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A CONVERSATION WITH AFRICAN DEVELOPMENT BANK

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P R O C E E D I N G S

MR. DERVIS: Good morning everybody. Thanks for coming and we do have really, the great honor, pleasure to have President Donald Kaberuka of the African Development Bank with us today. He needs no introduction, but I just want to remind you that he is about to finish his second term, as head of the African Development Bank. He has restructured it, reformed it, it has become a very powerful bank -- regional bank. And of course at the time, I won't give you all the credit, but some of the credit, (laughter) at the time when Africa's growth has increased, Africa has done economically very well compared to the past and has become a new destination for investment for interests. But of course it's still facing huge challenges. Before that President Kaberuka was Finance Minister of his own country Rwanda for eight years. So he has a very long experience in leading both a national economy, which has also done well under his stewardship, and one of the most important multilateral development banks at a time when there is quite a debate on the future and the funding of infrastructure of multilateral development banks in the world. And in fact on Saturday we have a round table here of the leading multilateral development banks of the world.

The discussion will be conducted first, President Kaberuka will share his perspective with us, for about ten to fifteen minutes, and then our colleague and the director of the African growth initiative at Brookings, Amadou Sy, will engage him in a conversation. Amadou has come to Brookings from the fund. He and his colleagues just completed a major report on infrastructure in Africa and we're very lucky to have him. We also have his predecessor, Mwangi Kimenyi, who led the Africa Initiative for many years and who is one of the top scholars in Africa, and in fact in the world as a development economist. So I am very happy that both of them are here. With that done, I'm leaving the podium to you, and again thank you for coming. I know it's a very busy few days for

everyone, for you particularly, but this is a particular honor for us and you are a friend of Brookings, of the Aspen Roundtable also and we really thank you for that friendship and for that support.

MR. KABERUKA: Good morning, thank you Kemal for those kind remarks, and thank you Mwangi and Amadou for the invitation, the third invitation, I must say. Now, if you had a caption with me, which I did not bring from one of the leading African papers, and the caption was "Nigeria is back." And it got me thinking, because a few weeks before that, the story was one of doomsday, was going to happen to Nigeria, simply because there was an election. But such is the perception about Africa that the doomsday scenario actually was not challenged.

Now that Nigeria is back, nobody is asking questions either. Back from where? There was an election, there was bound to be a winner, and a loser. And Nigeria, a great country, cannot simply be determined by one election. Nigeria will be here to stay; this is what I was saying to investors well before that. I'm beginning with this story because I know you're going to be asking me about, so what does that mean to Africa in 2015? The commodity super cycle is over. Ebola is still a threat. You have energy -- power outages, you have terrorism, variations of terrorism. So that is a narrative which I expect to be asked.

But I want to step back from the narrative, and say -- the one lesson I've learned in my ten years tenure at the Bank, which I think would be acceptable to all of us here, would be that Africa is no longer the exotic market, the exotic place, as it was described for a long time. The problems are not yet resolved. They will take a long time. But the African risk is different from the one in Asia or Latin America, as the one that has hopefully has dissipated. Now in the past, what were the risks in Africa? The risks were mainly in the policy, political arena -- confiscation, nationalization, better policies,

macroeconomic instability and so on. And that raised the risk premium. That in my assessment in many countries is over.

The risks now which you have are mainly in the two areas -- area what I call, the cost of doing business and all its components, energy, (inaudible) that kind of stuff. Risk number two, regulatory areas, either because of lack of capacity or because of implementation issues. Now I mentioned this to trend put into a framework, why did the African Development Bank under my presidency, we just had to focus on things we focused upon. I came into office in 2005. Now out of the G8 Gleneagles annual summit, after the work of the Blair Commission, which all focused on doing some things for Africa -- double aid to Africa, cancel debt for Africa. These things are very important and they have made a huge difference.

