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Meeting: Mr. Omar Kabbaj, President
African Development Bank

Wednesday, April 22, 1998
12:00 - 12:30 p.m.
Meeting Room (MC12-755)

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A. CLASSIFICATION

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B. SUBJECT: MEETING: MR. OMAR KABBAJ, PRESIDENT, AFRICAN DEVELOPMENT BANK (B) (N) <CONFIRMED> // TIME: 12:00 - 12:30 P.M. // VENUE: MC 12-755 (MEETING ROOM) // CONTACT: MR. GHARBI @ 225-204004 // FAX: 225-204498 // IN ATTENDANCE: JDW, {SARBIB-not attending}, MADAVO, VAN TROTSENBURG, B. JETHA (FOR CALARI-IFC), P. GUERRERO (FOR N. KAMEL), LUIGI // (4/16) ADDED: I. DIWAN (FOR V. THOMAS) // EXTERNAL ATTENDEE: MR. OMAR KABBAJ, PRESIDENT, AFRICAN DEVELOPMENT BANK GROUP // (B) AFRVP (PLUS INPUT FROM IFC) // DUE FRIDAY, APRIL 17 // EXC: LP // LFG (4/13)
Brief includes:
--- OED News: The Special Program of Assistance for Africa
--- Participants, Key Messages & Business Context, prepared by O. Hyanin
--- IFC Activities; Joint Portfolio

DATE: 04/22/98

C. VPU

Corporate
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Regional
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D. EXTERNAL PARTNER

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- [ ] Part II
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E. COMMENTS:

UP

OED NEWS
Operations Evaluation Department
VOLUME 1, NUMBER 19

The Special Program of Assistance for Africa

Based on *The Special Program of Assistance for Africa, An Independent Evaluation* by OED, March 1998. Commissioned by the SPA, a donor partnership, as part of its renewal process. Distributed in advance of a Region-led informal CODE seminar on the SPA April 15, 1998. The report was discussed at the SPA plenary session in December 1997 and is informing ongoing deliberations on SPA's future led by SPA Chair Mr. Callisto Madavo.

Created in response to the economic crises of the 1980s in Sub-Saharan Africa (SSA), the SPA rose to the challenge by:

- **mobilizing quick disbursing assistance** (QDA) far above the resources of the Bank/IMF;
- **focusing international attention on poverty, debt and structural reform** in SSA;
- **arresting Africa's economic decline**; and
- **providing safe space** for donors to learn from each other through frank and open debate.

But times have changed. The SPA needs to respond to Africa's growing diversity and ambitions by advancing a new development paradigm that focuses on partnerships with African leaders and civil society, stronger links with other aid coordination bodies, and more systematic M&E.

In 1996, the SPA asked OED to assess the performance of the SPA mechanism and the effects of structural adjustment programs in 31 recipient countries during its first three phases (1988-96). The OED score card is shown below.

SPA's Overall Record

Mobilizing resources:	**good**
Improving donor import procedures:	**good**
Improving other donor procedures:	**mixed**
Sponsoring debates and learning:	**mixed**
Monitoring and evaluation:	**modest**
Dissemination:	**poor**
Enhancing partnerships:	**good (with donors)** **poor (with Africans)**

Relevance and Usefulness

The SPA was a timely and successful response to SSA's urgent need for resources in support of structural adjustment and debt reduction. It also encouraged debate on new ideas, a process that created peer pressure among participants to reach consensus on goals and practices, donor procedures, economic management, poverty reduction and gender concerns.

Between 1988-96, the SPA mobilized $28 billion of QDA and total financing (including debt relief) of about $56 billion. It improved donor procedures for import support and resource allocation.

Changing Context

• The immediate threat of a continent-wide crisis is over. A new generation of African leaders is asserting the need to take responsibility for their countries' futures.

• Developmental differences among African countries are widening. Countries that have kept reforms on track and those with ownership and participation are performing better than others.

• While adjustment policies need to be sustained, long-term policy issues are clamoring for attention. Recent gains may not be sustainable without greater institutional capacity.

The SPA, now in its fourth phase (1997-99), is exploring possible changes that will allow it to renew itself while safeguarding its strengths. OED's report was disseminated to the SPA and discussed with donors and recipients as part of ongoing deliberations on the partnership's future. The report will provide a major input in a mid-term review of the SPA scheduled for June 1998.

