the bank should go forward.

So what we would like to do today is have former Prime Minister Martin make the presentation as to the contents of the report. We have two distinguished speakers, Papa Ndiaye and Erin Thornton to provide some perspective on it. We will have some discussion up here and then we will open it up for questions and answers on it.

Paul Martin needs no introduction. You have got his bio but he was the 21st prime minister of Canada. He was and still is a member of parliament and has been since 1988. He was finance minister for more than eight years. It probably seemed like 80 years, I think more than once and accomplished many things in terms of balancing the budget, improving healthcare in Canada, early childhood education. I can think of another country that might need a little help with balancing its budget, improving healthcare and early childhood education but that is a different story.

But beyond those accomplishments within Canada, he really is one of the great thinkers and leaders and pushers on improving the role of the west in development and fighting poverty around the world and particularly in Africa. He was quite active during his time as finance minister, as prime minister and has continued that on in his role today. He has thought about this stuff very deeply and because of his deep thinking and his great ideas and his persuasiveness, carries a lot of weight in what he says and what he thinks so we are delighted that he is here to share with us today the main findings of this report.

Paul Martin: Thank you very much Steve and let me thank all of you who are here. The first thing that I really want to do Steve is to thank the Center for Global Development for convening this meeting. The center as you know issued a series of reports itself on the roles of the multilateral development banks and obviously, this is a very logical place to have this session. I also want to thank the center for inviting you. I have been through the backgrounds of quite a number of the people who are here and I have got to say that this is an audience that awes the speaker when he suddenly realizes the depth of understanding and experience that is here and I thank God that I have got some help.

I just want to tell you that there are three people here who were very actively involved in this. Callisto Madavo who is a former vice president of the World Bank, now professor at Georgetown. Elene Makonnen and Graham Stegmann who Elene is with the World Bank and Graham Stegmann who is the senior adviser to the president of the African Development Bank. So as Steve said, some 12 years ago, the bank was in pretty serious financial straits. For the better part of the last decade, it devoted its efforts to cleaning up those mistakes, to cleaning up the bank and it is not surprising therefore that when the new president was named that he in fact, sought to create a high level panel which Steve has just described. And the net result is the report which you have which we are going to be discussing.

I do not think in front of an audience as knowledgeable as this that it is not necessary for me to describe the pressures or the opportunity facing Africa except to say that we as a panel were very conscious of the need to make our recommendations to the bank relevant in terms of the Africa as it is today and the Africa as we would hope to see it. In this context, we felt that the essence of our recommendations had to be that they would further the bank's mission which is poverty reduction through economic growth. We also believe that our recommendations much enable the bank to become the premiere

development institution in Africa. The fact is that the ADB is the most African of all development agencies. It is the only one that is totally focused on the continent. It is one of the few that could speak for the continent as a whole in a world where Africa's voice is quite simply too faint.

Ongoing debates on aid, trade, debt relief, development policy will affect Africa and its relationships with the rest of the world and yet, too often Africa's voice is absent from these debates or it is ineffective because it is dispersed among small countries with a limited capacity to engage. In short, we believe that the ADB which is a leading authority in African development should become the hub of a network for African policy and research, for measuring outcomes and for building understanding of what works in Africa and what does not. Even more to the point, what works in some parts of Africa and does not work in others. When we said that we recognized that the bank is not yet the premiere development institution on the continent. If it is to become so, it certainly has its work cut out for it and the steps that are required to achieve that, will have to be sequenced carefully if they are to succeed. The bank cannot do everything and it should not try to do everything.

In our view, we believe that the ADB should concentrate its resources and its efforts on four interlocking flagship areas all of which are essential for growth and all of which are essential for economic integration. The first is investing in infrastructure. The second is building capable states, the third is promoting the private sector and the fourth is developing skills. On infrastructure, Africa's infrastructure needs are huge. For purposes of discussion, we would divide them really into two categories. First, infrastructure that will support the development of strong domestic markets that will support the integration of regional and sub regional markets for inter-African trade and the third area is that which will enable Africa to compete in global markets. For this, you know as well as I that Africa needs far better transportation routes to get products to market. It needs safe and reliable energy. It needs better communication.

This is going to involve a considerable investment in infrastructure that not only by the ADB but by most development agencies, in fact most bilateral donors has been ignored for the past decade. This is going to be infrastructure in many ways that is going to serve the interests of more than one country and it is going to be infrastructure that may well straddle country borders. Now, once you state that, it is pretty easy but the fact is that when you get into it, when you think just how difficult it is within any large country to basically set out an infrastructure grid and then you realize that you have got to do it across country borders.

This is inherently and politically very complicated. It requires strong coordination across different political aspects and thus, being a passive partner, simply fielding requests for funds that come from individual countries will not suffice. We believe that the bank has to be proactive. We believe it has to lead and mobilize the kind of financing along with the private sector that is going to do this kind of thing. In other words, we think that the bank

has to take a Pan-African perspective. We think it has to define solutions. We think it has to be proactive in defining solutions. It has to go out, we think it has got to lay out grids long before in fact, anybody would contemplate building them. It has to assess country capabilities to absorb that kind of investment. It has to in fact in summary overcome the kinds of obstacles that happen in the case of anybody who tries to anticipate tomorrow's needs.

Now, the other section that we would look at in terms of agriculture are those that serve directly other needs. Rural water and sanitation forums as an example to reduce water borne disease would be an example. Agriculture where the challenge is simply too important for the ADB to be absent. For example, agriculture contributes over 30% of Africa's gross domestic product. It generates some 70% of Africa's employment and yet only 4% of agricultural land in Africa is irrigated compared to almost 40% in south Asia.

A third example where we would see the bank playing a far greater role that might have been the case five or 10 years ago is climate change. Africa has contributed the least to the climate change issue of any continent and yet it is probably the one that will suffer the most. We believe that the bank has two crucial roles to play. The first is the role it can play in developing a mitigation strategy, one which will allow the bank to minimize the negative impacts and capitalize on the opportunities for low carbon growth. This would mean, multipurpose water storage, rural biomass, land rehabilitation, bioenergy and carbon sequestration. But these will require an enormous amount of planning. In my own country as an example of carbon sequestration, we have been planning a massive carbon sequestration response for the last 10 years. We still are no closer to doing it.

The second role that the bank can play in climate change arises out of the fact that central Africa has 20% of the world's remaining tropical moist forest, forests that must be protected. The development of carbon credits, the massive debate that is going to take place between Africa and Brazil and on the one hand probably Borneo and the developed world on the other is going to be a major issue for Africa but for the world because this is one of the world's two major lungs. At the same time, when you are doing this you are going to have to recognize the needs of the communities who inhabit these forests and this is going to call for a leadership by the bank that goes far beyond the construction of physical infrastructure.

The next second area in where we believe that the bank has to play a role is in building capable states. Our definition of capable state, and there are many of them, is simply a state that provides its citizens with both economic growth and social progress and we believe in this area, the bank must focus a great deal more in its governance work if it is going to make a difference in African outcomes. We think that the bank's priority should be the strengthening of individual country systems, particularly the institutions that are responsible for financial management which should not surprise you, audit and accountability systems that will hold a government's feet to the fire.