Now, the African leaders also had just crafted a new plan and they called it NEPAD, which was basically what can Africa do for itself. They (inaudible) which I came into office. And so I pulled back and tried to imagine, so what can the bank do? I made two strategic decisions and I said so to the governors when they were doing election. I said to them, we are development experts or so we think we are. Can I agree on three things -- that money is important, but money does not determine the outcome of development? Otherwise Libya would be the most highly developed country in Africa? Money is an important input and this is what banks provide, but what makes the return on that investment meaningful, is the quality of policies, so there is money; we need plenty of it, all as we discuss. But what makes the difference is the quality of policies.

But here's the problem -- but what are those policies? Because for a long part of the 1980s, 1990s, we thought we knew where those policies are. The other is, we know what are the bad policies, we can find them when we see them. But what are the good policies which actually combined with money are good for development; we have to

be honest -- we're still looking. It is a trial and error process. We are all learning all the time. And so I was not coming to the bank to join the -- what I call the prescriptive class. Here are the policies, here's our money, but here are the policies, take them together. Well in the business of learning, what is it that works -- in Tanzania? At which it not work in Sierra Leone or that that works in a particular country oil rich. What is it that does not work somewhere else? I told you that's very important because part of the problem with having international financial institutions is this grand idea that somehow we know what are the policies which make development.

I think along there, we have lines -- we're not the bad policies, market instability, lack of policy predictability but actually the composition of policies, we still have a lot to learn. And typical, I give the example, the G20 countries, if you look at them -- just take a look at the G20 countries, they've come to where they are from different perspectives, different angles. And each one has figured out what works for them. You can do the analysis.

The third aspect, there's money creditor policies. The third one is what is known in the business as the science of delivery, otherwise known as capacity, otherwise known as implementation. Because even in some countries where the policy architecture looks right, ability to turn those policies into outcomes varies enormously. From the fragile states unable to control an epidemic, to the highly capable states, which can execute the most complex policy you can imagine.

Let me talk a bit about Ebola. When you talk about Ebola, we focus on what went wrong in Liberia, Sierra Leone, and Guinea. Dreadful things happened and they're not over. But still we can ask, well how was Senegal, Nigeria, and Mali able to deal with Ebola inside 30 days? They were able to do it because they are very basic capacity in the primary health system exists. It's not because they have very

sophisticated systems, not at all. It's that the very basic exists and they are able to handle Ebola inside a month, because of Senegal. So I go back to say, as I came into the bank, I realized our work is to give resources, money -- our work is to work with the countries try to adapt the good policies, but what are those policies? And thirdly, to help with the science of delivery, implementation capacity.

Now having made that decision, we just have to focus on the things which now constitute the bulk of risks in Africa. I said, costs of doing business and the regulatory side. So number one, we set the focus on the biggest issue on the cost of doing business in Africa at the moment, which is infrastructure. Because the meaning of infrastructure is only a means, a means to an end. The end is the services which flow from infrastructure -- the end is trade.

Every single African country today, now, has energy at the top of the agenda. It is the single biggest risk for business; many of them have their own generators, provide their capacities, to self-supply. We put emphasis on infrastructure because we thought it was the biggest risk for a business. It was the biggest fact in terms of the cost of doing business. Number two, we chose to focus on the size and the (inaudible) of the African market. I was saying to Kemal Dervis, Amadou and Mwangi just now that people forget, especially if you look at those average numbers, and I know you're asking me that Amadou -- that half of all the Africans live only in seven countries, please remember this number. Half of all Africans live only in seven countries. Seventy percent of Africans live in 12 countries. And 90 percent live in 24 countries. Please remember this number. And so, in a market as diverse as this -- in a mosaic as complex as this, it is the point not to look at these markets as one, and try to do things which bring them together. And that was a fundamental reason why the bank was created. Create Africa's single market, and so we just had to focus on that kind of a mark, on bringing

down the cost of doing business and on creating this Africa single market, because of the size, diversity, and depth -- whether it is power interconnection, whether it is highways, whether is it shared services, whether it is harmonization of policies, Schengen type agreements, free movement of people. We're designing it for a continent as diverse as Africa, 24 countries, this was absolutely fundamental.

