Ten Top Questions about the African Development Bank

1- What is the African Development Bank (AfDB)?

The AfDB is a public development bank that provides both grants and loans to African governments and the private sector. The Bank's mandate is to *"help reduce poverty, improve living conditions for Africans and mobilize resources for Africa's economic and social development".*

The AfDB is one of the regional development banks, together with the Asian Development Bank (AsDB), the European Bank for Reconstruction and Development (EBRD) and the Inter-American Development Bank (IDB). Regional development banks in general have the reputation of greater legitimacy in the countries where they operate, compared to the World Bank and the IMF. The increased international emphasis on Africa's development needs in recent years and on the importance of infrastructure investment in Africa has highlighted the role of the AfDB. Bilateral donors, like the Netherlands, invest in the AfDB in order to strengthen and support African ownership of local development processes. Although it is true that receiving countries have more voice and voting power at the AfDB than at the World Bank and the IMF, western donor countries still have a great say and engagement with African civil society is very limited thus far.

Like the World Bank, the AfDB is a "Group" that consists of three independent but interrelated institutions, or lending arms: the AfDB, the African Development Fund (ADF) and the Nigeria Trust Fund (NTF),. They will be discussed in more detail in section 3.

2- When and why was the AfDB created?

The AfDB was created in 1963 in Sudan by 23 newly independent African countries as part of the pan-African movement at the beginning of decolonization in the mid-twentieth century. It was created as an institution that would contribute to the development and unity of Africa. The AfDB's headquarters were opened in Abidjan, Côte d'Ivoire, in 1965 and operations started in 1966. Since 2003, due to political instability in Côte d'Ivoire the AfDB temporarily moved to Tunis, Tunisia.

The two concessionary windows – ADF and NTF – were established respectively in 1972 by the AfDB and 13 non-African countries and in 1976 by the Federal Government of Nigeria. After the oil shocks of the 1970s, African governments found it increasingly difficult to contribute money to the AfDB. As a result, in 1982 the AfDB's charter was changed and non-African countries were invited to become full members. To maintain the AfDB's "African character," it was decided that non-African member countries would be allowed to hold no more than one-third of the total voting shares, the AfDB's president would always be African, and the AfDB's headquarters would always be in Africa.

Latest update: 21 December 2009

During the 1990's the AfDB's unsatisfactory standards and practices lead to a downgrading of its rating, thereby increasing interest rates for the Bank, having a deep effect on its financial stability. The Bank made efforts to restore its credibility and by the end of Kabbaj's presidency in 2005 rating agency Standard and Poor's gave the Bank a triple A rating. Under current president Kaberuka the AfDB is well positioned with a recovered reputation and a comparative advantage in the region.

3- How is the AfDB structured?

3.1 The AfDB's funding windows

Each of the three institutions constituting the African Development Bank has a different focus.

African Development Bank

The African Development Bank provides non-concessional loans at or near market rates to middle-income countries – thirteen at the moment.[1]

African Development Fund

The African Development Fund (ADF) provides highly concessional loans (with very low interest rates and long repayment periods) as well as grants to low-income countries that cannot borrow at market rates. These include thirty-eight low-income countries, as well as two "blend" countries[2], i.e. countries that are able to borrow from both the Bank and the Fund's lending windows. The ADF in 2008 had a portfolio of approved projects worth US$2.6 billion.[3]

Nigeria Trust Fund

The Nigeria Trust Fund is the smallest of the three arms. It is funded by the Nigerian government, out of its oil revenues. It provides low rate loans (2 to 4% interest) to low-income countries whose social and economic contexts require financing on non-conventional terms. The Fund expired in 2006, and has been inactive despite a two-year extension. After a year-long assessment of the Fund in 2007, the Nigerian government has agreed to extend the life of the Fund for an additional ten years.