The second area, in terms of building capable states, are fragile and post conflict states. Of course, as most of you know again, this represents a special challenge in Africa. Here, the ADB's involvement is not an option. It is an imperative. Swift and effective post conflict transitions are critical to regional security. It is important to demonstrate quickly the gains from the achievement of peace. This means you are restoring basic infrastructure once again. It means helping to ensure that basic services are available but it also means that you are going to have to judge each case by what is happening. For instance, providing income opportunities for former combatants and this I do not think could be much more important. The fact is, anyone who has watched on television, let alone seen in person, the scenes of unemployed unpaid soldiers roaming the streets, creating havoc and terror understand how important it is to give these people some kind of gainful work. In dealing with the medium term, in post conflict states, the bank should return to its strengths. It should intervene only in a few areas and those areas should be those which are going to improve transparency, accountability and potentially helping non-state actors, NGOs to deliver services which governments cannot deliver.

Countries in conflict lose a minimum of two to four percent of their GDP every year. Neighboring countries suffer immensely as a result of what is going on in these countries. Sharing a border with a fragile state is something nobody should wish on any government. The cost to the international community in dealing with post conflict states providing famine relief, supporting peacekeeping operations are large but even more importantly, they are increasing. In 2005, emergency aid in Africa surpassed \$5 billion. That was 12% of all the aid that was provided and that is compared to just 2% in the 1980s. To the extent that this money is provided out of aid dollars, just goes to show you the huge cost to Africa let alone of course, the human tragedy.

The third area is promoting the private sector. Business drives economic growth, but it is economic growth that drives employment. It is economic growth that will drive poverty reduction in Africa the same way that it does anywhere else. Promoting a sound business climate therefore what all of that entails must become a country strength. Internally, the bank has to have the right skills to understand the private sector's needs. It also has to have a single portal and we believe greater coherence across the bank. The bank's direct lending should focus on infrastructure, on agriculture and agribusiness, financial services and on the extractive industries. It is important that the bank's operations not crowd out the private sector. It should play a catalytic role but it should also create and earlier in the discussion, probably he was talking about this, it should create the kinds of financial intermediaries that in fact can deliver these services directly.

Finally, it has got to make sure that local communities are consulted especially where the extractive industries are concerned and to this end, we believe that the bank has to play an even stronger role than it has in terms of the extractive transparency initiative which essentially says to foreign mining companies that you are going to have to treat Africa the same way you treat your own backyard. Finally, people do not talk about this but we do believe it is

important. The bank cannot allow Africa to fall any further behind in technological achievement. Nigeria's national biotechnology development agency receives over \$260 million a year. South Africa commits \$300 million a year to basic research. But the fact is that there is no commercialization of that research. There is not exchange and we believe that the creation of technological incubators, the way that other countries have done is a role that the bank ought to look at and in fact, it is one in which they should play a major role.

Fourth, developing skills. In 2030, Africa will have a population equal to that of China or India. 2050, it will have 500 million people more than China or India. At that stage, half of Africa's population will be under the age of 25. Africa will be the largest population agglomeration of any continent in the world and the youngest. The skill set of that cohort are going to determine whether in fact Africa succeeds. The bank has an incredibly important role to play because you cannot wait until 2030 to make sure that that population is educated.

It is clear that others are going to focus on primary education, on secondary education and scholarships but we believe that what the bank has to do is to increase the number of people achieving secondary education, receiving vocational and technical training. This is a sector where Africa has the lowest percentage of any continent in the world. Private investment, we often talk about how the Chinese come in with their own labor force but the fact is, it is not only the Chinese who do this and one of the reasons that investors will tell you is that they are not the skilled labor. There is not the semi-skilled labor that is available and thus what they do is they resort to expatriates to come in and because they resort to expatriates, you do not get any technology transfer. You do not get any job generation and all you do is you get a plant built up or a mine built and that is the end. We believe that the bank has got to link its work with the private sector education and training programs. We have got to make sure that local labor develops the linkages that can create value in country in agriculture, in agribusiness and extractive industries and in tourism.

Second, we believe that the bank should address its own skills needs in-house. We do not believe that the ADB currently has the human resources to deliver as it must. It cannot be asked to take on new initiatives unless in fact it is given the human resources to deliver them. If the shareholders of the ADB, the donor countries and the recipient countries want the ADB to play a meaningful role for instance in coming to grips with the planning required for infrastructure grids or if it wants it to deal with emerging issues such as climate change, then they are going to have to fund the human resources that are required to achieve that. We believe and I have had the opportunity to see it firsthand, we believe that the skills of those who are currently working in the bank can match the skills of any development agency in the world. The problem is there are just not enough people. The bank is short staffed. That is something that has to be faced up to. It is holding the bank back but it is also holding Africa back because if the bank does not have the capacity it needs to assist national governments, then it is not going to be able to do it and national

governments have skill shortages that are even greater than that of the banks in Africa.

Not all of these skills have got to be in-house. The bank should be a repository of knowledge. It should be able to draw on the expertise and ideas from Africa and elsewhere. It should be able to synthesize its thinking so in fact, the policy that it makes is really relevant to contemporary Africa. Therefore, we think it should draw on the considerable talent that is available in African institutions, in universities and think tanks and NGOs and we think it should build that kind of capacity. It should be supporting think tanks; it should be supporting the kinds of people that are going to give the African perspective the kind of strength that it requires. We think it should be empowering institutions throughout Africa. Finally, adding to the requirement for the bank to increase its own knowledge base.

The African Development Bank is structured into two distinct lending windows. The ADB window provides non concessional resources. It is in very strong financial shape and it has excess capacity. The concessional window, the ADF provides soft loans and provides grants to low income countries. It is continually running short of resources. Only 15 of Africa's 53 countries are eligible to borrow from the ADB, the rich window. And this makes little sense because the overwhelming majority of Africa's countries, including the neediest, therefore share the much smaller, more limited concessional pool of money. We have recommended that the two be blended. But a bank that is truly one bank and which is able to develop the new financial instruments and that is able to blend those two together, will not be able to delay the requirement that its own skills are going to have to be enhanced because they are going to be a very different world. It is going to be one that is suitable to the Africa of the future, but the fact is that it is going to need the skills that are able to do it.

It is within this context that I comment on two issues of some delicacy and sensitivity. The first deals with the location of the bank and the second, the role of the board. The governors have said they will take a final decision by May 2008 on the bank's returning to its permanent headquarters. That is in less than two months. We believe there will be certainty for the medium term and so we look forward to the governor's decision. Second, the board of executive directors must focus on providing strategic direction. It must focus on providing fiduciary oversight and monitoring performance. But at the same time, it has to give management its proper space for day to day implementation. The board, and we suggest this as strongly as we possibly could, should resist the urge to become involved in micromanaging the bank.

