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| **Folder Title:** | President Wolfensohn - Board of Governors - Annual Meetings Briefing 1996 - Report on Annual Meetings Briefing 1996 of the African Development Bank by Jean-Louis Sarbib - Africa Regional Vice Presidency [AFRVP] - May 21, 1996 |
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## Document Log

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**A. CLASSIFICATION**

- [ ] Meeting Material
- [ ] Trips
- [ ] Speeches
- [x] Annual Meetings
- [ ] Corporate Management
- [ ] Communications with Staff
- [ ] Phone Logs
- [ ] Calendar
- [ ] Press Clippings/Photos
- [ ] JDW Transcripts
- [ ] Social Events
- [ ] Other

**B. SUBJECT:** Report on Annual Meetings of the African Development Bank by Jean-Louis Sarbib, AFRVP

**DATE:** 05/21/96

**C. VPU**

**Corporate**

- [ ] CTR
- [ ] EXT
- [ ] LEG
- [ ] MPS
- [ ] OED
- [ ] SEC/Board
- [ ] TRE

**Regional**

- [x] AFR
- [ ] EAP
- [ ] ECA
- [ ] LAC
- [ ] MNA
- [ ] SAS

**Central**

- [ ] CFS
- [ ] DEC
- [ ] ESD
- [ ] FPD
- [ ] FPR
- [ ] HRO

**Affilliates**

- [ ] GEF
- [ ] ICSID
- [ ] IFC
- [ ] Inspection Panel
- [ ] Kennedy Center
- [ ] MIGA

**D. EXTERNAL PARTNER**

- [ ] IMF
- [ ] UN
- [ ] MDB/Other IO
- [ ] NGO
- [ ] Private Sector
- [ ] Part I
- [ ] Part II
- [ ] Other

**E. COMMENTS:**

| File Location | Cleared By | Date: |
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| [ ] EXC [ ] IISC [ ] Archives | | 06/28/96 |

The World Bank/IFC/MIGA
**O F F I C E   M E M O R A N D U M**

DATE: June 12, 1996 08:36am

TO: Jean Louis Sarbib ( JEAN LOUIS SARBIB )

FROM: Josie Bassinette, EXC ( JOSIE BASSINETTE )

EXT.: 80240

SUBJECT: **The World Bank and the African Development Bank**

Jean Louis: JDW read your back to office report on your attendance at the African Development Bank Annual Meetings (memo from you to Gautam dated May 28). He appreciated it very much and asked if you would please give him as full a description as possible of what the Bank is doing with the AfDB for use in his remarks at the G7 Summit in Lyon. He asked that you include in your note to him the information contained in page 4 and 5 of your back to office report and information on anything else the Bank does for the AfDB.

Many thanks.

Josie

CC: GAUTAM KAJI ( GAUTAM KAJI @A1@WBHQB )
CC: Rachel Lomax ( RACHEL LOMAX )
CC: Atsuko Horiguchi ( ATSUKO HORIGUCHI )

done included in G-7 brief

THE WORLD BANK/IFC/MIGA

# OFFICE MEMORANDUM

DATE: May 28, 1996

TO: Mr. Gautam Kaji, EXC

FROM: Jean-Louis Sarbib, AFRVP

EXTENSION: 34946

SUBJECT: **Report on Annual Meetings of the African Development Bank**

1. During May 21-24, I attended the Annual Meetings of the African Development Bank (AfDB), accompanied by Mahmood Ayub and Serge Michailof from headquarters and Shigeo Katsu from our field office in Abidjan. In conjunction with the meetings, I represented the Bank as a panelist in a discussion, organized by ***Emerging Markets***, on Africa's development perspectives.[1] I also took the opportunity of meeting with some African delegations, had a useful meeting with the Prime Minister of Cote d'Ivoire, Mr. Daniel Kablan Duncan, and met with members of the Ivorian civil society in Abidjan and on a field trip. I will report to you separately on the meetings with the delegations. This memo summarizes the key highlights of the Annual Meetings of the AfDB and our discussions with the senior management of the AfDB (Mr. Kabbaj, his three Vice Presidents for Operations, Finance, and Corporate Management, and other managers) on the status of our partnership.

## GENERAL ASSESSMENT

2. AfDB is gradually coming out of the morass where it was at the end of former President Babacar Ndiaye's tenure, marked by charges of corruption, mounting arrears, lack of funds, and a virtual stalemate in the Board-Management relations. A great deal needs to be achieved, not the least in turning around a shell-shocked staff, many of whom are not yet convinced why they had to endure a convulsive experience in which over 200 of the 1200 staff and one-third of the managers lost their jobs. Nonetheless, there are indications to support Mr. Kabbaj's declaration at the Annual Meetings that "the worst is behind us". In many ways, the fire has been put out and the challenge of rebuilding has begun.