The SPA needs to:

• ***Sustain its focus on economic adjustment*** by deepening the reform process.

• ***Improve its efficiency*** (more focused topic selection, better guidance to Working Groups, stronger ties with other aid coordinators, tighter administrative procedures).

• ***Develop a more systematic monitoring and evaluation plan,*** building on IMF, Bank and donor evaluations.

• ***Develop a more effective communications strategy and action plan*** that allows the SPA to speak with one voice on key topics, involving African leaders and civil society in its activities and outreach.

Suggested Strategic Options

SPA's renewal process will build on OED's evaluation and the three options suggested below to chart the way forward.

1. Deepen the adjustment process:

• Sustain or accelerate the SPA's original mandate to promote adjustment (focusing on public sector management) and improve donor procedures.

• Increase selectivity in favor of countries with sustained performance and good governance.

• Enhance African participation and co-leadership; forge closer ties with other aid coordination bodies.

2. Go beyond adjustment:

• Focus on longer-term issues in key social and economic sectors.

• Include full range of assistance instruments (grant, loan, project, adjustment, TA), giving priority to sector programs with multi-donor activities.

• Promote African participation and leadership in setting agendas.

3. Change the paradigm:

• Turn SPA into an umbrella organization open to new members, networks and mechanisms.

• Give African decisionmakers a full voice in key SPA deliberations.

• Gradually devolve control to Africans.

Task manager: Jayati Datta-Mitra, OEDCR (202) 458-4007
Elizabeth McAllister, OEDDR (202) 473-4380 • Brief produced by OEDPK (202) 473-5365

Briefing for Mr. James D. Wolfensohn

Meeting with Mr. Omar Kabbaj
President, African Development Bank Group
Wednesday, April 22, 1998, 12:00 to 12:30 p.m.

Meeting Participants

- AfDB: Omar Kabbaj, President
- World Bank: Callisto E. Madavo, Bahadurali Jetha, Nawal Kamel, Vinod Thomas, Luigi Passamonti

Purpose of the Meeting

- Discuss ongoing cooperation and specific plans for future collaboration

Key Messages

- We appreciate very much the great effort that the AfDB has put into making collaboration with the Bank work. We will continue to ensure that the enhanced collaboration takes better hold at the staff and country levels.
- Determined to continue, in the spirit of partnership demonstrated at the Kampala Leaders' Forum, to give full attention to the input of the AfDB in all areas of mutual concern and to respond accordingly. You may also want to give Mr. Kabbaj your impressions of the Kampala Leader's Forum and how we in the Bank intend to follow up on the Forum (listening and responding to Africans). (Attachment II)
- Policy performance improvements--together with the likely reactivation of lending in countries like DR Congo and Liberia--result in significantly greater donor funding requirements in IDA12 than in IDA11. We expect lending to Africa to represent 47% of IDA12 lending, or the equivalent of about US$3.4 billion per year. In order to enhance the credibility of the projected increase in IDA12, achieve ADF VIII (African Development Fund) expectations and minimize skepticism from donors, AfDB and the Bank must be consistent both in their messages to the donors and to the African borrowers. Lending projections reflect improvements in policy performance in many IDA countries and largely based on demand assessments (CAS lending programs). Mr. Kabbaj and AfDB would need to send similar messages to avoid conflicting messages in donor capitals. There is also a need for both institutions to send consistent messages to African recipients on how they could be helpful to the replenishment efforts.
- Convinced that in the areas of conflict prevention, post-conflict reconstruction, and in addressing the arrears issues to enable resumption of lending to countries coming out of conflict with intractable arrears situations, the Bank and AfDB and the IMF can cooperate effectively on measures to permit support, while protecting our institutions.

Ohene Nyanin, Manager, AFTK1, x32219

Perhaps a tripartite working group of the AfDB, the Bank and the IMF on this issue would be prudent. We may also take a particular country, like Liberia, to work through the modalities to show the way forward. *[Mr. Kabbaj could raise this approach with Mr. Camdessus in their meeting today, after this meeting.]*

- On the Joint Institute for Africa (JIA) proposed for support by the IMF, the Bank, and the AfDB, we are supportive of expanding our partnership with AfDB to cover training in support of ongoing reform processes in Africa. However, we need to find a cost effective approach that is consistent with our joint objectives and existing commitments to expand our support to regional partners.
- You may want to ask Mr. Kabbaj about the status of the AfDB Renewal Accord.
- Mr. Kabbaj may raise the question of the timing of the proposed MDB meeting in Abidjan.