Third was my personal conviction that although the bank was created in 1964, to work with the countries to provide the public goods -- the time has now come to work with real wealth creators. Who are the private sectors? So I came in the bank, the bank was still learning how to work with private sector, and they are doing about 400 million dollars per year, mainly lines of credit to banks. I thought, head by my board of directors then, that this was perhaps here to move qualitatively, and to begin a program of working with private business.

Now we're doing about three billion dollars a year, lines of credit of course guarantees equity that -- all kind of stuff. And you have learned along the way that the traditional thinking of the markets, the states, is an interesting academic construct. But actually for the kind of work we do, we are focused on both at the same time -- they need each other. So now what the bank does, we provide as much support to the states for the public goods, as we do for private business to get the wealth.

And finally, an area I would like to focus upon, was what do we do with all these countries coming out of conflicts. Sometimes called fragile states -- a fragile state is a fairly controversial title. But what do we do with them? For three simple reasons -- A, millions of Africans live in those countries, and therefore have to help improve the human indicators, early capacities, that kind of stuff. Second and more important, were what the economists call the neighborhood effects, especially one is a large country, say like the DRC for example, or the Sudan, you cannot box the problems

of another country inside the country. The whole neighborhood is affected. And so we decided we were going to figure out a way of reinforcing some resources -- to deal with the specific programs of those countries, in as far as a human developmental concern, but also in terms of the neighborhood effects whether it is displaced people, refugees, and so on.

But a third reason, is this. There is this young, I think he was a Kenyan, I've forgotten -- up on the Wootans up in London, during the Ebola crisis and he's asked, how is the Ebola? He says, oh, but I'm from Kenya, I should ask you because London is nearer Freetown than me in Nairobi. (laughter) It isn't a laughing matter, it is a serious one. Because the image of Africa is wrong, the way it's perceived is wrong. As President Nyerere said once at the South African Parliament, he said, "Each time I meet African leaders, European leaders, I am asked, but who is the crisis in such a country? He said I'm the President of Tanzania. He said he'd never cut me, if I meet with Tony Blair to ask How is the Chechnya? And he said, it is irritating but eventually, and I said, but wait a minute, we are one -- the borders were cut up by colonial powers, but at the end of the day we are one. And so what happens in the Sudan's, in the DRC, in Somalia is relevant for the whole of what I call, Africa brand. And it raises the risk premium for all of us with the symptom. So we choose to focus on those countries, and I think the bank has done quite a good job there, we still have things to do, the kind of thinks like Ebola. While no succeed in South Sudan, in Somalia, but it is fundamentally one of the commissions of the African Development.

Now, there are many things where I will not be able to do, and that is for my successors. I know Amadou is asking me what is my advice to the successor -- the answer is none. And if I had any advice I would not do so from here. (laughter) I provide advice to them if they want in private, because I have some things I've learned, things I

have done, reasonably well, things I have not been able to accomplish and the unintended consequences of a few things I have done.

But I'm glad to have come to office, at a time when Africa was changing rapidly, and so I had to be part of that. It was growing enough but not fast enough, remember a five percent is okay, but it is not stellar, it is not what we need. If you countries are doing seven percent, nine percent, eleven percent like Ethiopia; those are the kind of growth rates we need because of our demographics. So four percent, five percent is strong, but we'll have to do much more of it. And part of the solution is infrastructure. It's energy, it is creating the single market.

