



EMBARGOED: Sept. 7, 2006 12:00 Noon EST
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Interviews available with
CGD Vice President Dennis de Tray and Senior Fellow
Todd Moss

African Development Bank Should Focus on Infrastructure, says a new report by the Center for Global Development

The African Development Bank (AfDB) should focus lending exclusively on infrastructure to help boost growth in Africa, says a new report from the Center for Global Development (CGD), an independent think-tank in Washington DC.

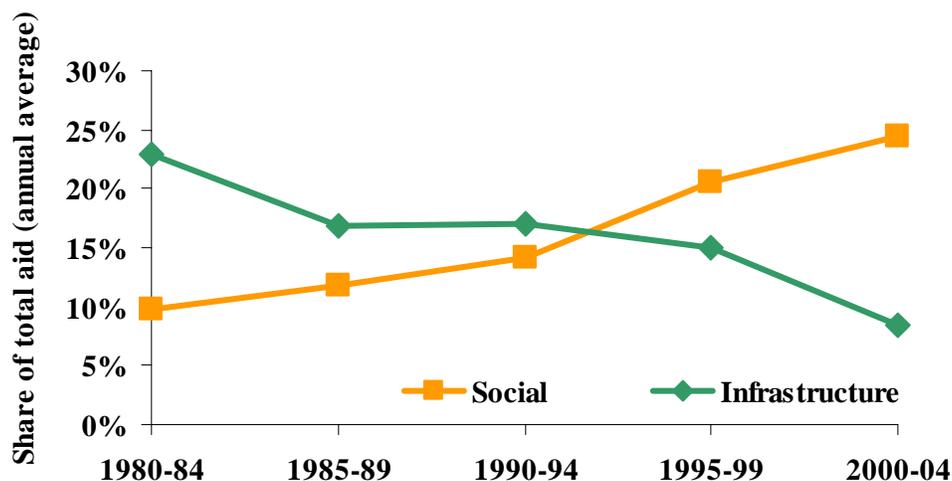
The report, *Building Africa's Development Bank: Six Recommendations for the AfDB and its Shareholders* will be presented on Sept. 7 to AfDB top management and board of directors in Tunis, Tunisia, the current site of the bank's headquarters.

The AfDB, one of three regional development banks, is recovering from a disastrous period during the mid-1990s that culminated in a forced relocation to Tunis from Abidjan as Cote d'Ivoire slid towards civil war. The Bank had new approvals worth about \$3.3 billion in 2005 and is the sixth largest source of aid for Africa.

In September 2005 Donald Kaberuka, the former finance minister for Rwanda, became AfDB's 7th President. The report recommends that that Kaberuka make boosting Africa's economic growth the Bank's primary goal. To do so, the AfDB should confine its lending exclusively on infrastructure, specifically on transportation, water, and energy investment, for the next three to five years, and continue to focus on infrastructure later, the report says.

Aid to Africa

Aid to SSA
Social vs. Infrastructure



Infrastructure includes Transport, Water and Energy.

Official aid to Africa has doubled since 2000 reaching \$29 billion in 2004, with pledges by the G8 and other donors for substantial increases in the near future. But the share of aid devoted to infrastructure has been falling since the 1980s. Despite pressing infrastructure needs—Africa is largely composed of many small, segmented economies with only weak cross-border links—infrastructure accounts for less than 10 percent of total aid.

“The Bank has tried to be all things to all shareholders and is spread too thinly. This has undermined its ability to focus and to lead,” says **Dennis de Tray**, CGD vice president and chair of the working group that oversaw preparation of the report. ***“To succeed, the African Development Bank must choose one area where it can make a real difference, and demonstrate that it can do what’s needed there well. Infrastructure is a logical choice.”***

The report argues that focusing lending on infrastructure would not mean that the Bank should remain silent on other issues of concern to Africa. ***“President Kaberuka must use his good offices to keep Africa at the center of important global issues, such as trade, agricultural R&D, and the high cost of doing business, that will affect the continent’s future”*** says de Tray ***“But leading in these areas does not, and should not, mean lending in them. The Bank can have an impact on Africa’s future even in areas in which it does not lend.”***

The report argues that the past problems of the AfDB are not just the fault of management. Responsibility lies as well with the institution’s shareholders: the rich countries and the African developing countries that are the Bank’s owners. The report recommends that these shareholders lessen the number of demands placed on the Bank.

The Bank has an 18-member board of directors which includes representatives of African borrowing countries and rich country donor governments, including the U.S., European countries, and Japan. Mandates imposed by the board require the Bank to address a huge range of issues, from gender, to environment, to agriculture and rural development, to banking and finance. The Bank has about 1,000 staff and makes loans to 53 eligible borrowing countries. Nearly two-thirds of the loans are at below-market rates.

“The shareholders have saddled the Bank with a laundry list of unmanageable and unachievable demands,” says **Todd Moss**, CGD senior fellow and Director of the AfDB project. ***“Yes, there are many sources of Africa’s slow growth, but when everything is a priority, nothing is a priority,”*** says Moss.

The report also recommends that the Bank’s internal governance change, arguing that the board should become a non-resident, non-executive body that focuses on broad strategy and only the largest loans, instead of the current situation of weekly meetings and regular votes on almost every loan. Put simply, the report says, the board should “back off” and “lighten up.”

The final recommendation is that the Bank’s shareholders quickly settle the issue of headquarters location. The AfDB is still legally based in Abidjan, while operating from a temporary headquarters in Tunis. The ‘temporary’ status is a roadblock to the recovery effort, says the report, and must be resolved soon.

About the Report

Rebuilding Africa's Development Bank is the third in a series of working group reports prepared by the Center for Global Development. Previous reports identified challenges facing the management and governing boards of the World Bank and the Inter-American Development Bank or IADB.

CGD African Development Bank Working Group Members

The African Development Bank Working Group comprised 16 members drawn from Africa and from outside the region, with experience in the public and private sectors, and with diverse perspectives on development.

Jacques Chappuis, Managing Director, Global Wealth Management

Dennis de Tray (Chair), Vice President, CGD; former World Bank official

Robert Israel, Compass Advisers, LLP

Willene Johnson, Former US Executive Director of the AfDB

Kassahun Kebede, Founder and Managing Partner, Panton Capital Group

Caio Koch-Weser, Vice Chair, Deutsche Bank Group; former German Deputy Finance Minister

Sir Tim Lankester, President, Corpus Christi College, Oxford; former UK Permanent Secretary of ODA

Greg Mills, Brenthurst Foundation

Strive Masiyiwa, Founder and CEO, Econet Wireless

Papa Ndiaye, CEO, AFIG Funds

Nelson Ogunshakin, CEO, ACE

Steve Radelet, Senior Fellow, CGD; former US Treasury Official

Maria Ramos, CEO, Transnet

Jeannine Scott, Senior Vice President, Africare

Tidjane Thiam, Group Strategy and Development Director, Aviva PLC

Ngairé Woods, Director, Global Economic Governance Programme, Oxford

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