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[1] Other panelists included: Mr. Omar Kabbaj, Mr. Emmanuel Tumusiime (Permanent Secretary, Ministry of Finance, Uganda), Chief Anthony Ani (Minister of Finance, Nigeria), Mr. Mathias Keah (Deputy Minister of Finance, Kenya), Mr. Franklin Kennedy (President and CEO of Equator Bank) and Mr. Boubacar Ba (Deputy Executive Secretary of ECOWAS).

Ind. 1580
① Josie
② Rachel
E12-25

Many thanks — Can you please give me as full a description as possible of what we are doing for the AfDB for use in my remarks at Lyon G7 Summit
JW 6/7

RL — Pretty interesting reading — Jim

Pl. incl in the new document pp 4 & 5 anything else we will do for them

cc GK

- The internal reorganization of the institution is more or less completed, resulting in a leaner and more client-focused structure (which mirrors our current country-department based organization). The selection process has been meticulously transparent, with the external recruitment of the remaining managers to be selected being handled by the U.K. consulting firm, Korn-Ferry Carre-Orban International. The first non-Regional Vice President in several years (Mr. Chanel Boucher, for Corporate Management) is already on board. The administrative costs are expected to decline by 15 percent during 1996. Relations with the Board, especially with the non-Regional directors, have improved markedly.

- During the past six months, the AfDB successfully launched two borrowing transactions totalling approximately US$600 million, in the Yankee and Euro-Deutsche mark markets, at an all-in-cost of 6.85 percent, which is below the average cost of outstanding debt of 7 percent.

- AfDB's balance sheet improved in 1995, with net income increasing by 26 percent to about US$103 million, despite a decline of 9 percent in loan income and the costs related to the reorganization of over US$30 million. Net income is expected to rise to around US$200 million in 1996.

- Efforts are underway, with World Bank assistance, to improve policies and their implementation in the areas of portfolio management, ex-post evaluation, procurement, financial policy review, treasury operations and human resource development.

- During the Annual Meetings donors pledged a US$2.6 billion replenishment of the soft-loan African Development Fund (ADF) after some three years of divisive discussions (for details see paras 7 and 8).

3. Nonetheless, several issues remain, and these will test the mettle of Mr. Kabbaj and his management team over the next few months. These issues were discussed during the Annual Meetings and are summarized below.

## KEY ISSUES DISCUSSED AT THE ANNUAL MEETINGS

4. (i) **Ownership**: A good portion of the governors' discussion focussed on the report on governance prepared by a three-man panel, comprising retired Asian Development Bank Vice President, Mr. Gunther Schulz; former IMF Director for Africa Department, Mr. Mamadou Touré; and former senior treasury official from Kenya, Mr. Harris Mule. One of the report's recommendations was a reduction in the

involvement of the Board in management issues. It was mainly the increasing politicization of the Bank's corporate governance and management that led Standard and Poor's to lower AfDB's rating last year from AAA to AA$^{+}$. The report also recommended a new system of voting safeguards for non-Regional shareholders, examining several options for restructuring shareholding.

5. During the Annual Meetings, the non-Regional governors pushed for the "50:50 option", under which the Executive Board would be reduced from 18 to 12 members, divided equally between Regional and non-Regional members, and bringing the voting share of the latter to 50 percent (compared to 33 percent at present). However, there was some opposition to this proposal, notably from the Nigerian and Libyan governors, but also from some anglophone governors. Since no agreement was reached, a special summit has been convened for early July in Libreville, Gabon, immediately prior to the OAU summit, to discuss this and other issues (Fifth General Capital Increase of ADB, arrears issue, etc.).

6. (ii) **Arrears Issues**: This was a special item on the agenda in view of the fact that total arrears amounted to about US$810 million in 1995 (about 8 percent of total loans outstanding and disbursed, compared to 5.7 percent in 1994). Most of the long-term arrears are accounted for by some five countries, but altogether there are 24 countries with repayment delays beyond 60 days. Mr. Kabbaj promised to get tough with countries in arrears, and to apply a new measure adopted earlier this year which reduces from 60 to 30 days the time before suspension of loan disbursements. He indicated that he will approach the Bretton Woods institutions for support and coordination in this area. As mentioned earlier, this is one of the issues that will be raised at the Libreville summit in early July.