I came to office when Africa was growing fast enough, but not transforming at the same time. So fast growth, driven by investment, exports, private consumption, but not transforming the structure of the economy to create the jobs we need. Now that remains a continuing business. Third, Africa is growing fast enough, but leaving millions of its children on the sidelines. And that is neither politically sustainable, economically sustainable, or socially just. And therefore, going forward, we need to maintain that momentum of economic growth, by dealing with these gross bottlenecks, by not confusing economic growth with economic transformation, ensuring that the benefits spread out to as many Africans as possible. And in this year, 2015, when development is on the agenda, I hope and expect that all of us would not focus exclusively on these issues, transformation, and inclusion. And so as I leave the bank, the ten year strategy which our governors has approved, is exactly focused on those issues, both transformation and inclusion. To create a fairer society, but also the grow the middle classes, to grow the purchasing power so that Africa becomes part of the momentum right now in the world. I'll have time as I close to mention the challenges which, all Africa faces now, what I call the vortex of forces all pressing in different directions, what

physics experts call the centrifugal forces. Whether that is demographic dynamics, population increase, young people, internal migration, natural resources, the disruptive impact of technology, how it relates to the emerging super powers, economic powers that is. These are challenges we can manage well, or challenges we can manage badly, but either way, they'll be managed and they will be timing for a long time -- what happens in the future.

So I want to thank you for your friendship, for the invitation, for the third time. I'm happy to answer your questions, and I look forward to the conversation. So thank you, thank you so much. (applause)

MR. SY: Again thank you very much President Kaberuka. This is the third time and we're always honored and it's always very informative and useful for us and hopefully for everybody in the audience to listen to you and we're going to continue this conversation a little bit, and then we'll open the floor to the questions.

So you've already answered a lot of my questions, so that makes my life very miserable, (laughter), but I will try. So basically I will try to have a balance in my questions between what seems to be of interest to a Washington audience, what seems to be of interest to a more global audience—because we are under the leadership of Mr. Dervis in the global department. So President Obama will be visiting Kenya for the fourth time in July. I think it's the most by any U.S. President. And he will be attending the sixth annual Global Entrepreneurship Summit. So President Kaberuka, what advice do you have for President Obama?

MR. KABERUKA: Hmm. (laughter) The President has many advisers. (laughter) I'm not an American voter. No this is what -- I want to commend the president for the paradigm shift he's tried to operate vis a vis the relationship with the United States and African countries, which I would like to explain as follows. His approach which I had

other G8 summit here and his East Africa visit. Aid is still needed, especially for the poorest countries in Africa, the fragile states, the low income countries who are meeting many challenges. But we need not forget some trade and investment. And we need an approach, which I try to say to our leaders, which is, Africa is a continent of the future. This is where the growth in the future will be. And therefore, to totally shift the thinking of American business people to say, let's, American business, American public institutions, work together, to promote Africa's extension for our business -- that is something I fully support and endorse. And therefore I think really the President thinks in that direction, and we need to encourage him and the successor administration to do so. But I should add though that even Obama's predecessors, they did things which made a big difference, President Bush in particular, with the PEPFAR, with the HIV/AIDS program. These were some of the things which made a huge difference in the year 2000. Remember, one of the cases to be celebrated in African development is the fact that from the year 2000, up to now, the proportion of African children dying and in fact has been cut by half. It is a fastest decline in human history, and in large part, explained by the advances on mother to child transmission of HIV, availability of cheaper AIDS drugs, and PEPFAR and similar organizations have made huge contributions. So I wanted to homage to these two leaders for what they have done. One, in the field of public health and human development, and to Obama for shifting the direction to trade and investments, and we want to encourage him to do so.

MR. SY: Thank you. Mrs. Zuma, the African Commission Chairperson was in town on Monday and signed with Secretary Kerry a Memorandum of Cooperation through which the U.S. CDC will provide technical expertise to the AU to support the establishment of this African Surveillance and Response Unit, an emergency operation center. So that brings me to this question about Ebola. You've mentioned it. But can you

tell us, if we look in the future, what really do we need to do on the continent to strengthen our capacity to response to crisis like Ebola and more generally, other health risks?