Final comment, if you have read the document, it is clear that running through all of our recommendations is the need to facilitate regional economic integration. It is also clear that we believe that building on that regional economic integration, we must go to Pan-African economic integration. Why is this so important? It is important because Africa is made up of some 53 states, 48 of them are sub-Saharan. This is the greatest number of countries per square kilometer of any continent in the world. The average GDP of these

countries is only about \$4 billion compared to an average in the world of \$250 billion. The average population is 20 million compared to an average around the world of 40 million. This is one of the most devastating consequences of colonization because as a result, Africa's small, fragmented and shallow markets offer no economies of scale. African share of world trade has plummeted to less than 1%. Intra-Africa trade is minimal. So ask yourself, how many of Europe's individual countries would have had the kind of success that Europe has seen over the course of the last decade if they had not belonged to the African union? Or again, Rwanda and the state of Nebraska for example are roughly equidistant from the ocean. Ask yourself, then why is it that Rwanda is landlocked and Nebraska is not. The answer is self evident.

Nebraska belongs to a common market and Rwanda does not. Rwanda is dependent on the fluctuating good will of its neighbors while 40% of Africans are in Rwanda's position. 40% of Africans are cut off from their natural export port. In truth, Africa has an even bigger problem than the one of exports. Because of a lack of infrastructure, African countries cannot even export to themselves within the continent. Why? Because who is going to build the infrastructure to or from small countries that have no hope of growing their economies precisely because they do not have the critical mass that a large population base would give them. That is the issue that Africa has to deal with. That is why the creation of the African Economic Union is one of the charter principles of the African Union.

Nobody says that this is a sufficient condition for the reduction of poverty but it is absolutely a necessary condition and every African leader that we have spoken to, supports the concept and yet it does not happen. Why? If you are a small African country, your neighbor is much larger, or if you are two countries of equal size but you have had a historic rivalry and you are being asked to join in an economic union, that is pretty scary no matter how many economists are going to tell you what a wonderful idea it is. I have got to tell you as a Canadian, I understand that problem. I do not have to go to Africa to see that issue. Our provinces, we do not have a perfect common market within Canada. So the Canadians are laughing but that is the truth.

The problems are real. If a smaller, poorer African country wants to seek an economic union with a larger richer neighbor and the two would coexist between high common tariff walls or customs duties, the fact is the smaller country will lose its industrial base to the larger country. The Americans who are here ought to recognize this. There were obviously many causes of the US Civil War. Obviously the issue of slavery was at the center, but there were other causes and one of them that the south rebelled against the fact that the industrial might of the north was built on high tariffs at the south's expense. That is the same thing that will happen in Africa unless something is done about it. You will say you will get rid of those falls, level the playing field between the countries, but that is easy to do. What do you do if you are an African government and your main source of income are tariffs or customs duties? That is the issue that has got to be faced up to.

What are you going to do? I believe and I think we believe that you do what Europe did. Despite the very different economic circumstances in which the two continents find themselves. Europe was able to deal with it because it had adequate preparation and adequate time. I think that is what Africa has to do. When I was a young lawyer I worked as an intern in the European Coal and Steel Community. Most of you would not, but those of you who have got gray hair will recognize that the European Coal and Steel Community was the merger of the coal and steel industries of Germany and France. This was sinews, this was the muscle of both World Wars and they decided what they had to do was to put it in the common hands. It was also the forerunner of the European common market.

When I was there I was able to see and this goes back in the 60's for which for some of you are in 17th Century. I was able to see the depth of preparation which the Europeans engaged in long before the common market took place and that preparation is what facilitated the eventual transition. The Europeans did two things which we recommend to the bank. First the ADB should, under offices of the African Union, begin to lay the planning for that transition now. Within that context for instance that we express concerns of what the current performance based allocation system which you all, certainly those of you who are with the largest institutions, understand very well. The performance-based allocation system simply says, "Good performers get money from the donors. Poor performers do not." On paper I think it actually makes a lot of sense, but in reality, it does not make a heck of a lot to me. It is subjective and it is backward looking, but what it really doesn't do is deal with multinational projects. For instance if you want to build regional infrastructure, which everybody supports, and you have got a strong performer here a poor performer and a strong performer here let us say with a port and you want to build a road through that.

The fact is if you cannot give money. If you cannot build a road in the poor performer then the two good performers are going to suffer. The same thing happens if you want to do a huge project such as the Inga Dam. The electricity project takes 15 years at a minimum to plan. You cannot be subject to the variant performances of individual countries. There is going to have to be a perspective which recognizes at some point that Africa is a continent that has common needs and it cannot if what you want to do is to unite the economies of Africa, you cannot simply look at only a country base. In other words the potential benefit should not be held hostage to the poorest.

Now, the second thing that the Europeans did that we think that Africa should emulate was to recognize the difficulty that small or poorer countries have when they are faced with a threat of a common market. What the Europeans did was to create a transition fund. This was financed by the richer countries to help the poor. The European Union was probably very scary for Ireland, for Portugal, or for Spain. But what they did is they provided a transition fund which gave them the money to achieve to basically fund the transition. Those of you who had been to Ireland have certainly seen how the French and the British and all of the others paid for which is probably the best highway system that the world could ever see. That is what has to happen in Africa.

A number of Africa's richer countries are already helping their smaller neighbors, but we think it would be to Africa's benefit and to the world benefit that the developed countries would contribute to a fund that would make the transition to a common market feasible. To come straight to the point, we believe that the African Development Bank should setup a solidarity fund and we believe that the richer member countries in Africa should contribute to that fund. But we do not believe that it would be possible to achieve the critical mass unless the donor countries in the world contribute to that fund. That they understand that the role of Germany, France, and United Kingdom played in Europe that the donor countries should play in Africa and we believe that whether you are talking about the reduction of civil war or the kinds of human tragedies that we have seen or whether you are talking of simply building a better economy that there can be very few dollars as well spent as doing that.

Let me just close by stressing the importance of this. A little over a year ago the 48 countries of Sub-Saharan Africa met in China at a summit meeting with the Chinese government. Now at one point in that process, the President of China met with the 48 African heads of State. I want you to picture this. One person Hu Jintao meeting with 48 African heads of State. There is not much doubt which position was the most powerful and there is not much doubt which country is reducing poverty the fastest.

I simply would ask you. Ask yourself how different that picture might have been if at that meeting one person had represented China and one spokesperson for Africa's economy had met with Hu Jintao. Ask yourself again, were would the balance of power have been if China, or for that matter India, were represented by 48 separate countries all pulling at each other, all rivaling each other, all with their own set of customs unions. To ask those questions is to answer those questions. That is why we believe that the African common market is so important and that is why we believe the world should be working hand in hand with the African countries to achieve the common market. It is also why regional and ultimately Pan-African integration is at the core of our recommendations to the bank as it seeks to rise to the opportunities of the 21st Century. Thank you very much.

Steve Radelet: Thank you very much. That kicks us off and puts a lot of issues on the table. We have the great pleasure of having two people to begin to comment on it. Let me introduce one and then the other in a minute. Our first is Papa Ndiaye who has become one of the most intelligent I think and thought provoking spokespersons from the private sector commenting on development issues in Africa quite broadly. He is the founder and CEO of AFIG which is the Advanced Finance Investment Group which is an investment bank based in Johannesburg. He was formerly the adviser to the President of Senegal. He is a Senegalese native. He worked at the IFC. He has had several different positions from which he has gained a unique and very important perspective on issues around Africa. I had the great pleasure of being with him on the task force that the Center for Global Development put together on the African Development Bank, Building Africa's Development Bank: Six Recommendations for the Board and the AfDB Management Shareholders.

