

The Role of the AfDB and the Future of Africa

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CSIS is in the process of conducting an exercise to evaluate the comparative advantages of multilateral development banks (MDBs) and to provide ideas of strategic priorities for these institutions. The institutions considered in this series include: the [World Bank](#), the [Inter-American Development Bank \(IDB\)](#), the [Asian Development Bank \(ADB\)](#), the [European Bank for Reconstruction and Development \(EBRD\)](#), and the [African Development Bank \(AfDB\)](#).¹

Introduction

The African Development Bank (AfDB) Group is one of the largest development institutions on the African continent, providing both financial support and technical advice to its 54 regional, 27 non-regional countries. The AfDB has a distinct role that no other bilateral or multilateral development partner can match in generating relevant data and knowledge products, providing expert advice, and convening power to its members. As the region's premier development bank, the AfDB is a trusted partner to many African countries.

Yet, the institution is operating in a regional environment that has evolved significantly in the past 30 years. Many Africans are richer, freer, and have more capable governments now than in the past. African governments have developed greater institutional capacity and many are now able to raise more of their own domestic resources via [taxes](#) and fees to pay for basic social services. The African private sector has also developed, supplying goods and services to markets and employing millions. Simultaneously, the continent is experiencing strong demographic growth that is set to continue for the next 50 years, putting

1. CSIS released a short paper on the IDB December 2018 and on the World Bank in March 2018. Several points made in the IDB short paper emerged as a common theme in discussions around the AfDB as well. The role of the IDB and AfDB in their respective regions is similar in a few ways: they are both trusted advisors to national governments and have local knowledge and experience in the region to advise on policies, regulatory reforms, and complex financial systems during negotiations with the private sector. Additionally, their roles as stabilizers in post-conflict and fragile states support the economic reconstruction of those areas while being an important information source for their partners like the World Bank. The fact that the AfDB's budget is four times smaller than the IDB's for more than twice the population clearly shows the disadvantages the AfDB will have to overcome in the upcoming years.

pressure on countries to provide jobs and meaningful economic opportunities for youth. However, many problems, such as weak governance and pervasive corruption persist and the [OECD classifies](#) three-quarters of the countries in sub-Saharan Africa as fragile. In such a mixed development environment, institutions such as the AfDB need to offer a variety of solutions and approaches that are relevant to Africa's needs.

The AfDB has strived to adapt to this changing environment by targeting sectors where its expertise and investment can become more catalytic. The institution is currently undergoing a series of internal changes and shifting its strategy. It is also in the process of seeking a seventh capital increase. This paper discusses the changing landscape in Africa, analyzes the existing priorities of the AfDB, and identifies areas where the AfDB should place more emphasis going forward. In this paper, we address the following questions: how is the AfDB currently using its resources to help Africa tackle its developmental challenges? What comparative advantage does the AfDB hold among development organizations in the region? How can it leverage this comparative advantage to help African nations respond to future challenges? These are key issues that the AfDB will need to tackle in the next decade.

The Changing Development Landscape in Africa: Current Achievements and Remaining Challenges

The environment in which the AfDB operates has changed dramatically since the late 1990s. The spread of democratization in Africa, combined with increased digitization and evolving demographics, has generated greater opportunities for private sector growth. At the same time, increased conflict and violence, pervasive corruption, a lack of good governance and rule of law, weak infrastructure development, and health challenges (such as chronic malnutrition and pandemic outbreaks) threaten to derail the progress to date.

MAJOR ACHIEVEMENTS

An encouraging sign for African economies is the spread of democracy over the last 30 years, which has created a more robust and involved citizenry. According to Freedom House's "Freedom in the World 2019" ranking, approximately [61 percent](#) of sub-Saharan African countries are "free" or "partly free" and [39 percent](#) are "not free," compared to 1990, when [40 percent](#) were considered "free" or "partly free" and [60 percent](#) "not free." Democratization has enabled citizens to participate in elections and have a voice in the direction of their countries' leadership. Citizens are increasingly demanding more from their governments and holding them accountable to promises of basic education, access to healthcare, and transparency.