MR. KABERUKA: First of all, I don't think it's only Africa alone. I think you manage going forward, it will be first with many such epidemics, some of which we don't know what will they be. So the very first question I would ask is, is the world today prepared to deal with massive epidemics of that nature, and the answer is no. I think Ebola was a reflection of two things -- very weak primary healthcare systems, in the Mano River area not surprising, an region in which had been (inaudible) for almost a decade, but also, failure of the international system to handle breakdown epidemic. It was a disaster. I think nobody now disputes that. So I think we have a three way agenda, number one, to strengthen primary healthcare in Africa. And that's not rocket science. It's not rocket science, but I think going forward; this must be top of the agenda in every country. And we are a part of that agenda. I kept mentioning how Ebola was beaten in Senegal within a month. Senegal does not have sophisticated healthcare but it was a functioning basic healthcare. In Nigeria, they took about a hundred physicians from what I hear, but they contained it, even managed, it was contained, when the primary health care is working. So that is our agenda at the moment.

Number two, we need to build indeed these epidemiological centers of excellence in Africa. We are supporting that. We'll be part of that capability. But much more important, I didn't want to say it from this pulpit that the global system of managing epidemics is broken, and has to be retooled. We don't know what comes next. And I am glad that Mr. Ban Ki-Moon. I understand he has set up a panel of experts to look into how we actually retool, and get the global systems to function.

MY. SY: I should add that the Ebola crisis happened at the time I think where the budget of the World Health Organization was being reduced. So now if we move a little bit home, we've just finished a report, looking at infrastructure financing in Africa, looking at the different sources of finance and the different sectors. And we found that in some sectors, like energy, everybody's interested. We have Power Africa, we have China's interested, we have the African government themselves spending a lot of money in the sector. We have the private sector interested too. But if you take other sectors like water for example, or transportation, not everybody's interested. If you take railroads, only China would be great wealth. So we are saying that at least in those sectors where everybody is interested, there is a need for a better coordination. And there we are suggesting that African Development Bank should place a much bigger role to coordinate all these efforts and about infrastructure, financing the continent.

MR. KABERUKA: Hmm.

MR. SY: So would you buy that?

MR. KABERUKA: And thank you for not asking me whether I support the Asian Infrastructure Banking. (laughter) My answer would surprise you.

MR. SY: That was a follow up question. (laughter)

MR. KABERUKA: Yeah. Look, the, in this -- let me focus on energy.

MR. SY: Yeah.

MR. KABERUKA: This year, 2015, when have got this two agenda -- climate and (sustainable development) goals, the straight line linking the two would be the financing. It's apparent that these three processes are happening in separate strands, but they are really one. Because if you ask me today, what is the biggest single impact on the poverty in my continent, I would say energy poverty. In the twenty-first century, there are people living in darkness, not because there is a lack of money. We're building power

stations, there are new transmission lines. There is market failure somewhere in between. And so, whether it is the gap in rail or highways, or dams -- we're now in a place where it is possible to combine sound policies, private sector investments and virtually provide a sweet spot for everyone.

Now you said the African Development Bank should lead on this, well tread on this -- we're the biggest investor in energy on the continent of Africa at the moment. But the gap is so huge -- we need everybody in. Now what is in the problem? I take you back to the 1990s and the telecommunications revolution. What enabled Africa to leapfrog onto telecommunication has been a combination of A, sound policies, deregulation in that particular sector, and then investors looking for the time because of these new technologies.

Now of course Africa is the fastest growing market for those products. Our own assessment for the bank is that energy is an export, it has been hampered by policies which are deficient -- inefficient subsidies, not well targeted, which undermine public finances, but especially undermine the balance sheet of the national over takers. Now those things are being sorted out. From Nigeria to Kenya, the policies are getting to be right. The national over taker's balance sheet is being sorted out by different ways. The subsidy policies, tariffs, are getting the right space -- and increasingly the private businesses are looking at energy shortages in Africa as an opportunity to invest. And we are leading the way. And again I want to pay homage to President Obama for Power Africa because it can exactly eat up some space. Get the policies right, get the national over takers to do the right things, invest in transmission, bring down of costs business. And people are now investing in energy bonds, renewables and for the fields of course, which we still need.