We came out with this about 18 months ago and we were both on that task force and he was a great contributor to that discussion. We have asked him to comment on the new report that the high level panel has put together.

Papa Ndiaye: Thank you very much and good afternoon everybody. I read the report before coming today, like many of us who had the opportunity to look at it, but to hear it presented in this manner makes it even much more stirring and quite frankly, it is exactly the kind of wake up call that is needed today in Africa. The nature of my business, which is the funds management business and investing in African companies, makes optimists out of us because that's our bread and butter. We had to tell people these are the prospects so put money in us and we will make them develop. I actually never really believed that going at it from the problems identification angle would actually work, but I am thoroughly convinced today because I think Africa is at a very critical time in its economic history. I am not really a specialist in all the other areas and so others may comment on that, but I think Prime Minister Martin really did with the task force what I think is a phenomenal job of balancing two very delicate things. One is really talking about Africa and the problems and not being bogged down with so many of the details that often times when these types of discussions take place, people focus on every single issue possible and the result is simple: inactivity or ineffectiveness.

I think today for the African Development Bank what is critical is to look at those two threats, square. And also look at an additional point, which is that it is unfortunately dealing with 48 Presidents. And as President Museveni just recently made a joke about this, and said we must be the richest continent in the world, we have 48 presidents. Really, I think in all seriousness coming at it from a private sector standpoint, I think it is very important to look at Africa's development today from a multiplicity of angles because a number of different solutions have to be brought to bear. And the number one institution that can actually be at the center of this debate is the African Development Bank.

It is a huge responsibility, but more and more when you talk to people about what is going on in Africa and who is doing what, you do not here about the African Development Bank. There are many countries in Africa where I travel to, when the World Bank is coming it is front page of every newspaper, IMF – same, even though most of the population does not really know what they do. But the bottom line is IMF, World Bank, but that is not the case for the African Development Bank and that is wrong because the future development of Africa will only be done by Africans. And I am very pleased that there are a number of initiatives that involve other parts of the world into the development of Africa.

But, In the long run if you look at the development in any part of the world it always starts with the people on the ground. I think when we talked about infrastructure, to me that is the most significant challenge today for Africa. The private sector is an important part and certainly for our selfish reasons I have some to say about that, but all the three recommendations, other than the private sector, all feed into the development of the private sector very strongly.

Without infrastructure, without capable states and without development of skills there is not private sector, or there is no successful private sector. I think that in fact when I was taking notes one more time listening to your stirring speech, I was thinking this is the speech that should be given to the African Union.

I think it is the kind of wakeup call that is interesting in Washington and I think we have a privilege to hear it, but it is not really that relevant here. I think what is relevant is for African presidents to hear it. As an African, I hear this, I get stressed out and I think African presidents should be more stressed out than I am. I think really that is really where the debate is. How can we take the debate to that higher level where people who are actually going to apply themselves who are going to decide.

I have been on a couple of task forces because I believe in the private sector engaging the public sector and so on, for the improvement of private sector and development of Africa. You will see for example one of them is a task force to develop the power sector in West Africa with the West African Economic and Monetary Union and I asked them one question and after they answered that question I was off the panel. The question was: this is all very good, but who is going to implement this? Is this going to go through every single government parliament in order to be voted on? Let us say you have brilliant recommendations. They did not even know. They had not thought about it. All they were focused on was putting out a report. To me, one very important thing to take out from this is, what of this type of report? Certainly having eminent personalities is going to make other African presidents listen and so on, but without Africans listening to this, without the African Development Bank actually putting itself in a position to take advantage of these thinking pieces they are just thinking pieces.

I will conclude very quickly because I think we want to open the debate to more questions by basically saying that the issue of regional integration and of the effectiveness of the board as well as again of infrastructure are to me the subsections to really underscore, put in bold, and add a couple of colors in the presentation. Because without those everything else is just going to be very interesting, very stimulating intellectually but would actually not lead to development in Africa. Anyone who has traveled to Africa can actually talk about the infrastructure needs and specifically on infrastructure, the power sector. You have got to go sequential. You cannot actually take care of everything today, but why wait for the world to be perfect what are the first two or three things that you do.

Today in Africa, as a business person, the number one is power. We have kind of overcome the whole telecommunications situation quietly with a lot of people making a lot of money, but it is a phenomenal story. The same story can be told for the power sector in Nigeria just to give you an example. In 2001, there were according to the government 400,000 phone lines for a country of 135 million people. Some people will say more. They opened the flood gates on August 8, 2001 one company started operating Equanet and on August 9 MTN started operating. Today, Nigeria is the largest single phone

market in Africa with over 50 million subscribers. These are staggering numbers and I think the same needs to be done for the power sector. The power sector unfortunately is one where a number of different small tiny selfish constituents find a way to sort of change the debate and delay it. I think the African Development Bank has a very, very important role to play in these types of issues. I will stop here and hope that maybe as we discuss some issues will come up, but in summary really this is a great report and again I really hope that the greatness of the report will be seen in its applicability and its ability to be broadcast in the right forums. I wish you luck with that because that is not an easy task. Thank you.

Steve Radelet: Thank you very much, Papa. Our next commentator is Erin Thornton, my good friend and colleague. She is the policy director for the ONE campaign and was with the staff of DATA from its beginnings in 2002. DATA is debt, aid, trade for Africa. DATA and the ONE campaign have made themselves over the last few years into then two, and now one, of the most influential groups in Washington and now much beyond Washington in debate around development. She has followed these issues carefully and closely and let me turn it over to Erin for her comments on this report.

Erin Thornton: I want to be brief. I'm humbled to be up on this, so I want to allow more time to hear from the gentleman to my right, less from me. I am here obviously to represent more the NGO advocacy side of things. This is a really interesting time for this report to come out and I must say to begin with it is really encouraging that the African Development Bank itself is open to this sort of debate and dialogue. I think that is a really welcome sign. But we really are at a moment where, as an international community, there is momentum building, there is interest, there are common goals that we have all agreed that we want to meet, there are plans, there are initiatives on the ground. There is still this bit of a disconnect between the energy and the momentum to do something and the manners in which to do it. What I mean by that is, what are the instruments? What are the mechanisms by which the international mostly the donor community can engage with the participants on the ground? This is where I think the African Development Bank is so critical. That has to be led by an African voice. I think Mr. Martin is absolutely right. This is a critical institution that has to be strengthened and play an integral role. The bottom line is nobody knows about it right now.

There is a lot to do to get that level of being the pre-eminent institution. Now is the time to be having this debate, I am thrilled that we are. There really is, when I was talking about momentum, we in the advocacy world are recognizing that there is growing evidence of progress and I think we should all recognize. They are still pocketed. They are still isolated, but there are pockets of evidence that we can tackle some of these challenges that we have laid out for ourselves together so long as they are integrated with country priorities and country plans. We can do something. We also are all starting to recognize, we are starting to talk about big dollars, big resource needs, and big resource commitments. Let us make sure they are used effectively. The aid efficacy debate is one that is growing and it is a good time for it to be doing so. Every dollar that we mobilize from a tax base here or in Europe is

precious and the same with receipts coming from recipient nations themselves. We have to make sure that they are used wisely.

