



BANQUE AFRICAINE DE DÉVELOPPEMENT

United Nations Peacebuilding Commission Annual Session

Statement by Donald Kaberuka

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Mr. Chairman, Ambassador Skoog;

Deputy Secretary-General, Mr. Jan Eliasson;

Ladies and Gentlemen,

Good morning from Kigali, Rwanda.

My apologies for not being physically present, as I had planned to be for this important meeting.

I would like to begin by thanking the Chair of the Peacebuilding Commission, Ambassador Olof Skoog, for the invitation and for this opportunity to discuss building peace and stability in post-conflict countries, a subject very close to the work of the African Development Bank, from places such as the Horn of Africa, the Sahel region, Central African Republic, South Sudan and the Mano River area.

Since its inception, the PBC has set the pace on the challenges of peacebuilding.

The PBC has brought the much-needed focus to the last lap between peace-making, peace-keeping – and avoiding relapse.

I recall your visit to Tunis and your strong desire for deeper cooperation, Ambassador Skoog. As you

expressed to me, in 2015, a year in which humanity's future will be largely defined.

A peaceful world is a priority.

Today, our focus is on rapid and predictable funding, that is flexible and risk tolerant.

It is how to deal with fragmentation, multiplicity of mandates, budgets, and mechanisms that, although well intended and understandable, has all too often weakened, undermined our response capabilities.

Peace-building as a science is very much work in progress, and will probably remain so for a long time, for essentially two reasons.

First, every crisis is different, in its origins, its trajectory, its history and as we can see in the Middle East, even its geography, which respects no borders.

Second, while we do need a lot of financial resources to build peace, money is only a part of the solution.

For these reasons peace-building does remain fundamentally about:

- Risk-taking, understanding that the higher the risk, the higher often the return;

- Making space for empowering those directly and indirectly affected by the crisis to build the peace.

Over the years, the AfDB has found itself facing these challenges.

We realized that we did not have the tools, the knowledge on these matters, so we advanced by iteration, and put in place a three-window instrument.

The first window entailed figuring out how to enable post-conflict countries to re-engage with global financial institutions, by settling their debt obligations and preventing accumulation of new debt.

This has not proven to be difficult technically, but it has often been lengthy, protracted. For Liberia, it took three years; for Comoros, slightly longer.

I am not able to tell you how long it will take for Somalia, when the time comes, even though the amounts are not that large.

The second window was to identify key domains of social and economic infrastructure, which need quick rebuilding – power, schools, transport, etc.

This, too, has often not been so much an issue of volume of finance, but delivery systems, procurement, fiduciary issues, over which we still struggle and learn every day.

Here is an example for you. For major, in fact all, infrastructure projects, international organizations are obliged to observe a “three-month window”, before undertaking physical works. This is meant to provide an opportunity for those who may be affected to provide their input.

This may look like a reasonable period of time for normal conditions, but for a country recovering, this is simply an eternity.

In fact, in some countries, we have had to violate this clause due to binding constraints such as rainy seasons, etc.

Finally, the third window, whereby we try to help countries rebuild institutional capabilities, from revenue mobilization to Public Finance Management, oversight institutions, and natural resource management.

Here, too, experience shows a very protracted process which varies from country to country.

The Bank established the Transition Support Facility (TSF), a \$1.5 billion facility, which has two characteristics: it is ring-fenced, and learn-as-you-go.

Why ring-fencing?

We decided on implementing a ring-fenced facility because the classic architecture of aid was bypassing these countries who had no track record. And yet, recognizing the link between peace, security and development, we could not afford islands of abandon.

Not simply because millions are trapped there, but because of regional spillovers: refugees, small arms, and trade disruptions. So we concluded that solution No. 1 was ring-fencing. Ring-fencing in the sense that one is not rewarding performance but investing in peace.

However, we also learnt that ring-fencing was not enough. One had to work differently, our toolbox was limited.

Working differently meant putting in place dedicated procurement, accounting systems.

Even accepting to provide budget support, knowing very well that Public Finance Management is still weak.

Four years ago, as new forms of crisis and fragility emerged, I asked the President of Liberia to lead a [High-Level Panel](#) to advise on the lessons learned including the wider global experience, as well as the implications for the work of International Finance Institutions.

The Panel's report, ["Ending conflict and building peace in Africa: A call to action"](#), which was adopted by the African Union Leaders Summit in 2014, is one I strongly recommend to the PBC.

It is an excellent complement to the New Deal. These are some of the themes of the report outlines: "Fragility, peace at risk, and need for peace building is not confined to a few states," elements of fragility exist in many countries due to the vortex of changes that Africa faces – demographics, climate change, rapid internal migration and security.

There always will be categories of states in extreme fragility – from failed states, to situations where the state is not able to exercise its authority in parts of the country or deliver even the most basic services as we saw during Ebola.

All it takes is a badly run election, a constitutional crisis, a large crop failure, a major epidemic, an active rebellion, etc.

The key is not only building peace – in which everyone has a stake – but also sustainability.

The PBC has sought to bridge the gap between humanitarian responses and longer term development, and avoiding what is sometimes a dichotomy that is, in reality, often blurred.

For this attempt to shift the paradigm, the PBC deserves to be commended and supported further in its mission.

Excellencies, Ladies and Gentlemen,

Peacebuilding, and state-building in particular, is one of the key challenges of our time. It has been so from World War I, but, today, it assumes a new impetus.

We have old conflicts; we have emerging ones, and certainly, who knows what lies ahead.

Recognizing the close interrelation between peace, security and development, the Bank had pioneered,

already in 2008, a special ring-fenced facility and programme for conflict-affected countries.