Technology has contributed significantly to enabling democratic processes. In line with the freedoms that characterize democracy, today, more Africans can access the internet, use mobile phones, and share information with the world at large. The total sub-Saharan African population with internet access has almost tripled from [7 percent](#) in 2010 to nearly [25 percent](#) in 2017. Likewise, the number of cell phone subscriptions in sub-Saharan Africa has increased from [388 million](#) in 2010 to [765 million](#) in 2017, reflecting the relative affordability of cell phone plans and the increased [purchasing power](#) of consumers. By 2020, smartphones are expected to penetrate [50 percent](#) of the market in Africa. McKinsey Global Institute estimated in 2013 that internet usage in sectors such as healthcare, retail, and agriculture could contribute [\\$300 billion](#) to the region's GDP and more than [\\$300 billion](#) in productivity gains in key sectors by 2025.

The impact of the internet and cell phones will help magnify growth and prosperity in African economies. Africa will remain one of the most youthful regions worldwide in the years to come: children and youth (ages 0–24) will represent [50 percent](#) of the total population by 2050. This cohort contains the most prolific internet and cell phone users and will add millions more in the coming decades. However, a remaining

challenge is that governments can manipulate many media outlets in some form to spread false information or even shut down the internet, as was the case in Uganda with [President Museveni's reelection](#). In 2019, African countries experiencing [internet shutdowns](#) included: Sudan, Democratic Republic of Congo, Chad, Algeria, Benin, Eritrea, Mauritania, Liberia, Somalia, and most recently, Ethiopia.

Africa's population will double from [1.2 billion](#) people in 2015 to [2.5 billion](#) people by 2050. With this expected population growth, an increase in purchasing power will present a new consumer base and create business opportunities for companies around the world that are looking to expand their reach to untapped markets. Africa's middle-class population was estimated at around [350 million](#) people in 2010, an increase of [130 million](#) since 2000. It is [projected](#) that by 2030, most African countries will have majority middle-class populations—with greater purchasing power and improved overall livelihoods—with Ethiopia, Nigeria, and South Africa in the lead.

This demographic growth represents an opportunity to tap a large pool of human resources for entrepreneurship and the development of robust labor markets. With the right set of policies and investments, countries will be able to [accelerate their growth](#) and job creation. African nations will also be challenged to expand the provision of healthcare and education, infrastructure, public services, and reliable energy to their citizens. Governments will need support from organizations like the AfDB to ensure that their countries are pursuing the right policies to generate economic opportunities for their growing populations.

REMAINING CHALLENGES

Yet opportunities for progress in the continent are hampered by economic turmoil, political instability, and conflict. Of the 59 countries globally that the OECD labels as fragile contexts, 35 are in sub-Saharan Africa, representing 76 percent of the countries in this region.² Instability coupled with [few opportunities](#) for economic mobility forced [36.1 million](#) Africans to migrate in 2017. If these challenges are not addressed, the number of African migrants will continue to increase, putting pressure on the international community and host countries to integrate growing numbers of people and potentially disrupting the economic and political development of neighboring countries.

Additionally, weak governance and the absence of rule of law have often been cited as primary deterrents to private investment on the African continent, limiting economic and social development. On average, sub-Saharan African countries rank around the [30th percentile](#) on the Worldwide Governance Indicators, with all indicators declining slightly in the last ten years.³ The [main disincentives](#) for investors are risks associated with unfavorable macroeconomic policies, political instability and pervasive corruption. The latest Corruption Perceptions Index presented an average score of [32 out of 100](#) for sub-Saharan Africa, lower than any other region assessed. The African Union has taken the initiative on this and declared 2018 as the [African Year of Anti-Corruption](#). For private investment to occur, businesses require clear, predictable, transparent, and enforceable laws to provide stability and confidence. Hence, building strong institutions, upholding the rule of law, and fighting corruption must be top priorities for every development actor (multilateral and bilateral donors) involved.

Coupled with the “institutional infrastructure,” African governments will have to find ways to expand their hard infrastructure—roads, energy grids, water provision, and sanitation—to keep pace with a growing population. According to the AfDB's estimates, the continent needs between [\\$87 billion and \\$112 billion](#)

2. Per the OECD, there are five dimensions to fragility: economic, political, environmental, societal, and security. According to the UN Development Program, there are 54 sub-Saharan countries.