Business Context

- As an important partner in our work in Africa, the AfDB has received a great deal of technical assistance from the Bank to implement reform in various areas of operations, finance policy, resource development and evaluation. The assistance has included the secondment of Bank staff to AfDB. We have used our enhanced collaboration with the AfDB to share our own experiences to date on the Bank's renewal program in general and that of the Africa Region in particular. Jean-Louis Sarbib used the auspices of the latest of the Africa Region Biannual Consultative Meetings with the AfDB in early August, 1997 to brief the AfDB management on the Bank's strategic compact and the status of the Africa Region's renewal program. AfDB is now working on their own "Renewal Accord" to present to their Board prior to their Annual Meetings, on May 27-29, 1998. The renewal accord proposes a radical rebuilding program designed to improve AfDB's human capital, knowledge base, information management capability, physical infrastructure, and image. The ultimate objective of the renewal accord is to achieve a quantum improvement in the AfDB's development effectiveness.

  With a strengthened AfDB, the emphasis of our collaboration is now shifting to focus more on how we can better deploy the resources of both institutions to achieve better results in our common goal of assisting Africans to improve the lives of their people and reduce poverty. The August 1997 AfDB/Bank consultative meeting's objectives included, *inter alia,*: a) clarifying and agreeing on the broad modalities of the cooperation and b) arriving at specific and practical areas of collaboration of work in three pilot countries: Cote D'Ivoire, Senegal, and Mozambique. While the collaboration in these countries is generally working well, there is still room for improvement, especially at the staff and country levels, at least in one of the countries. We will use the next consultative meeting in Washington (June 29-July 1) to address these issues, including the necessary incentives for our staffs to engage each other better.
- Lending projections for IDA12 (SDR 16 billion for three years) reflect improvements in policy performance in many IDA countries and are largely based on recent CAS lending programs. In addition, we expect a major reactivation of IDA lending in at

least one of the countries currently not borrowing from IDA--such as DR Congo and Liberia--during IDA12 (FY00-02). We expect lending to Africa to represent 47% of IDA12 lending, or the equivalent of about $3.4 billion per year. This share would represent a significant improvement over FY97 (36%) and over the IDA10 period (40%). Again, the increase from FY97 lending to Africa of $1.7 billion to the projected IDA12 level of $3.4 billion is very large. However, FY 98 lending to Africa is already expected to be about $2.7 billion in FY98 (and had been at a similar level in the early 1990s). In addition, most of the improvements in country policy performance, and the likely reactivations, are in Africa. There may be some skepticism in certain donor capitals that we are aiming too high with our IDA 12 lending projections.

The AfDB is generally optimistic about the prospects for their ADF VIII replenishment but a bit concerned about attaining their targeted US$3 billion.

- In the areas of conflict prevention, post-conflict reconstruction, and addressing the intractable arrears issues to enable resumption of lending to countries coming out of conflict, the Bank and AfDB and the IMF can cooperate effectively on measures to permit support while protecting our institutions. Perhaps a tripartite working group of the AfDB, the Bank and the IMF on this issue would be prudent. As an outcome of Jean-Louis Sarbib's trip to Liberia and a recent CG in Paris, means of collaborating with the AfDB in addressing post-conflict countries' extreme debt burdens are being explored. AfDB is in a more difficult position than the Bank with regards to exposure in post-conflict countries.
- On Feb. 2-3, 1998, consultations were held between representatives of the Bank (EDI), IMF, and AfDB to explore the possibility of establishing a Joint Institute for Africa (JIA) in Abidjan. The JIA would offer training in support of ongoing reform processes in Africa. Following the February meeting, Mr. Kabbaj wrote to you and you responded, requesting more information on cost implications, potential funding sources, and ways that the JIA will strengthen existing training institutes from the AfDB. The Bank is awaiting a response from the AfDB.
- The next AfDB-World Bank Consultative Meeting is scheduled for June 29-July 1, here in Washington.
- Mr. Kabbaj will be coming to Washington as head of the African delegation to the Tidewater meetings.

