

Executive Summary

The report that follows is the third in a Center for Global Development series designed to provide external independent advice for the new leadership of international organizations. This report summarizes the recommendations of a Working Group set up to advise Donald Kaberuka, who became president of the African Development Bank in September 2005, and the AfDB's shareholders on the broad principles that should guide them as they continue the Bank's renewal. President Kaberuka inherited an institution whose financial standing has been restored, but whose operational credibility remains a work-in-progress. The next few years will be critical to the AfDB's efforts to fully recover and establish itself as a key player in Africa's economic and social development.

The challenges the AfDB faces are framed by Africa's context: historical low growth, exclusion from the global expansion in world trade and investment, and a fragmented region of 53 mostly small economies. In addition, as the AfDB continues its rebuilding efforts, it must find ways of operating effectively in a crowded aid field with many larger players.

Responsibility for the AfDB's difficult history rests on many shoulders. The combined pressure from shareholders on all sides has muddied the Bank's mission, fragmented its operations, and undermined its ability to make strategic choices. These pressures led to the near collapse of the Bank in 1995 and to a development agency that is today struggling to reassert itself as a principal player in African development.

The Working Group came up with six recommendations, divided equally between management and shareholders, reflecting the shared nature of this responsibility. The recommendations are based on the belief that the Bank's first challenge is to rebuild its operational reputation; it should do this by focusing on a single sector in which it has some comparative advantage, and only after it has built competence in this area should it consider taking on additional responsibilities.

Recommendations for President Kaberuka

1. Define your future: Promoting economic growth should be the Bank's primary objective.
2. Hone your operation skills: The AfDB needs to specialize in one area that supports economic growth. Infrastructure should be the Bank's focus because it is one of the most serious constraints to growth and a sector where the Bank can make a difference.
3. Lead, but don't lend, on key regional issues: The AfDB's role is much greater than its own operations. The President must use the authority of his office to provide an African voice on critical regional and global issues.

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Recommendations for shareholders

1. Back off: The number and scope of shareholder demands must be reduced. Shareholders are notorious for creating laundry lists for the multilaterals, but such demands are especially damaging for the AfDB. Shareholders must give management space and time to implement the strategy.
2. Lighten up: Transform the Board into a non-executive, non-resident body. The costs, financial as well as staff and management time, of resident executive boards are being questioned in other multilaterals, and the problem is even more acute for the AfDB.
3. Confront the location issue: The unsettled “temporary” headquarters status is a roadblock to a successful future and this uncertainty must be resolved as soon as possible.

The window for President Kaberuka and the shareholders to take these bold steps is narrow and will close rapidly. The opportunity now before the institution to complete its recovery must not be lost.