3. The six indicators are: voice and accountability, political stability and absence of violence/terrorism, government effectiveness, regulatory quality, rule of law, and control of corruption.

of additional financing for infrastructure annually to meet people's needs. A main challenge within infrastructure is the lack of reliable energy generation for the region. Access to electricity has improved but remains feeble, with only **42 percent** of sub-Saharan Africa with access in 2017. Public finance alone cannot close the funding gap and new sources of capital from the private sector (tapping both local and foreign savings) will be instrumental to achieving **UN Sustainable Development Goal #9**, which centers on building resilient infrastructure.

Finally, the health of the population presents a major challenge ahead. Sub-Saharan Africa has the highest proportion of undernourished people in the world—**one in four are chronically hungry**. The number of undernourished people in Africa rose from **200 million** in 2015 to **224 million** in 2016, mainly due to the proliferation of violent conflict and adverse climatic conditions. Population growth will mean more mouths to feed and will further aggravate the current situation. The effect on Africa's wellbeing is crippling, as malnutrition often disproportionately affects children, stunting physical growth and cognitive development.

As was the case in the 2014 **Ebola virus outbreak**, poor public health infrastructure contributes to the proliferation of disease, while weak health systems and an inability to respond increases the difficulty of containing outbreaks. In addition to inadequate protective and disinfectant measures and insufficient treatment facilities, detection, isolation, and monitoring tools are also lacking on the **continent**. These factors are detrimental to effectively protecting the population against the outbreak of diseases, but the reigning **fear** among people during such crises also plays a role in the failure of containment.

The changes taking place in Africa require revisiting the kind of tools and approaches that the multilateral development bank (MDB) system, and in particular, the AfDB, deploys to help countries strengthen governance and rule of law, create meaningful job opportunities, and bolster the private sector. This includes rethinking and redefining how different development organizations work together and in partnership with African governments, what their comparative advantages are, and what changes are needed going forward.

The AfDB's Current Role in Africa

Founded in 1964, the AfDB is comprised of three entities: the African Development Bank (ADB), the African Development Fund (ADF), and the Nigeria Trust Fund (NTF). As the continent's premier multilateral development institution, the AfDB has a multifaceted role. The AfDB operates in 55 countries and has **35 country offices** in Africa working on topics such as health, education, infrastructure, and natural resource governance. The AfDB provides loans and equity investments to its regional member countries based on various eligibility criteria. Beyond financial resources, the **AfDB** provides valuable assets, including data and knowledge, expert advice, and convening power.

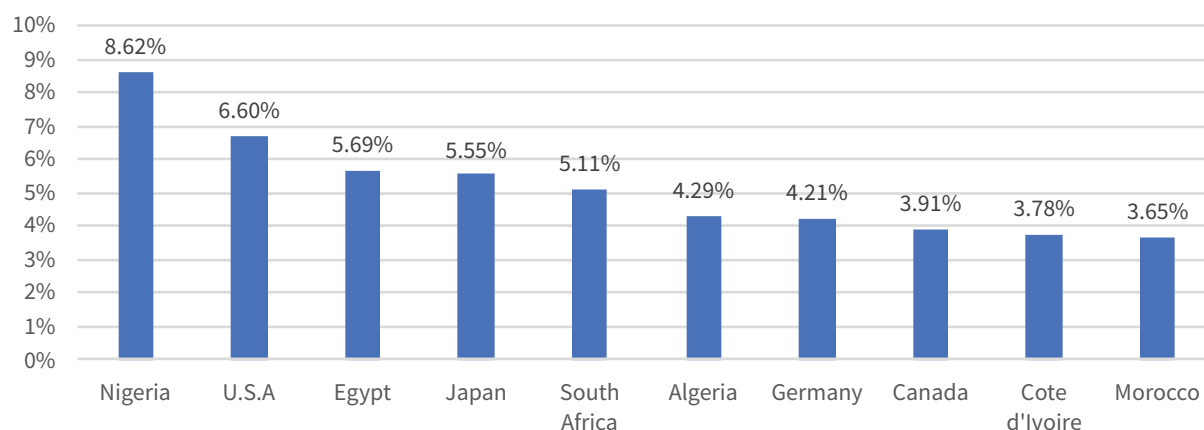
In 2018, the AfDB approved a total of **\$7.1 billion** (5.13 billion UA) in commitments, of which \$2.3 billion (32 percent) was for non-sovereign operations.⁴ The AfDB's **largest programs** (based on loan disbursements) in 2018 were in Egypt, Cameroon, Nigeria, Morocco, and Tunisia. The AfDB also provides technical assistance to governments to facilitate the development of projects and programs. As a key development actor in the region, the AfDB promotes public and private capital investment for development. Lastly, regional member countries can access the AfDB's expertise when designing development policies.