We had come to the conclusion that the classical architecture of ODA was largely bypassing these countries due to the lack of track record.

Remember, this has not been a traditional area of intervention for development finance institutions, and we had to learn in practice, our knowledge, expertise, toolbox was very limited.

That is why the AfDB has adopted a [strategy for “Addressing Fragility and Building Resilience in Africa”](#), which marks a departure in several ways: Fragility is not limited to a category of states; but rather, elements of fragility exist in many countries due to the vortex of changes that Africa faces - demographics, climate change, rapid internal migration and security.

Yes, of course, there will be countries in extreme fragility, from failed states, situations where the state is not able to exert its authority, or deliver even the most basic of services – as we witnessed with [Ebola](#) recently.

The strategy posits that beyond these extreme cases, there remains elements of fragility, even in what could now be termed as “steady state” situations.

Therefore, the new approach of the AfDB highlights the regional spillovers, as exemplified by Boko Haram, across four countries, thereby requiring not simply national financial allocations but regional ones.

Excellencies,

We must continue to ask: What have we learned?

First, predictable financing is not simply about volume or financial management systems. It is also about working differently. Of course, financial management in place must provide the minimum fiduciary comfort required, but it must be contextualized.

We were faced with such a situation last year at the peak of Ebola. The AfDB Board of Directors had to be reconvened exceptionally from its summer recess to approve a US \$60-million operation to fight Ebola, with the WHO as implementing agency.

The Bank, also in exercising some flexibility, approved a budget support operation of US \$150

million for the three Ebola-affected countries, to enable them perform normal state functions.

The financing agreements were signed the following day, and disbursements began one week after the financing was approved.

In addition, US \$10 million was rapidly provided for the deployment of health workers.

It was thus possible to disburse a total of US \$225 million to the affected countries within the space of a few weeks after the outbreak of the disease.

We know from the Ebola crisis that, despite general goodwill, in reality bureaucratic competition can impede a rapid, sustained response.

While the volume and predictability of resources matters, so does the method of deployment.

Simply because, by definition, fragility means there are capacity gaps that force development partners to search for alternative mechanisms in order to manage fiduciary risks.

There is always concerns “in case something goes wrong”. That may be understandable, but it should be the exception rather than the norm.

What we need is an acceptance that we are taking risks; but that mitigation measures are in place.

However, mitigation measures that lead to onerous delivery systems, reporting mechanisms do overload embryonic local institutions and, in the end, are counterproductive, not to mention that they undermine state legitimacy.

Rebuilding the state cannot be done by bypassing it, and lasting peace is a pipedream where state institutions are weakened.

Excellencies, Ladies and Gentlemen,

Like all of us here today, the African Development Bank recognizes that external funding to rebuild a country can only be a starting point, a catalyst to get the country on the ladder.

But, at the end of the day, it is the responsibility of nationals.

Rebuilding and enabling state institutions to raise revenues and meet the development needs of their populations is, therefore, a critical step that requires attention as early as possible in the process.

That is where predictability, or rather the backbone of it, is built.

Assisting the country in generating revenues and spending them wisely is the bedrock for state-building.

By the way, it is fundamental not only for public finances but also for long term political stability and growth.

This is especially true for countries endowed with large reserves of natural resources, which are often themselves a cause of conflict.

For some, the returns and benefits from these resources have been limited due to the extraverted nature of such economies, but also bad contracts and complex management models.

Bearing in mind this very important source of predictable financing, the Bank has set aside US \$22 million to finance the [African Legal Support Facility](#)'s work to assist such countries as they undertake major contract negotiations, or seek to limit illicit flows, which I know you will be discussing today.

Finally, at the end of the day, predictable financing is about creating wealth, expanding the tax base, and sound PFM, to assure citizens.

Before closing, let me address the key role of the private sector at all stages of recovery.

After all, these are the real risk-takers; they are the wealth creators. Their businesses take a heavy toll during crisis and are beneficiaries of peace. They are hence, important “peace builders”.

At all these stages, we must understand that they have a vested interest in security, quick stabilization and the long-term prospects for their businesses.

Their deep knowledge of the country’s political economy and their logistical skills are not only key assets, but in providing jobs, they stabilize society.

Our role is to assist them manage, mitigate risks. Failure to do this, we give rise to fly-by-night investors, rent seekers who are typical in this type of situation.

That is why the Bank has developed new risk mitigation instruments – such as the partial risk and partial credit guarantees – to boost the confidence of these risk takers.

A lot of the literature has gone into understanding how the Somali private sector has been able to survive over the last 30 years.

There are many lessons there. That is why the disruption of that most predictable finance of all – migrants transfers – was so disappointing.

Excellencies, Ladies and Gentlemen,

2015 is the critical year for humanity. The noble goals and targets in there will only be realized if we can assure peace on this planet.

But history, since the Peloponnesian War, teaches us that we must also be prepared to deal with the absence of peace.

We have all learned many lessons over the years.

As we discuss predictability and sustainability of financing peace-building, the starting point must be:

- A close understanding of the political economy of the causes and trajectory of the conflicts; and
- The bedrock has to be the creation of a stakeholder society that can leverage external

support, but gradually assume responsibility for their future.

That is how sustainability of peace can be built – through a stakeholder society.

Predictability and sustainability is built when a stakeholder society emerges in which there are no permanent losers and whose threshold of violence is low.

For the international community, we have gathered many lessons over the years. These are to be found from the OECD best practice and in the New Deal adopted in Busan.

We know the need to utilize ODA as leverage, as catalyst, but also the importance of ring-fencing and generating critical mass, advancing the phases of peacebuilding.

I very much welcome this meeting and again salute the work of the PBC.

Thank you.