Now, you see I've got many players. My answer to this, no we don't have enough, we need more players in the field of infrastructure in Africa. The gap of 50 billion dollars can only be filled even by, if you take domestic taxation, capital markets, China, natural resource regional contracts -- we still have a huge gap of 50 billion. This is why I said I welcome the Asian infrastructure bank; I hope all there is good Asian who can find us working together. Someone said to me yesterday, well how can you work together, Asian and Africa. Well let's begin with some marine cables in the Indian Ocean. We need to connect Asia and Africa; we need more connectivity and broadband. We could, we and Asian Infrastructure Bank to decide to increase connectivity in the Indian Ocean. And there are many ways in which we can work together.

So I think there's enough room for everyone, coordination for me is not the issue. I think the key issue is, get the policies right in the countries, including policies of getting energy markets across the continent. Rails, we can talk about this later, I have a different proposition. Railroads are quite a complex issue, even European countries -- I had a student in the U.K. wind up prophesizing railways, I don't know how much success they will have, but to my knowledge there are still some challenges there.

MR. SY: One blind spot that we see though is if you look at the trends about urbanization in Africa, Africa has about 40 percent of urbanization rate, the fastest urbanizing region in the world. We don't hear a lot about municipal, or urban infrastructure. Sometimes it has to do also with the political economy, because we have de-evolution, we have decentralization -- but typically in Africa the money is still with the central government. So we are a bit worried about this trend that we are urbanizing, the demographics also are -- trends are very fast. But we haven't seen a big focus on urban infrastructure.

MR KABERUKA: Hmm, ask Mwangi there. I don't think the people in Nairobi would agree with you. We have done quite a lot in terms of urban infrastructure. If you come to Abidjan for any meeting, I assure you the most modern bridge across is going to Abidjan. We are working there foreign government and private sponsors. There's a 30-year concession which are built and it's changing the face of the city. Now, vis a vis urbanization and internal migration, again it's not about money. It's about policy, and getting the policies right. If we get the policies right, I think we can combine public means, municipal finance, to get some of those things I mentioned. Could that be increased demand for almost everything, from housing to office space, water availability and so on. So I believe that if policies are right, I think that we can close that space quickly.

That said, from Mumbai to Rio de Janeiro to other cities, it's a challenge which we need to manage to create sustainable cities for the future.

MR. SY: Thank you. Before I open it up to the floor, one maybe personal question? In 2005 when you moved from the Minister of Finance in Kigali, to the African Development Bank, from that point on and ten years later, what would you say were the defining moments -- inflection points that occurred to you?

MR. KABERUKA: Oh, that's an easy one. The defining moment for me was the day after Lehman Brothers collapsed. I usually sleep very easily, but on that night, I stayed, I worked for -- no AIG wasn't in the news then. Now it was not about the bank. I was confident that we had our tools to ensure that the bank would remain a triple-A institution. I was really concerned about what was the narrative then, which was Africa would be the first continent to suffer. Now, it was an accepted narrative, I answered about three -- two radio stations and a TV station, is this the end of Africa and the stories of audit? No. I asked my staff to look at the metrics of our banking sector. You know we sat down, you know the famous CAMO? You know capital adequacy, asset quality,

management, and all these? And I found we are doing much better than many other countries. Our banking sector was very solid; regulation was fantastic, maybe a bit over regulation. But I was concerned about the secondary effects in terms of the impact on the real sector -- what would happen? And so for me the defining moment was -- I decided then to convene the African finance ministers and governors of central banks -- everybody who matters in the economy. How can we do the right thing? We've done damage to our countries, and what can the bank do? And it puts in place a strategy which has worked very very well. For me that was a defining moment. In other words, Africa had reached a point where our resilient capabilities and the strengths of the institutions were such that we can actually manage such a huge external shock.