3.2 Governance

The AfDB currently has 77 members, 53 from African countries and another 24 non-regional members. The Board of Governors, the highest-ranking decision-making body at the AfDB, is constituted of mostly senior officials from the finance or economic ministries of each member country. The Board of Governors meets annually (typically in May) to take leadership, governing and strategic decisions. African countries control 60% of the voting power of the board while non-regional members control 40%. The Board of Governors elects 18 members (12 regional and 6 non-regional members) to compose the Board of Directors, which runs the everyday operations of the AfDB. They are elected for a 3-year period and are housed at the headquarters of the Bank. The Board of Governors also elects the

[1] ADB Statistics Pocketbook 2009, Chapter II, Data on the Bank Group, p.131, http://www.afdb.org/en/knowledge/publications/the-adb-statistics-pocketbook-2009/
[2] Nigeria and Zimbabwe
[3] The African Development Bank and Water Satitation Sector Primer, FAN

president of the Bank for a 5-year period with the possibility of one re-election. The president chairs the Board of Directors and is chief of staff. He or she elects the vice-presidents and manages the daily operations of the Bank in consultation with the governors. The current president of the AfDB is Donald Kaberuka, former Minister of Finance in Rwanda.

The AfDB voting rules are designed to allow regional member countries to shape the assistance they receive from the AfDB to fit their interests and needs, rather than those of the non-regional donor countries. The regional member countries hold two-thirds of the voting power in both the Board of Governors and the Bank's Board of Directors. The voting scheme at the AfDB is in line with its "African character" : Nigeria wields the greatest voting power at 8.739%, while the United States comes in second with 6.366%. Although this distribution of voting power is seen by some to symbolise Africa's ownership of development assistance from the AfDB,[4] there is another dimension to the power play within the AfDB's structure. While non-African donors indeed do not hold a majority voting share on the Board of Directors, they actually exercise their influence at times of the 3-yearly ADF replenishments. They can contribute or withhold funds depending on whether the operational and strategic directions of the Bank are in line with their priorities.

4- Where does the AfDB get its funds and how does its total lending portfolio compare to other donors in Africa?

Official Development Assistance (ODA) volumes to African low-income countries have increased significantly over the past few years, rising from net disbursements of US$ 22 billion in 2000 to US$ 36 billion in 2007. This was partly a result of debt relief initiatives, but also for a part related to a real increase in ODA to core development programs. Still, ODA volumes remain below donor commitments and the real needs for African countries to meet the Millennium Development Goals. The financial crisis is expected to increase these needs.[5]

China is playing an increasing role in Africa, though - according to the IMF - there are few data available on the growing Chinese presence in Africa in terms of aid, debt and direct investment flows. Aid and direct investment from the Gulf countries have also risen in 2007 especially in infrastructure, hotels, and real estate in West Africa.[6]

Table 1: Top 10 ODA Donors to Africa and Net Average Annual ODA Flows, 1998-2007 (x US$ million)

Bilateral Donors	US$ million	Multilateral Donors	US$ million	Overall Donors	US$ million

4 Governance and Accountability: The Regional Development Banks, Carrasco, E.R., e.a., Boston University International Law Journal, Vol. 27, No. 1, 2009, p.11, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1288764,

5 The New Role of the African Development Fund in the Changing Aid Architecture, Background Paper, ADF 11 Mid Term Review, October 2009, p.i

6 http://www.africaneconomicoutlook.org/en/outlook/international-environment/official-development-assistance-oda/

France	3599	IDA	3476	France	3599
United States	3507	EC	3342	United States	3507
United Kingdom	2516	ADF	831	IDA	3476
Germany	2018	Global Fund	314	EC	3342
Netherlands	1291	UNICEF	269	United Kingdom	2516
Japan	1157	WFP	250	Germany	2018
Norway	779	UNHCR	239	Netherlands	1291
Canada	726	UNDP	237	Japan	1157
Denmark	714	IMF (SAF,ESAF,PRGF)	191	ADF	831
Italy	706	UNTA	176	Norway	779

Source: The New Role of the African Development Fund in the Changing Aid Architecture, Background Paper, ADF 11 Mid Term Review, October 2009, p.23