The assets that the bank brings are critical and unique and we should look at them as such. The African voice as I mentioned and the responsiveness to what African priorities and plans are on the ground. That role and playing that into this idea, I think we have talked about the bank, but we have talked about something much larger which is this idea of a stronger integrated African voice. African economic integration, which I do not think anyone in this room could doubt the importance of that. What I do worry a little bit about is how much of that very ambitious vision we put on the shoulders of the African Development Bank alone. It is a huge mandate. It has a lot of different areas. Two that I am hearing pulled out here: one is a policy coherence and pulling together some policy to make that happen, and another is in an implementing function and financing function. Can the two be done by one institution? That is a huge challenge and it is going to create some inherent tensions that are just going to have to be carefully managed.

We also talked a little about the fact that we have got different markets and therefore are going to need creative and unique financing tools to be created so that you can look at a regional block and figure out a way, not in the old traditional one product for one sovereign entity, but unique instruments. And I am not the expert there. I am clearly not the one going to figure that out, but that sort of creativity and motivation coming from the bank and being encouraged from the outside I think is unique and is very necessary. I think that I am here to represent kind of the advocacy side and it is interesting when we are out there talking about what should the donor community do to be supportive? How can we link up the instruments that we have with the needs that we have? There are two things I think we most need from the African Development Bank that fit inline with this report to be able to support it as that pre-eminent financing instrument and one really is what we have talked about today, it is focus. With all due respect, the priorities outlined in the report are still very broad and are still very ambitious and focusing even further might help to again be able to articulate what is the identity of the bank? What is that role that the bank plays?

In lobbying and advocacy, I face the same problem with the World Bank as I am sure many others of you do. How in a five minute or 30 second elevator ride do you scribe what is the niche of that institution? We really faced this with the replenishment conferences this year and it was funny because I had a lot of conversations with colleagues at IDA and they were saying, "We are the glue." It is almost like that ad, what was the company BASF? We do not make the shoe. We do not make the floor, but we make it better. Coming up with a tagline like that. It was not really salable, but at least it was reflective of starting to come up with, what is the identity, what is the niche that the bank is going to play. I think we need to start doing that with the African Development Bank. There are a few things that are not going to fit in to this list of four things, though they are all critical. So that is a real challenge that we all have to face. Of those that are articulated I would agree with Papa, infrastructure is the one that comes to mind because who else is positioned to

do it? Who else could do it well? Infrastructure requires looking cross country. It requires resources that no single donor could mobilize. It requires long-term perspectives in looking at the real priority needs of economic growth within regions. I hope that infrastructure does emerge as the core competency and the real focus for the bank. Obviously these other needs are critical. It is just I do worry about, again, as we are trying together to talk about an identity for the African Development Bank that is sharp, figuring out where to narrow that in.

We talked a little bit earlier with the smaller group about agriculture as a subset within infrastructure being another opportunity, an area for focus. Again, because within the international community, I think we are all at a moment where we are looking at each other and saying “Did we miss the boat on that for a little while?” And finally some energy is returning to agriculture. The skills and the unique assets that the African Development Bank can bring to that sector and that area of work and tailoring it to the real needs reflecting the real needs on the ground are unique. And it is something that again, we all are looking for a way to be supportive. Hopefully, that can be channeled through a body like the African Development Bank. But then the second thing, apart from focus, is evidence, is telling the story. And again, this is the business that I and my colleagues get into, which is what are the stories of success? How can we continue to build momentum and support for institutions like the bank that are doing good work? The story is not getting out there. There are few folks even within the development community who know what the African Development Bank’s achievements have been. And when you get on the ground and you are talking to folks in a country you learn about them, but we need to partner with the bank, we and advocacy community, to broadcast those a little bit better, to package them a little bit more.

The bank faces similar problems. They have actually launched a really great programs, IDA at work. Right now it is really mostly a web portal, but stories by sector by country by region packaged together of what is working, but just as importantly what is not. Prime Minister Martin mentioned that is what we should be doing is letting this institution talk about what works in Africa and what does not. We should not be afraid to say what is not working, because how are we also going to address it. But that sort of story evidenced based working with the IIE when it gets off the ground, really getting that into a channel that can then circulate back so that we can build growing support. We should not be afraid of that sort of transparency and that sort of accountability. So that is, I think something not so much a reflection on the bank, but a reflection on my own kind of organization and other organizations like ours that we need to work to partner with. Just the last thing that I would say is that as the bank is that wonderful voice for Africa in this community, making sure that the channels to civil society are open and are enhanced so that ownership right down to the citizen level, there is feedback as to what the bank is doing, but there is also a channel to get those voices into this debate. So again thank you for the report. It is a really welcome product and I look forward to further discussion.

Steve Radelet: Thank you very much, thanks Erin and to everyone. I want to open it up to questions. I am going to take the chair's prerogative and ask the first one, but while I am doing that if you do have a question please line up behind the microphone here and we will take your questions in line. My question builds on Erin's comment about focus and I too I think everyone would agree on the need for the bank to focus, but I also had the reaction as I read the report to think that it is still a pretty broad agenda. In particular, the building capable states, which is not meant here to mean a lot of things, but the frame of building capable states could mean just about anything and everything that the bank already does. My own sense would be as Erin suggested a narrower focus on infrastructure. Papa mentioned the importance of electricity, roads are critical to connecting markets, the Prime Minister talked about the importance of connecting markets and roads is really the thing that does connect markets in most ways, water sanitation. My question is, you must have as a panel had this discussion about focus and where to draw the lines and how you came up with the list. And I am just curious about the debate you had about focus and how it is you came out to this level of specificity as opposed to either something narrower or something broader?

Paul Martin: We did not do something broader because we wanted to focus. But in terms of the example that you gave, the capable states, I think if you take a look at it we really did within that subcategory, we did focus considerably. For instance in terms of states which are not in trouble, what we simply said is look our focus should be on accountability, on financial transparency, on the kind of thing that in fact the bank does have an expertise and without which it is pretty hard to have reasonable government. On the second one on the fragile or post conflict state, the fact is that it is I think virtually impossible for the African Development Bank, in a continent which has the highest number of fragile or post conflict or states in conflict of any continent, not to deal with that area. And so that is what we did and in fact I remember when you and I first met when you were representing a post conflict state and so there you go.

Steve Radelet: Liberia, in this particular case. Great, thank you very much. We have got a line of people. What I would like to do given the line, if you can please get to the point in the question and ask one and I think what we will do is maybe take three questions and then have some discussion about that and then go for the next batch. We have a lot of people waiting and I know that Papa probably will have to leave a few minutes early but we have got about 25 minutes so we should be able to get through several questions. Please give us your name and your affiliation and your question.