Second defining moment, the Tunisian Revolution, because I think the students will have a big laugh, because all of us, The World bank, African Development Bank -- the head of Tunisian model is -- this is how development happens. And suddenly I've got millions of kids in the streets, okay? And they're questioning things out there. For my Tunisian finance minister was here, was in my office. All of us were caught by surprise. Let's face it, well through, pull back, eat humble pie and think, what is it we've done wrong here. And I would call it within work done as these programs support the Tunisian people with half a billion dollars in a program called voice accountability in billing institutions to try and figure out how to resolve some of the things that went wrong. I think also a defining moment is when you realize that you thought you knew things, and now you are prepared to eat humble pie, that in fact we got things wrong. Because international institutions have an individual form of arrogance. We think we have an answer. In this case I was happy that we are caught without answers.

And finally, the defining moment for me was that as I worked in the bank in 2005, I was the first president to be sworn in office in exile so to speak. The bank's HQ

is in Abidjan. The bank had moved to Tunisia. I swore that before I leave office, I will return the bank to its headquarters. I didn't announce it to the public because I didn't know what was happening in other countries. Now as I leave office, the bank has returned to its headquarters.

MR. SY: Thank you, you mentioned voice, I think it's a good segue to give -- to open the floor and we'll have about, a little bit less than 15 minutes to questions, so I have one question here, two on the left. We'll take a question on the right before I come back to the left. Three takers, so that's three questions to start with.

MR. AQUATE: Thank you very much, Mr. President, my name is Niam Aquate, I'm from Ghana. I was wondering if you will share with us what you plan to do next, because your record is impressive, and we need all the talent in Africa, not to sideline some of them. But my real question, I was excited about what you said about Tunisia, because I am democracy activist, and I was hoping when you said you wouldn't give advice publically, I was going to implore you to give the advice publically, so that the African citizens will know how to hold the bank accountable. Give them the private advice, but also tell us on the streets what we should look for and how we should hold them accountable. Thank you.

MR SY: A second question on the left there, and then the third here.

MR. HERTZLER: Thank you, Doug Hertzler, from the NGO ActionAid. You talked about many important topics, but you didn't talk about investment and agriculture.

MR. KABERUKA: Investment and agriculture?

MR. HERTZLER: And agriculture yes. I know that the African Development Bank is considering financing a very large scale land acquisition involving involuntary resettlement in Tanzania -- a sugarcane plantation about the size of

Washington D.C. and it's maybe the first of 16 planned by Tanzania. Also, the African Development Bank is involved in the global agriculture and food security program which is a multi-stakeholder platform involving civil society which funds small holder work. I'm wondering if the bank wouldn't consider moving away from these controversial large scale acquisition projects towards things like the Gatsby of putting more resources towards the Gatsby. Thank you.

MR. SY: We'll take a third question here on the right.

MR. CLAUDE: Thank you, my name is Jean Claude, I am from DRC. My quick question is regarding resource and development. I am a highway design engineer. And I've been following a lot of roads in Africa. As you mentioned, the issue of costs to build infrastructure is a big issue, and I would like to see how the bank can help maybe decrease some of the costs of building those roads. I know many professors in Congo have been looking into different ways, NZM roads or different ways to do that. Even with energy also -- palm oil to do some power plants using palm oil. Those are research and developments that I think can be helpful. Lastly, can we help the diaspora here to come back in Africa and do work, because competition with China is really fierce and I've tried myself actually to be on some of the highway design, but I could not get any. Thank you.