Issues to Know, but Not to Raise

- Regarding the Joint Institute for Africa (JIA), the Bank shares the concern with the IMF that such an institute in Abidjan may not be cost effective. Ways to take advantage of existing institutions (like the Bank-supported Macroeconomic and Financial Management Institute--MEFMI-- and Banque Centrale des Etats de l'Afrique de l'Ouest--BCEAO), which would be consistent with our capacity building efforts, are being explored at the IMF and World Bank.
- The AfDB was in trouble in early 1990s. Arrears at $800 million, growing at 20-30%. Western shareholders suspended ADF funding for 3 years.

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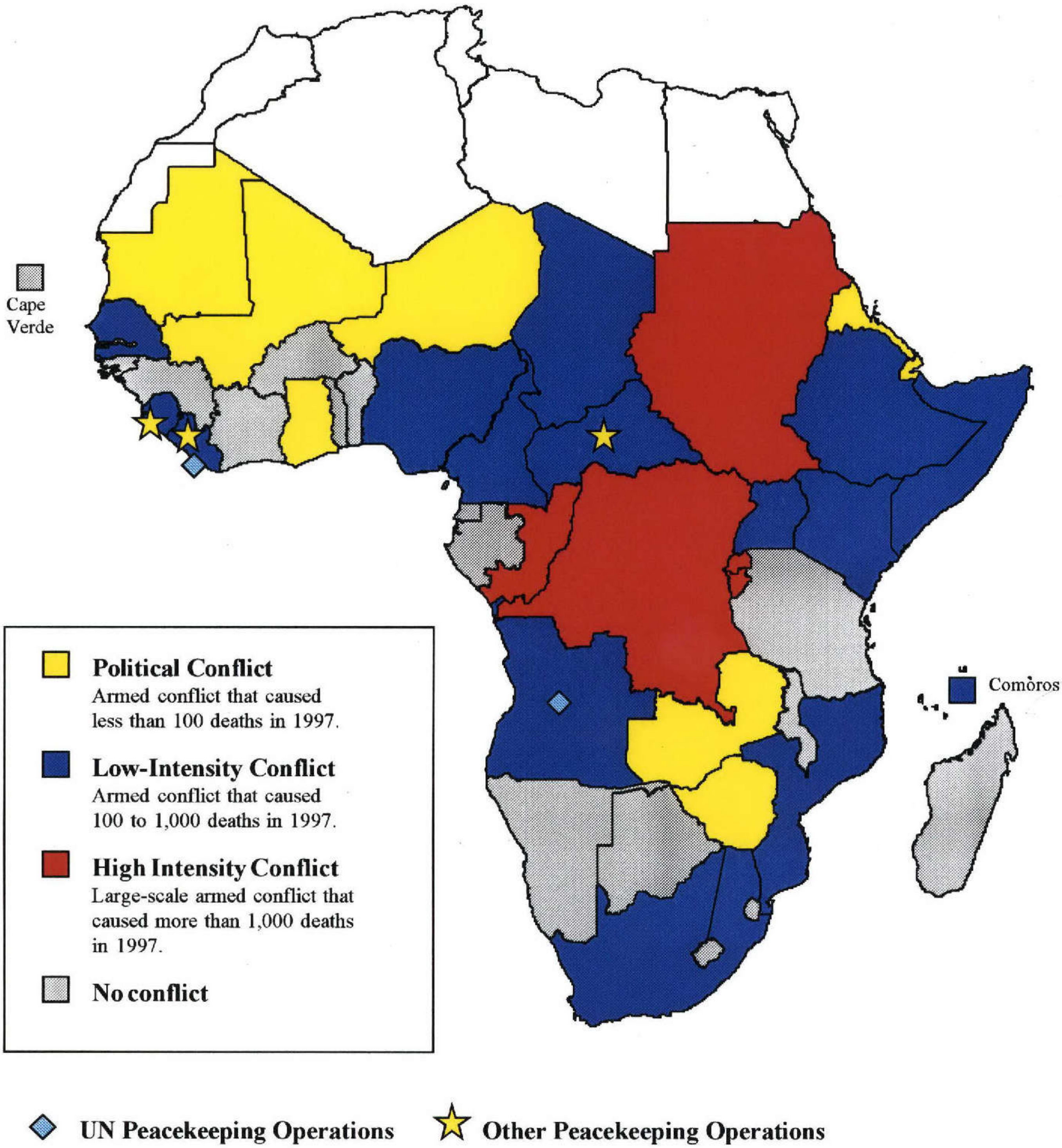
- Turn-around in past two years. Bank provided technical help.
- Arrears fell slightly in 1997, but still a problem.
- At May Annual Meetings, complaints from some African countries that lending criteria too strict, allowing access to only limited pool of ADF funds (only 14 states are eligible to borrow from the AfDB).
- AfDB average disbursement rate of 47%. Most projects implemented but at a low rate of execution.
- AfDB appreciates Bank assistance. However, AfDB expects more than we can offer within administrative budget constraints.