Speaker: My name is Soren Ambrose. I am with the Bank Information Center which is based here in Washington. It monitors multilateral development banks. I am with the Africa program based in Nairobi. I wanted to focus on two of the specific recommendations Prime Minister Martin talked about in his talk, namely the illumination of the performance based allocation system and the recommendation to blend or merge the African development fund into the main part of the African Development Bank both of which I think are very interesting and provocative suggestions to come of this high level panel. And I just wanted to ask what your impression is of the political possibilities of

these actually happening. Have there been discussions at the board level or elsewhere within the bank that you know of? Do we see movement in this direction coming up in the future? Thanks.

Speaker: I am Cheryl Morden with the International Fund for Agricultural Development. We are in the process of developing a strategic partnership with the bank and are currently undertaking a joint evaluation of our respective agricultural activities in Africa with an eye toward really forging a strong collaborative partnership. Actually, my question in part just was asked which is the recommendation or the finding on the performance based allocations are certainly bold and provocative and I wonder what kind of reaction you have had from the donors because it is a bit of a sacred cow within the overall system. And then secondly, what is the relationship of your report with the agreements reached in the most recent replenishment and to what extent has any of this been taken on board in the replenishment agreement?

Speaker: My name is Paul Jensen, I work for an advocacy organization here in DC called Results. I was just wondering what you saw as the bank's role in the health sector. In the beginning of the report, it talks about this vision 30 years from now, we will hopefully see AIDS and TB declining and the New England Journal of Medicine just put out a paper this week saying that Africa is seeing the worst TB epidemic since the pre-antibiotic era. And now, we have these new extensively drug resistant strains that are spreading throughout Africa. And I was actually in South Africa with two of your colleagues from Canada, Lee Richardson and Ruby Dallow last November looking at South Africa, the constraints are just unbelievable. So I know that the African Development Bank would not be implementing programs given the Global Fund and PEPFAR other aid agencies, what do you see as the role in that architecture?

Steve Radelet: Thank you, three good questions. Let us start with those and then we will come back to the next group in questions. Why do you not start and then we will see if Papa and Erin want to...

Paul Martin: One thing I would like to say before beginning is just as I mentioned there are three people in this room who are very actively involved in report, Graham Stegmann, Callisto Madavo and Elene Makonnen and I just want to say if at any point, they want to come in here to do so, essentially, to those of you that have said good things about the report, we are the ones responsible. To those who have any complaints about the report, talk to the members of the panel board and not here.

I guess the first thing on the elimination of the PVA, we have certainly heard from those who think that we just basically killed the sacred cow, no doubt about that. But I can tell you that from our point of view, there is no single Africa. Africa is not a monolith and you cannot apply, in my opinion, to Africa or to the developing world, you cannot apply a blanket this is the way which we are going to operate. And we do not think that it takes into account outcomes. We think that it basically is just a set of principles that is very

backward looking and is very subjective but that may be debatable. But one thing that is not debatable is that major programs like the Inga Dam take an enormously long time to build.

We have a pipeline in Canada. It has been under planning for the last 17 years. You just cannot basically say you are going to plan, you are going to build, do all of this and obviously change the rules of the game depending upon one or two countries. There are going to be bad performers. If those bad performers effectively stand in the way of the kind of regional integration that we are talking about in terms of infrastructure and if you are going to allow that to happen, then you should look in the mirror and say that is fine, we are not going to build integrative infrastructure in Africa. But the answer to your question was have we heard from people who think that we have basically, as I say, killed the sacred cow, the answer is yes. On the question of blending or merging, again, we have certainly heard from people who think that this is wrong. I was a governor of the World Bank in Christopher Columbus's time and I can remember the debates that took place in the World Bank around similar kinds of issues.

But the fundamental issue is that the vast majority of African countries have no access to the ADB. Essentially, the argument that comes up that those countries that do have access to the ADB are going to be penalized. I think we can deal with that. I think those are legitimate questions. We have got to deal with them but I do believe that by blending and coming up with new insurance, we can handle it. But both questions that the two of you put, you are dead on. Yes, we have heard from the other side. The second question, there are people who are here who can answer this question better than I, but essentially, our agreement was ready in draft form prior to those negotiations and while we had not finalized it, what we were recommending was known at the time of the replenishment negotiations. What effect they had on those negotiations, I really do not know. If nobody stands up to tell you then, they are not going to do that.

On the third about health, this goes back to the thing and Erin when you decide you are going to focus, there are certain things that you do not do. We basically said listen, infrastructure, the kinds of things that are going to build water treatments plants, the kinds of things that are going to provide clean water and that kind of thing is an enormous contribution to health and that is the best contribution that we can make. The second thing that we did and this I think remains to be fully developed, but when we talked about the South Africans and the Nigerians putting money into research, I think we all understand the degree to which the research in the tropical diseases in the donor countries is not sufficient and one of the things that we would hope is that we can make a contribution to health in that way.

Erin Thornton: I think your points are exactly well taken. Health obviously, the big topic at least right now in Health, plays into two of the areas that were identified in here: skill building and infrastructure. Those are, while they are programmatic investments that largely are being scaled up, I think those are still two gaps that would fit in within the focal areas that have been identified

here that are two of the hardest nuts to crack that no one is really taking on. And at the very least if there were a coordination role played to facilitate the interest in investments in those areas, that would be a huge contribution.

Speaker: Thank you, just on health, I will only mention because I have worked on health financing infrastructure for quite awhile. I actually think there are probably too many actors in health already and this is not a place where the African bank has a comparative advantage or should focus. We have got in terms of fighting TB, the Global Fund, the Gates Foundation, the WHO, the World Bank that can play a role and there is already a problem of coordinating those actors and so I think it makes sense actually for the African bank to focus in other areas but that is just my view.

Speaker: My name is Dan Martin. I am at Conservation International, National Geographic Society and now working on the Obama Campaign until we try to elect a president of the United States with an African background. But I agree with Mr. Ndiaye that prime minister you presented this report very forcefully and very persuasively. There is one thing that happens over and over and you touched on this when you made the comparison between Nebraska and Rwanda because Nebraska is part of something much more than an economic union, it is a political union. And so that raises the question I think always of the potential for political integration in that continent with so many separate states that have little often to do because of imperialism with indigenous cultures or economic flows or watersheds or much of anything else. So I wonder if you could say something about that and whether you see any potential in some of the regional structures like the East African Federation or community in SADC and the west African structure at ECOWAS to do some things that may be meaningful: integrating public functions, enhancing economic flows, that would be less than Pan-African but also face up to political integration which France and Germany certainly did. Thank you.

Speaker: My name is Juliana Oyegun. I am with the World Bank. My question is going to sound horribly populous but I will ask it anyway. When is the African Development Bank going to become the people's bank? I say this from the perspective of the quality of citizenship. We talk about the continent as if it is just a land mass and when we do talk about people, it is in the context of the state almost exclusively and when we get a little closer to the people, it is in the context of poverty and if you like, beneficiaries. I always wonder why the World Bank, the African Development Bank etc, there is always this impenetrable layer between the people that are the real clients and these institutions. And perhaps the struggle with is the bank known, what works and what does not work. Perhaps some of the answer resides in how often do we refer to the people who are supposed to be the real clients, not just the ultimate clients but the real clients of the efforts and the endeavors of these institutions. I am not sure of the extent to which we ever hear from those people. We ever actually address those people directly or we ever actually get direct input from those people. So once again, is there any prospect at all that the African Development Bank will become the African people's bank?