7. (iii) **ADF Replenishment**: Agreement was reached on a replenishment of US$2.6 billion, made up as follows: US$1.6 billion of fresh money; loan cancellations and reflows of US$700 million; and payment by Italy of its arrears from ADF 6 of US$300 million. While there was relief that the soft-loan facility is back in business after two years, and while Mr. Kabbaj claimed the agreement as "a victory for Africa", it fell short of expectations of a US$3 billion replenishment earlier this year, and far short of the US$5 billion that the previous President had aimed for. Mr. Kabbaj expressed hope that new donors would join South Africa in contributing to the Fund, and added that there was "a serious possibility of supplementary resources" when the donors meet in Osaka in June.

8. The ***process*** of reaching agreement also came in for criticism, especially from the 39 of the 53 African countries which have to rely on ADF funding since they are not creditworthy for AfDB loans. It took 11 formal meetings and four informal negotiating sessions held in various capitals over a period of three years. Mathias Keah, Deputy Finance Minister of Kenya, criticized the process, adding that "the goal-posts have been shifted so far that they have run out of land".

## WORLD BANK-AFDB COLLABORATION

9. Since Mr. Kabbaj's request to Mr. Wolfensohn last October for technical assistance from the World Bank to implement reform in various areas of operations, finance policy and human resource development, several World Bank missions have visited Abidjan and some AfDB officials have come to Washington. In general, a great deal of assistance has already been provided by us, and Mr. Kabbaj gratefully acknowledged this throughout the Annual Meetings. Many of the World Bank's recommendations have already been implemented or at least internalized. Details are provided in Mahmood Ayub's memorandum on this subject of May 16, 1996.

10. We held several meetings with the AfDB senior management to take stock of our partnership and to better define the future collaboration. We agreed to define a Cooperation Framework to serve as a systematic guide for our future collaboration. In particular, we focussed on the following areas:

- ✦ Now that ADF funds are once again available, to firm up quickly the areas of possible cofinancing.
- ✦ To identify areas where duplication of work can be reduced through joint appraisal or supervision missions, upstream involvement of AfDB staff in our CAS preparation (initially for a few selected countries—Egypt and Côte d'Ivoire are the likely candidates), reliance of AfDB on the Bank's economic and sector work, etc.
- ✦ To ensure greater coordination on region-wide initiatives following the restructuring of AfDB and of the Africa Region of the Bank.
- ✦ Firming up training and staff exchanges, in close collaboration with the Learning and Leadership Center and EDI. Secondment of one staff member from the Finance complex is already well under way.
- ✦ More systematic exchange of information, including through a more reliable link of the two institutions via electronic mail.

10. It was agreed that the time had come to establish more systematic links at the working country level between the staff of the two institutions, to better coordinate our positions on regional issues, and to prioritize and cost-out the various training and staff exchange proposals. To deepen the collaboration and firm up the various proposals, the AfDB is planning the following missions to Washington over the next two months:

✦ The visit in the first week of June by Mr. Bisi Ogunjobi to attend the SPA meetings will be used to update the information on cofinancing options and prepare the other AfDB missions.

✦ In mid-June, Mr. Chanel Boucher, Vice President for Corporate Management, plans to visit Washington to exchange information and make concrete the proposals on training and staff exchange and to learn more about the Bank's initiatives as a learning institution.

✦ An operational mission, headed by Vice President of Operations, Mr. Sangowawa, probably in early July, will bring together country directors of the two institutions into contact on specific operational issues, agreement on joint missions, discussion of region-wide issues, agreement on cofinancing, etc. The mission will be accompanied by research staff as well as staff from the Private Sector Development Unit. The former would like to meet with the AFR Chief Economist, DEC and WDR staff to identify areas of current duplication and more specialization. The latter will follow up on the exchange between Messrs. Kabbaj and Rischard on possibilities for reimbursable support from the Bank's FPD Vice Presidency.

✦ Several other AfDB visits are expected, including on procurement issues, and by the head of the African Development Institute for greater collaboration with EDI.

11. Dates for the above will be firmed up over the next few weeks. We will also finalize soon the budgetary costs to us during FY97 of follow-up visits to Abidjan to strengthen our partnership.

cc: Messrs./Mmes. Wolfensohn, Sandstrom, Koch-Weser, Lomax (EXC);
Madavo (AFR); Berry, Evans (HRS); Rischard, Stern (FPD);
Picciotto, Guerrero (OED); Perlin, Babin, Ghozali (TRE); Wilson, Wright (FPI);
Dervis, Ijichi (MNA); Alexander, Biderman, Hindle (OPR);
Africa Regional Management Team