Table 1 shows that the AfDB still represents a relatively small source of development finance for Africa, but it is taking on an increasingly significant role. The AfDB raises its funds from different sources. Because of its triple A rating the Bank is well positioned to sell bonds in the market, including the African market. Moreover, it receives contributions from its donor countries and repayments with interest rates from its borrowing members. The ADF is replenished every 3 years. The eleventh replenishment was concluded in December 2007 with a record replenishment level of UA 5.9 billion (US$ 8.9) for the Fund's activities in the period between 2008 and 2010, which represents a 52 percent increase over the ADF-X level.[7] The Bank also engages in co-financing with multilateral and bilateral donors and in the private sector with private banks and equity investors.

Table 2: Approved operations, 2008

	Unit of Account x 1 million	US$ x 1 million
AfDB	1.810	2.788
ADF	1.670	2.572
NTF	28,2	43,4
Special funds	28,2	43,4
TOTAL	3.536	5.446,8

Source: AfDB Annual Report 2008, p. x

The AfDB approved 133 operations with a total value of almost US$ 5,5 billion. This is a considerable amount: in comparison, the World Bank committed US$ 8,25 billion in financial year 2009 to support 99 projects in Africa. The largest part of this amount (US$ 7,89 billion) came from its soft-loan window IDA. It is however hard to compare these statistics due to differences between approved and disbursed projects. Although there is improvement, the AfDB's disbursement rate is still very slow (32% in 2009)[8] and lower than in other

[7] AfDB Annual Report 2008, p.xii
[8] AfDB Financial presentation 2009, p.4, http://www.afdb.org/en/documents/financial-information/financial-presentations/

multilateral development banks. AfDB numbers therefore need to be interpreted with caution.

In the meantime, the African Development Bank (AfDB) plans to significantly increase its annual lending to US$11 billion to help countries address the current financial and economic crisis. This was announced by president Kaberuka on the margins of an IMF conference on creating successful partnerships for Africa's economic growth.[9]

5- What is the division of labour between the AFDB, the World Bank and other International Financial Institutions?

Through its International Development Association (IDA), the World Bank annually approves about three times more in low-interest loans and grants to Africa than the AfDB does. In many areas of work, the AfDB relies on World Bank research and analysis. As a larger institution and with its more extensive staff capacity,[10] the World Bank also often takes the role of lead financier on joint projects and usually attracts more attention than the AFDB.[11]

In theory, the AfDB should be an independent bank in which African policymakers have a major say. In practice, however, the AfDB narrowly follows World Bank policies. Although the World Bank is stronger in many respects, the AfDB has started building up its own niche and reputation, but it does not yet stand out as the premier development finance institution in Africa it aims to be.

In practice, the World Bank and the AfDB cooperate at the general policy as well as country level. In 2000 the two multilateral development banks singed an MOU outlining a strategic partnership for their work in Africa. This MOU was revised in 2002 make it more operational. After a high-level meeting in Tunis in December 2003, the two institutions drafted a set of action plans that delineated their planned cooperation in a set of sectors/themes (capacity building, governance, harmonization, HIV/AIDS, infrastructure, regional integration, staff development and water) and countries (Benin, Burundi, DRC, Egypt, Ethiopia, Ghana, Madagascar, Mozambique, Sierra Leone and Uganda).[12]

During 2008, the AfDB approved 31 cofinancing projects with a total cost of UA 8.05 billion.[13] The AfDB's contribution amounted to UA 1.46 billion (or US$ 2.25 billion), representing about 40% of the AfDB's portfolio. The main cofinanciers were: the World Bank, the European Union (EU), the International Monetary Fund (IMF), and the European Investment Bank. Bilateral cofinanciers were the United Kingdom, the Netherlands, France, Sweden, Canada, Arab institutions, Germany, Ireland, and Denmark.

