

The African Development Bank Group

Statement by Omar Kabbaj,

President of the African Development Bank,
at the

*9th International Anti-corruption Conference
Durban, South Africa*

Mr. Chairman,
Your Excellencies,
Distinguished Participants,
Ladies and Gentlemen,

I would like first of all to thank the South African government, the Council of the International Anti-Corruption Conference, Transparency International and other convenors of this conference for inviting me to such an important gathering and giving the African Development Bank the opportunity to share its views on the important theme of ethics, accountability and governance with such a distinguished audience.

For most of the 1980s and the first part of the 1990s the decline in Africa's pro capita incomes brought about widespread deterioration in socio-economic conditions. After the mid-80s it was clear that comprehensive economic reforms were needed if the downward trend was to be arrested and reversed. This led a number of countries to pursue reform programmes with support from bilateral and multilateral development agencies. The policy reforms have been credited with bringing about the turn around in economic performance experienced during the last few years. However, the increase in pro capita income growth achieved in recent years remains insufficient to recoup the substantial income losses of the last two decades and contribute meaningfully to alleviating poverty. We are therefore entering the new millennium with about 40% of the continent's population suffering from absolute poverty. Poverty reduction is thus the main challenge facing the continent and the priority objective of the African Development Bank Group and its development partners.

The policies and strategies that promote broad based growth and poverty reduction include: deepening economic reforms, promoting the development of the private sector, building human capital, fostering regional integration and addressing the long term foundations of development, notably gender mainstreaming and environmental care. The implementation of these policies and strategies cannot be made in the absence of good governance – good governance is indeed a prerequisite for sustainable development. While the determinants of growth and development include factors such as: a stable macroeconomic framework, functioning markets and adequate levels of savings and investments, these economic factors by themselves are necessary but not sufficient. Rapid and sustained development growth also requires having in place predictable regulatory frameworks and effective and transparent administration and functioning and independent judiciary.

Mr. Chairman, with your permission and in order to save time and not be repetitive, I'll skip the part of my statement devoted to the importance of governance and of combating corruption, as we fully agree with the views expressed since the beginning of this conference by all the speakers. Instead I will speak of the recent effort to combat corruption and of the role the African

Development Bank seeks to play in this important field. The end of the Cold War has reduced the willingness of countries providing aid to overlook financial improprieties in the light of broader geopolitical expediency, donor fatigue has placed increasing pressure upon foreign assistant agencies to demonstrate that they are delivering maximum value for development effectiveness resources. Moreover, many multinational corporations have come to believe that their interests are better served by open and transparent competition. On the recipient side, civil society in many parts of the world has served notice that it is no longer willing to tolerate gross abuses of the public trust for private gains. The liberalisation of the press in many parts of the world has enabled journalists to write more freely about official indiscretions. Improvements in education and increased information flow between countries have made their public more aware of anti-corruption efforts in other countries and less willing to tolerate systematic abuses at home. The rise of new domestic and global NGOs dedicated to fighting corruption has helped to bring and keep the issue in the spotlight in both the developed and developing world. As a major multilateral development institution and the leading source of development finance for Africa, the African Development Bank welcomes this emphasis on combating corruption. The African Development Bank Group's understanding for good governance goes beyond corruption, as it addresses issues of governance within a much broader perspective, which encompasses the enhancement of transparency, accountability, stake holder participation and the creation of an enabling legal and judicial framework.

In this context, the ADB has been asked by the African governments, as well as by our partners in the donor community to assume a leadership role in this area. The first step in playing this role was the development of the Bank Group policy on good governance. The development of this policy, which was adopted recently, unanimously, by our Board of Directors, reflects the general consensus among African governments that good governance is an essential ingredient for sound development. It is also in line with the bank's vision for sustained African development in the 21st century. The main objective of the policy is to mainstream governance into the bank's operations in a manner consistent with its charter, with a view to accelerating economic growth and reducing poverty. The policy also builds on existing initiatives of the bank, that of relevant multilateral and bilateral donors and international thinking on the issue and taking account of relevant African and global realities. The Bank Group is well placed to raise and discuss issues of good governance with its regional member countries. Through policy dialogue and in the context of economic and sectoral work the bank will continue to impress on member governments the importance of good governance for sustained development, and through such dialogue and interactions, effective programmes and projects that seek to improve governance will be jointly identified, designed and implemented. We know from experience that weak policies and poor governance impede the effectiveness of development projects and programmes, including those financed by the Bank Group. As a result governance issues have come to assume an increasingly important role in our efforts to enhance the development effectiveness of our operations.

Let me give you a sense of what is involved by saying a word or two on how governance features. The bank has for some time now been supporting activities to promote and improve governance, it has done so through structural adjustment programmes, which aim, amongst others, at restructuring the civil service, reforming the legal and judicial systems and strengthening financial management capacity. Governance issues are one of the criteria that are taken into account in assessing country performance for the purpose of allocating Bank Group resources. It is assessed on the basis of respect for human and political rights, rule of law, freedom of information and association and participation in public affairs. Additional considerations include the country's commitment to sound management of public expenditure

programmes, greater accountability and improvement of the legal and regulatory environment. Countries deemed to have a satisfactory performance and given better access to Bank Group resources than those assessed to be less satisfactory. In order to further strengthen its operations the bank's procurement policies and procedures have been revised.

With effect from January 1997 a considerable amount of harmonisation with sister international financing institutions have been achieved and clauses have been introduced to render the policy documents more effective in the detection, deterrence and control of fraud and corruption. As a result the bank now cancel parts of a loan, or all of the loan, if corruption is proven, and any firm proven to be involved in fraud or corruption practices can be sanctioned by prohibiting its participation in bank-funded projects for a period of time decided by the bank. These clauses have been incorporated in the bank's standard bidding documents for use by borrowers. Over the past two years, about thirty tendering processes have been cancelled by the bank and in all these cases the borrowers concerned have been required to re-tender. Moreover, six companies have been sanctioned and together with their affiliates can not participate in Bank Group funded projects for five years. The bank will continue to support programmes and policies aimed at the detection and deterrence of fraud and corruption through reform and promotion of transparency and accountability in the overall management of public resources.

The Bank Group also appreciates the importance of creating an enabling environment within which civil society organisations can constructively generate legitimate public demand, monitor government policy making and implementation and participate in influencing policy decisions. We have recently initiated a number of measures to mainstream the involvement of civil society organisations in Bank Group activities as a means of promoting good governance. Thus, we have revised our policy and guidelines to provide for more systematic co-operation and collaboration with NGOs in the various phases of project and programme development work. Likewise, our plans to increase the use of participatory approaches in operations will foster stakeholder beneficiary participation in the design and implementation of Bank Group projects and programmes. I might also add that the adoption of an information disclosure policy, the opening of a public information centre and the establishment of a web site have considerably improved public access to information on Bank Group operations.

Finally, an institution cannot preach good governance unless it practises it and is widely seen to practise good institutional governance. The reform programme that began in the bank in 1995 was fundamentally a programme of institutional governance: from the board room to the mail room, reform reached all parts of the organisation, all functions and all aspects of the institution's life. One of the last measures taken in this context is the adoption of a code of conduct for bank staff, the document was modelled on the best practises of sister institutions, it is the product of wide consultation with the staff and their association. There can no longer be any ambiguity about what the bank expects from its international public servants: professionalism, integrity, impartiality, dedication and all of the other qualities that should make role models of the individuals who have chosen this extraordinary vocation. This then must be the kind of person that delivers the message of good governance to the African continent on behalf of the African Development Bank.

Thank you.