Ohene Nyanin, Manager, AFTK1, x32219

CONFLICT IN SUB-SAHARAN AFRICA



Source: 1997 World Conflict Map
A.J. Jongman & A.P. Schmid
Leiden University, Holland
AFRVP April 1998

Attachment II to JDW-Omar Kabbaj Meeting Brief

Recent Developments in AfDB

- AfDB consolidated operational and institutional reforms in 1996 under Omar Kabbaj.
- The African Development Fund (ADF) resumed operations in the last quarter of 1996.
- AfDB unveiled new lending instruments for this past Fall -- single currency loans
- AfDB has new Environment and Sustainable Development Unit.
- Current strategy: 1) enhance quality of project portfolio 2) review of public expenditure 3) restart AfDB representation in recipient countries
- We are awaiting an AfDB mission on pricing Bank technical assistance. However, we should, perhaps, take advantage of the technology available in the Abidjan Resident Mission to have the pricing discussion via video conference.

AfDB-Bank Relations

- Bank has been providing support to AfDB since Mr. Kabbaj's request to you in October 1996. Contact is now much more regular and focused.
- Bank is organizing a Conference on Public Procurement with AfDB, ITC and possibly UNDP, tentatively scheduled for
- AfDB received technical assistance from Bank to implement reform in operations, finance policy, resource development and evaluation.
- Bank and AfDB exchange sector and project documents, invitations to missions, secondments (to AfDB).
- 33 projects currently co-financed by the World Bank and the AfDB. Financing totals US$ 1,007 million from the AfDB, and US$ 2,056 million from the World Bank. Three-year rolling cofinancing program will be established. Semi-annual reviews.
- Current focus of the collaboration:
  * harmonizing operational procedures
  * joint CAS-AfDB Country Strategy Paper (CSP) Missions
  * macro and sector adjustment operations
  * portfolio management
- Besides AFR, AfDB also has joint activities with OED, FPI, LLC and EDI.

Chronology of Recent Interaction

- 3/98, AfDB representatives attended Multilateral Development Bank meetings in Washington.
- 12/97, Brussels: "Friends of the Congo" meeting.
- 8/97, Abidjan: Bank/AfDB Consultative Meeting. Bank delegation led by Jean-Louis Sarbib.
  ⇒ General Achievements: 1) Clarification of the collaboration's broad modalities, and 2) Specific work in three pilot focused countries (Côte d'Ivoire, Senegal and Mozambique).

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Note on the Kampala Leaders' Forum

- As you know, the Kamapal Leaders' Forum was very successful. You impressed the 12 leaders with your willingness to listen and your commitment to a four-way partnership with governments, the private sector and civil society to respond to our clients' development priorities. You, in turn, were impressed by the leaders' consensus on those priorities and their desire to use the Bank more effectively.

The real success of the Forum, of course, will be determined by how well we follow it up in our work. Most of the priorities the leaders identified are already high on our agenda. In addition, one or two new ideas emerged that may need increased attention on our part. You intend to share concrete outcomes from Kampala when you attend the companion Forum for West/Central Africa on June 18-20. As a follow up to the Forum, we are exploring ways of effectively responding to the priority areas outlined by the leaders:

Infrastructure (esp. rural)
Human development
The Partnership for Capacity Building
Rural development: infrastructure, credit, & research
Private sector development, esp. a Bank Group approach (including work on financial sector, microcredit, and capital markets)
Regional integration and cooperation
Making Africa a priority for IDA, HIPC, the G-7, etc
Post-conflict reconstruction and conflict prevention

Ohene Nyanin, Manager, AFTK1, x32219

IFC Addendum

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Correspondents / Participants

Subject / Title
Meeting with Mr. Omar Kabbaj, President
African Development Bank (AfDB) and Mr. Wolfensohn
Wednesday, April 22, 1998 at 12:30

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