[9] http://www.afdb.org/en/news-events/article/afdb-will-need-a-capital-increase-by-2011-to-address-the-financial-crisis-and-its-development-mandate-says-afdb-president-4386/
[10] The World Bank has more than four times the number of staff working on any given project.
[11] http://en.wikipedia.org/wiki/African_Development_Bank
[12] http://go.worldbank.org/11279HA2U0
[13] AfDB Annual Report 2008, p.36

6- What are the main strategic sectors the AfDB invests in?

In its 2008-2012 Medium Term Strategy the AfDB defines its priority sectors. These are infrastructure, private sector lending, regional integration and governance.

In 2008, the AfDB's lending was mainly concentrated in the infrastructure sector, to which the AfDB dedicated 44.5% of its loans and grants. This category includes power supply, water and sanitation, transport and communications. This focus on infrastructure has existed since the AfDB's inception, but continues to get stronger and this support will continue over the coming years. In 2001, the AfDB was asked by the New Partnership for Africa's Development (NEPAD) to become the lead agency to facilitate "NEPAD infrastructure initiatives", which are regional integration projects. This mandate increased the AfDB's legitimacy as leading institution on infrastructure as well as its profile in the media.

The AfDB's focus on infrastructure should be eyed critically: does it support infrastructure projects that mainly benefit the poor, or does the AfDB support large-scale projects that have dubious effects on poverty alleviation and are likely to contribute to environmental damage and human rights abuses? The fact that the AfDB is supporting large dams, often together with the World Bank and European Investment Bank, as is the case for the Bujagali dam in Uganda and the Inga dam in the Democratic Republic of Congo (currently still in a planning stage), casts doubts on the positive contribution of the AfDB in this regard.

The next largest sector is formed by multi-sector operations, referring to loans for various policy reforms or general budget support for a government. Following global trends in development finance, the AfDB has considerably decreased its engagement in the agricultural and social sectors over the past years.

Table 3: Bank Group loans and grants approvals by sector (%)

Sector	FY 2008	FY1967-2008
Finance	9.4	12.9
Social	7.1	10.9
Multi-sector	23.0	15.2
Industry	8.7	5.5
Agriculture	5.2	16.1
Infrastructure	44.5	38.9
Other sectors	-	0.39

Source: AfDB Annual Report 2008, p.47

7- Which countries are major AfDB borrowers?

Northern African countries are historically the major AfDB borrowers and they continue to be, absorbing 30% of the total loans and grants approved by the AfDB Group. In 2008, Egypt, Tunisia and Morocco formed the top-3 destination countries for AfDB loans and grants. Jointly the were good for 25% of the Bank's approvals.[14]

Table 4: Bank Group loans and grants approvals by sub-region (%)

Sector	FY1967-2008
Central Africa	9.4
Southern Africa	15.7
East Africa	16.3
Multiregional	5.3
West Africa	22.6
North Africa	30.7

Source: AfDB Annual Report 2008, p.47

Of the total amount lent to North African countries between 1967 and 2007, only 4.2% came from ADF concessionary resources, the bulk being from AfDB non-concessionary sources. North Africa is to the AfDB what East and West Africa are to the ADF. According to the AfDB website, "the absorptive capacity of Algeria, Egypt, Morocco and Tunisia have contributed in sustaining the AfDB's loan portfolio and credibility, thereby indirectly assisting the institution's credit rating and overall resource mobilization, including non-concessionary resources for Bank Group operations in other regional member countries."[15]

8- What are the main criticisms on the AfDB?