MR. KABERUKA: Yes, I think to my brother from Ghana -- the reason I don't give advice to my successors in public is just good behavior, you don't do that. In any case, who am I to pretend that I have all the answers? That I have answers to all these challenges -- but if they ask for it, I provide it. But much more broadly I think that we have come to a point in the middle of the road in Africa whereby we need to demand of our governments, of our institutions, three things. Number one, that these governments must deliver the services for the people. Number two, that these governments must be clean. Thirdly, they should be accountable -- I'm not saying they should be as democratic

as the United States, or as Finland -- I'm only saying those three things the African citizens must demand and obtain. Otherwise good governments will look different. They'll have different architectures. But to demand of the governments deliver services for which they are put in office, elected, is number one. But number two, they should not steal public money, they should be clean. And number three, accountability -- for me this is where I think the African Development Bank, The World Bank, and other institutions must insist that when workers, governments, on these three are non-negotiable. Now what form will they take? They vary from one country to another.

Now, on the issue of agriculture, actually the African Development bank does quite a lot on agriculture. But it depends what you call agriculture. You know, in many of these countries, 40 percent of the produce is lost after harvest, because of poor infrastructure. So tomatoes are produced, bananas, whatever it is, but there is no agricultural related infrastructure. And so I think that we have chosen that as a starting point, let us deal with the post-harvest losses through construction of post-harvest infrastructure systems. And number two, we concluded that we cannot continue to have an agriculture which is rain based. It's okay if there's rain and there are problems when there's a drought -- water management. And then we chose to work with other institutions, like SAO, EFAT, The World Bank -- who do the other side of agriculture. But we have a reporting problem. If we look at the data from the African Bank, you would think we are doing very good in agriculture. It's an important problem. I think that from what the governments ask us to do, we are doing much more than many other people, in that area. But we have an important issue.

Now on land, I think there is now a chatter on what's considered land grab and what's considered legitimate investment. And I think those principals are now widely adopted. And we are very careful that given population increase, given

competition for water, that these countries don't alienate the land which the people will need in the future. But we need at the same to time to work on investments in agriculture. Now finally for my friend from the DRC -- by the way we are part of building this big highway, from Matadi all the way to, through the Zambian border which I think would be one of Africa's longest highways, which will open up your country dramatically, we and other funders. But here's the problem. You mentioned the cost of construction. I'm concerned about something different. We spend roughly a million dollars per kilometer of highway, I think you would agree, depending upon the terrain, but a road is supposed to last for 12 years. After the fourth year it is going to -- we will have to rebuild almost every four years. So let us begin with maintenance, another governance around infrastructure. Look at all these dilapidated electricity supply lines, so even when electricity is available -- is in production, you have got 40 percent commercial losses, 40 percent technical losses. Let us at least deal with the maintenance and governance of infrastructure, as for the rest, I agree with you.

MR. SY: So unfortunately, we are almost over. I'll just take one more, one last question, and then I'll give it to the lady at the end there.

MS. REGAN-SACHS: Hi, I'm Rebecca Regan-Sachs from TechnoServe, and I was wondering what we can do in the U.S., American government and businesses to support good governmental policies in Africa.

MR. KABERUKA: Is the question, what can we do in the U.S. to support governance in Africa's eyes?

MR. SY: Good government policies, right?

MR. KABERUKA: Here's my problem with that. Good governance is about institutions; my personal conviction that institutions can only be built domestically. I don't believe that external agents over a strange, as we used to call them, can actually

form one sound institution in other countries, in order to be sustainable. What they can do is it help what we call the area of the science of delivery. They can recognize very good policies, sound institutions, but there is no capacity -- capacity to collect taxes, capacity in public financial management, capacity in having a just system of functions. There you can help enormously, in terms of building capacities. But in terms of providing the landscape, the architecture, of what is sound institutions of governance, those things I don't think they work anymore. But that is a question of you, which is, you can help in the capacity of the science of the delivery, but the rest, the citizens of each country have to work on it. They'll make mistakes; they'll fall and rise, but it is up to them to build institutions for their own country.

MR. SY: With those words, let me thank you again President Kaberuka, it's been an honor. (applause) I would like also to thank your team who have been working very diligently, and our team and of course Kemal, Moingi, Andrew, Amy, Christina, thank you everybody for coming and I'm sure that you found it useful. Thank you. (applause)

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