Speaker:

Hello, my name is Cynthia Walker. I have been with United Nations in peace keeping and with various other international organizations and I was the former head of Institutional Procurement at the African Development Bank. I have basically two questions if you do not mind but first of all Prime Minister Martin, I would like to commend you on your comments about the creation of the European Union and I would like to second Mr. Ndiaye's suggestion that a speech similar to yours with a background regarding the creation of the European Union, how difficult it was, how it started with two countries, how it started with basically three men having a concept and then how it grew, how it developed, the problems that it has gone through, the problems that it is still going through in terms of taking in the new countries from the eastern bloc, in terms of taking in the discussion with Turkey, the issues of religion, etc, all of these, I think it is something to see as an example with both the good and the bad points that the EU represents that something that gives an example to other people to show them not only that this is how it has been done in one place but that it can be done. I think also that I worked particularly in all the eastern European countries. I was responsible for setting up the procurement systems under the European directors.

One of the things I found there very persuasive, I also found this enormously persuasive among my African colleagues was when I would talk about things that are not necessarily going to benefit me, not necessarily going to benefit us now but my children, my grandchildren. They will benefit. When I worked in Romania for example, my colleagues would say, look at western Europe. It is so developed. I would say, look at what Italy was 50 years ago. Look at the picture of the people starting, thin and the same thing, your children will be able to look like the western Europeans. That is my first comment. My second comment deals with the staff and I highly commend you for pointing out the limited number of staff. The staff that I had was probably the most highly qualified, the hardest working staff that I have had in any international institution. However, we worked from approximately 7:30 in the morning till 6:00 every single solitary night and it was of course assumed that we were going in on Saturdays. This was absolutely normal. But we had no job security.

Unlike the World Bank, there were no "regular" contracts. One was on a two to three year contract and I can be honest because I come from a country that if I go home, I will not starve, but when I compare my background with that of my colleagues from poor countries in Africa, I honestly have an enormous amount of respect for those colleagues of mine who were honest, who had the courage to reject bribes and I think something really needs to be done to give job security to African staff members, because what we have found in examining the people who have left the African bank is that the only people in the five years prior to Kaberuka's coming in, that left were Europeans, Canadians and Americans with one exception. Why did they leave? Because they had job alternatives. So I would strongly urge you in however it is possible to do it, to give the people of the bank more job security so that they can instead of concentrating on getting their contract extended, concentrate on their work. Thank you very much.

Steve Radelet: Some simple questions, very easy questions, we will start with, the political union for example.

Paul Martin: As you know the AU charter talks about political union and economic union. It was our belief that we should essentially, this is a bank, we are dealing with the economy and we should deal with the economic union. If we had engaged in the political union, I think that we would have set off a very different debate. I would think we might well have been accused of dealing with areas that are not within our purview, and so we were very cautious of basically stating, look economic union, you can decide the political union later on. I am going to come back to that in a minute and in fact, to be quite honest, if we had been recommending a political union, we would be in a very different meeting here.

On the question of regional structures, absolutely is the answer to the question. Our belief is that there is certainty in the initial stages that the regional economic integration is by far the greater opportunity for success and that is what we would like to build on and that once that has been taken to a reasonable level, then in fact, we would then go from the regional structures to the Pan-African structures. But exactly as you have said. On the question of the people's bank, what I wrote down was at one time we did not have any regional offices and we have now gone to 23 or 26 which I think is reaching out. I also believe that the bank is going to be reaching out, Erin referred to this, to civil society, not just the great international NGOs but also the local NGOs. Local African NGOs are an incredibly important part of the what we would like to see the bank doing.

Can we go beyond that to a greater degree and be known as the people's bank? We will get there before the World Bank. On the third issue, the question of staff shortages and the question of the job security, yes, I think those comments are well taken and I know that they will be taken back. I think the question about explaining the EU's development in considerable detail and then taking that to Africa is a very good suggestion. I have a certain degree as I mentioned in my remarks of personal knowledge but obviously, nowhere near that which would fully develop it. But I believe that because it is still going, in fact, for that history which is well written up to take that and to translate it into the African scheme of things I think would be very instructive and actually quite helpful. I think it is a good suggestion.

Papa Ndiaye: I only have two quick points, one to make on regional economic integration from a private sector point of view. I think it is interesting to hear and it is encouraging to hear all of these initiatives and this acceptance of that is the important thing to do. All I could tell you from the view in the field is that the last four years have seen the most tremendous private sector regional integration effort and now, really it is coming to a point where governments, the ADB with them, will have to either catch up or be sidelined. And hopefully, that type of pressure will continue to increase. When you look at the biggest investors in southern African, the South African private companies. The biggest investors in west Africa over the last two years only because it is beginning, are Nigerians. Nigerian banks are all over Ghana.

They are knocking at the door in the French speaking countries and it is going to continue because now, we actually get it. No one is actually saying I am scared of Nigerians as much because their pockets are full so I am going to work with them.

So the second quick point is on the people's bank which when I heard the question, my first reaction was I am not really equipped to say much about this but from a private sector point of view, what I will say is that if the African bank and other similar institutions do their job, they will have no choice but to be just a people's bank in the very short period. Because if you look at all of the developed parts of the world, the development financial institutions graduated the private sector from needing them to needing just regular capital market situations.

So in another several years, I am optimistic the ADB is going to want to finance private sector companies, but no one is going to want their money because they are structured differently. They are not made to compete with the banks, but banks will be giving them money the same way that no development financial institution is going to do well in the United States trying to finance, IBM and others. I think while there may be a less do good motive to do it, I think it will be a very welcome graduation for Africa financial private sector to no longer be needing that making the ADB de facto a people's bank.

Steve Radelet: Great, we have three more people in line. So three more questions and that will round us off. Please go ahead, sir.

Speaker: I am not a member of the Clinton campaign but I am happy to be a Clinton supporter and I would like to point out that the Clinton family is the only of the three candidates that have a record of helping Africa. Once we get into that minor comment, let me focus on more serious... I had to say that for equal time, let me focus on the more serious questions.

Steve Radelet: Hang on one second. Papa has to leave for another appointment so I just wanted to thank him for his contributions today.

[applause]

Speaker: First I would like to compliment the authors of the report. It is about time that people step forward and said when you look at Africa, you have to look at social needs, health needs are important but that this bank is willing to focus on infrastructure needs which in many ways is the true engine of growth and ways of solving it. So that is a compliment. I have three questions however about different aspects that may have been discussed but not covered.

I can make them brief. Number one on the question of conditionality, there are too many different conditionality schemes in this world. Everybody has a different scheme. I take note that you are changing your conditionality scheme. I would suggest that you should work on getting a standard one perhaps based on the NEPAD and peers. Aid for trade, that is the one thing

that is missing in this report. It is important. We have a negotiation going on in the WTO now. I have not seen African Development Bank participation even though one of the key stones of that round is aid for trade as defined in the Hong Kong ministerial. Let me strongly urge attention to that area and so on.