AfDB not a uniquely "African" Bank

The AfDB is in many ways a "clone" of the multilateral financial institutions. Its criteria for project selection give priority to return on investment over the satisfaction of the basic needs of the African populations and has adopted neoliberal theories. Instead, it would be expected to be autonomous relative to the other multilateral institutions, in its thinking as well as in the design of its economic policies. This could be promoted by integrating the contributions of African researchers and social movements into its policies. The institutionalization of civil society participation in the activities of the AfDB may contribute to the changes that are called for.[16]

Engagement with African civil society

One of the main reasons for the AfDB to have a legitimate role to play in financing African development, is the fact that it is a real "African" bank. This implies strong accountability to and engagement with civil society. The AfDB therefore states that it "takes participatory development seriously" and president Kaberuka has shown his commitment to engage with civil society by convening a few meetings with civil society representatives over the course of 2009. But as of yet there are no formal consultation procedures in place, nor a civil society organizations team at the AfDB. The World Bank is a step ahead in this regard and further

[14] ADB Statistics Pocketbook 2009, Chapter II, Data on the Bank Group, p.135, http://www.afdb.org/en/knowledge/publications/the-adb-statistics-pocketbook-2009/
[15] http://www.afdb.org/en/countries/north-africa/
[16] Declaration of the Forum of the African Development Bank, Dakar, May 2009

pressure is needed to ensure that the first steps in engaging with civil society, which have been set over the last year, will lead to a more open and participatory AfDB.

Transparency and Information disclosure

The AfDB's information disclosure policy, released in 2004, although it holds some positive aspects, lacks a real commitment to transparency. It supports the Bank in withholding some important documents and information from the public domain, such as full Environmental and Social Management Plans for projects with most social and environmental impacts, contact information of its Executive Directors, Executive Board meeting minutes, summaries and transcript and a number of other relevant categories.[17]

Development model

Does the AfDB contribute to sustainable development in Africa? This question needs to be asked when considering the needs of Africans and the strategies chosen by the AfDB to address these. The focus on infrastructure, to which almost half of all its funding is going, asks for a very serious consideration of whether the types of projects supported by the AfDB are the ones that benefit local populations most..

9- Where can I find more information on the AfDB and how do I stay up-to-date?

African Development Bank

www.afdb.org

AfDB 2008-2012 Medium Term Strategy, http://www.afdb.org/en/about-us/afdb-medium-term-strategy

Bank Information Centre

http://www.bicusa.org/en/Institution.1.aspx

Examining the African Development Bank: A primer for NGOs, May 2007, BIC

Freshwater Action Network

http://www.freshwateraction.net/web/w/www_234_en.aspx

African Development Bank Primer, FAN, e.a.

Google group on AfDB

A CSO advocacy group on AfDB has been established during the AfDB Annual Meetings in 2009. To sign up to the google group, send an email to: afdb@googlegroups.com

10- How can AfDB projects/decisions be influenced?

Whereas the World Bank has been receiving attention from civil society, press etc., the AfDB has been able to operate almost unnoticed. With its increasing role in African development,

[17] http://www.bicusa.org/en/Article.1385.aspx

this is starting to change. Please find below some suggestions to engage in policy influencing at the AfDB.

AfDB Annual meetings

The Annual meetings are an excellent opportunity to gather information, get insight into the strategies and priorities of the AfDB and meet relevant decision-makers. AfDB's Annual meetings have been open to civil society to a limited degree. At the same time, president Kaberuka himself has shown he takes the relationship with civil society seriously, by convening meetings with civil society representatives. To find out when and where the next Annual meetings are organized, see: http://www.afdb.org/en/annual-meetings/

Target relevant decision-makers

To obtain information or influence the Board's decision-making, it is good to establish contact with the Executive Director (ED) for your country's constituency or donor governements' EDs who are sensitive to pressure on particular issues.

Both ENDS has established contact with the ED for the Dutch constituency at the AfDB as well as the AfDB coordinator at the Dutch Ministries of Foreign Affairs. Please contact Anouk Franck at Both ENDS (af at bothends.org) in case you there are issues related to AfDB that you would like to see discussed at these meetings.

Independent Review Mechanism

The AfDB's Independent Review Mechanism (IRM), which came into existence in 2004, allows individuals, groups, and other civil-society stakeholders harmed by AfDB projects to allege that the institution failed to comply with its own policies and procedures in pursuing a particular development project. To find out more about the IRM, how to file a complaint and who to contact, see:
http://www.afdb.org/en/about-us/structure/independent-review-mechanism/