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 do 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
Ngaire Woods, Director, Global Economic Governance Programme, Oxford

AfDB Working Group project director: Todd Moss, Senior Fellow, CGD

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