Number three concerns regional economic communities. Again, I take note that you mentioned regional economic communities, but the real challenge is to work with the communities as they develop their own programs to then be sitting there and help fund them and so on. Too many of our attention now, European Union with those horrid economic EPAs, I like MCC but it does not have a regional aid component. African Development Bank really has to take the lead in assuring regional components and please include China in your next report. Thank you.

Speaker: I am Jessica Harrison from Dahlberg Global Development Advisers and I just have a very straightforward question and that is what are the next steps for this report and what is the implementation plan and how does one ensure that so much effort in such a great meeting of the minds actually translates into real results beyond very well considered recommendations?

Speaker: My name is Leman Kulibeli from the World Bank. I am working on the current world development report which will be featuring many of these issues you dealt with. And in our thinking, we try to go a bit further on the thinking of regional integration in Africa by trying to see whether countries with different level of development could come together. You took the example of Nebraska and Rwanda for instance. In Africa, there are some countries that are more or less close to the fierce world of competitiveness at the global level. We are struggling with how to bring for instance some leading countries with some lagging countries in an agreement or contract to make regional integration stronger and we thought about this experience in west Africa with *****, where Ivory Coast used to get a leading country for many of its neighboring countries and voluntarily, there was a kind of solidarity found provided by Ivory Coast to include the neighboring countries in its prosperity facilitating for instance labor mobility and Ivory Coast for instance is now one of the 15 countries receiving most migrants.

There was a voluntary report of Ivory Coast and its neighboring countries to add stronger involvement in the regional economic integration. So I wonder whether you tried to move a bit further on this direction, trying to see whether this smaller group of countries could make regional integration work than having the whole African continent trying to struggle toward integration. Thanks.

Steve Radelet: If you can be very brief.

Speaker: I am [inaudible] from the University of Maryland, a finance professor and my question really has to do with the report. I have just skimmed through the report and I noticed that clearly there is no finance in the report and I think before I become more specific about the question, I wanted to really

congratulate Prime Minister Martin and I think this is very bold development report. And I like the idea that somebody posed earlier that I think this should also be owned by the stakeholders in Africa. So going back to my question, from *****, I was there two weeks ago where we had very broad exchange of issues on African financial systems. So what I noticed is that you are focusing on four areas for some reason, the report does not address the role of the ADB in building and developing capacity of African financial systems which are both banking as well as nonbanking systems. They are very fragmented and I think that that will be quite an impediment to private sector development and I know that a lot of your suggestions actually fit into private sector development. I was just wondering why that was totally excluded.

Paul Martin: The first comment on the question of conditionality, obviously you are going to get different opinions on whether conditionality is a good thing and how it is a good thing. Essentially, I just do not think time is here for us to go into all of the cases over what kind of conditionality. I think that your point is that we should constantly be reviewing it, I think it is a good one. On aid for trade, I am really looking now for a little bit of help. My own view is this is not an area where the bank has a role to play. I am looking right at you, Callisto.

Callisto Madavo: I do not think in fact, the aid for trade as defined is mostly about donors providing support to the development of African capacity to engage in trade. And to that extent of course the African Development Bank could support that, but again not as a key priority.

Paul Martin: That is exactly what I meant. I am going to skip the second question and deal with that at the very end. Then the third question really had to do with the solidarity fund and the recommendation by the person who spoke. I don't know where you are but, right there, that basically what you are talking about is a solidarity fund on a regional basis. The solidarity fund that we are talking about would certainly have a regional application, but it has got to be that regional application ultimately building to the Pan-African application, but yes that is exactly what we are talking about. I did not realize that if Ivory Coast. There had been this kind of a discussion and if there had I think it is something that we could probably we should learn about so...

Speaker: It is not out yet.

Paul Martin: That is probably a good reason I hadn't read it. We will take to look at it. The two last questions, one, the question about the report being owned by the stakeholders and I think that really is important. I should tell you that you congratulated me and you do that symbolically, there are already three people here. But this panel had a very broad African membership as well as some non-Africans and I really—we did go out on a regional basis throughout Africa to meet with African governments and to meet with African civil society. In fact we had quite extensive meetings and consultations and everything else. I think that we did everything we possibly could to make sure that the report is owned by the stakeholders. And obviously we will see where the report goes from here which is the last question where this sort of and then

the other question before I do go to yours professor on the building of the financial systems. Actually, I did not deal with it in my report. But when you have had an opportunity to go through the report, we have dealt with it, no where near in the degree of depth that you would like to see us do, but we have talked about the necessity of building up the financial intermediaries. We did talk about building up regional banking systems. We recognized very much what you have said, and in fact we believe this is a role that the bank can play. The fault actually is not within the report. It really is not the fact that in my summary I cut it out.

On the last question what are the next steps. I guess there really are two next steps. One of them is that this report is going to be submitted to the governors at the banks annual meeting in Maputo at the end of May. At that point the governor's will either accept the report as is or they will accept it with qualification or they conceivably could reject it. I suspect that it will be somewhere between accepting the report and there will be qualifications. There are a number of things that some of you have said in there that are somewhat controversial and I am sure that we will hear from them. It is now in the governor's hands as to what they are going to do with it, that is the first thing. The second thing in terms of what are the next steps has to do with the whole question about the regional economic integration and the common market. I think that there is among the governments of Africa very, very strong support. I think there is considerable worry about the effects of it, and there is no doubt that this is a very disruptive process for a government and you only have to look at the fact that the regional integration agreement of some years ago between Kenya, Uganda, and Tanzania broke simply because of the overwhelming power of Kenya versus the other two countries economic power. That is what people are worried about and that is what they are worried about in the economic debates throughout when the common market in Europe was formed.

I think that one of the next steps is that the donor countries just have got to be brought to the table and understand just how important this is. It is important for two reasons. It is important because we are going to continue to be sending vast amounts of money in aid when in fact if we were sending vast amounts of money to make Africa a strong economic union we would then be sending less money down the road and I think the donor countries are going to have enter it to do that. I think the other thing that we have got to understand and on this I am going to close is that the European Union was not formed because European countries want to build a stronger economic union. It was built because they had gone through two World Wars and they did not want to go through a third and the fact is that there is no doubt that a common market or an economic union has huge political benefits in terms of reducing chaos and the kind of upheaval that are created.

I simply would ask that you have yourself whether in fact what happened in Kenya would have happened in fact it had been part of a stronger economic union. You could not have allowed that to happen under those circumstances and so I think there is enormous benefit. But I've got to tell you that yes, I think that the African leaders have a responsibility to make it happen. Yes, I

think the bank has a very important role to play. Somebody said we are asking the bank to do too much and I think that that is right, but I think on the other hand of the bank does not do and there is not going to be that motor and so I think we are going to have to ask them. But I also think that in fact the donor countries have to have her have a huge responsibility to come. Can I just say thank you very much, Steve. This has been great.

Steve Radelet: Let me thank our panelists and especially Paul Martin for the insights and the work on the report and everyone else involved and one further announcement. The President of the African Development Bank, Donald Kaberuka will be speaking at SAIS on April 15, Tuesday just after the spring meetings of the bank and the fund at 12 noon. If you want to hear it straight from President Kaberuka that is your time and place. April 15, 12 o'clock at SAIS. Thank you very much I appreciate you all coming.