The ownership structure of the AfDB is skewed towards regional shareholders, pulling the institution in different directions and potentially making it more difficult for the AfDB to set priorities in the continent.

4. Exchange rate for 2018: 1 UA = 1.39079 USD.

As of February 2019, 11 of the top 20 shareholders were regional members, representing **41 percent** of the vote, while the total percentage of the vote held by non-regional members has consistently been around **31 percent**. The United States is the largest non-regional shareholder in the AfDB, accounting for **6.6 percent** of total shares.

Figure 1: AfDB Shareholders, Voting Power Percentage



Source: “Distribution of Voting Power by Executive Director Statement of Voting Power as at 31 July 2018,” African Development Bank, <https://www.afdb.org/en/documents/document/afdb-statement-of-voting-powers-as-at-31-july-2018-103833>.

ACHIEVING THE AFDB’S STRATEGIC PRIORITIES

The AfDB is currently implementing a **10-year strategy** for 2013–2022, focused on two objectives: i) inclusive growth and ii) green growth for Africa, which means prosperity that is more equally shared and meets the needs of present generations without compromising the well-being of future generations. This also involves considering social, economic, and environmental aspects in the development of countries. To achieve these objectives, the AfDB has set five operational priorities (infrastructure development, regional economic integration, private sector development, governance and accountability strengthening, and skills and technology training) and three areas of special emphasis (fragile states, gender, and agriculture and food security).

In 2016, the AfDB revised its 2013–2022 strategy and operational priorities to include the “**High 5 Goals**”, which are five priority areas intended to align the AfDB’s strategy with the Sustainable Development Goals (SDGs):

1. Light Up and Power Africa,
2. Feed Africa,
3. Industrialize Africa,
4. Integrate Africa, and
5. Improve the Quality of Life for the People of Africa.

The “High 5 Goals” were followed by a disbursement of **\$6.6 billion** (4.37 billion UA) for 2018, of which 75 percent was for non-sovereign operations. These numbers are similar to the World Bank’s (IBRD and IDA), which in 2018 disbursed **\$8.9 billion** in Africa. In 2018, Light Up and Power Africa operations totaled **\$1.9 billion** (1.39 billion UA), and Feed Africa operations totaled **\$1.8 billion** (1.3 billion UA), followed by **\$2.2 billion** (1.61 billion UA) in approvals for Industrialize Africa projects, which represented a 15 percent increase from 2017 funding levels.

The challenge with the “High 5 Goals” is that sectoral priorities are being readjusted to fit in each of these categories (Box 1). For example, “Improving the Quality of Life for the People of Africa” can encompass education, health, infrastructure, and other large sectors of the AfDB, thus leading to rebranding projects in these sectors to fit under this priority. The problem with reshaping programs to fit under these categories is that the project turns from focusing on the needs of the on the ground constituents to trying to fill the AfDB requirements. The five priorities should have stricter categorical demarcations to ensure that these priorities are more explicitly focused.

BOX 1: AFDB’S HIGH 5 GOALS

The AfDB has made a long-lasting impact in Africa by concentrating on key sectors that lack adequate investment, such as infrastructure. For instance, [transportation](#) has been and remains a priority: since its creation in 1964, the AfDB has given [\\$30 billion](#) in transportation loans and grants, financed 450 different projects in this sector, and impacted the lives of 450 million Africans. To achieve strategic investment in key sectors, the AfDB has developed a series of strategic priorities and operational strategies. The “High 5 Goals,” five priority areas integrated into the AfDB’s strategy in 2016 to further the SDGs, are the AfDB’s latest strategic priorities and have led to significant improvements in energy access, food security, industrialization, connectivity, and quality of life.

Light Up and Power Africa

One of the [AfDB’s focuses](#) is on providing modern, adequate, and affordable energy systems to meet the considerable African energy challenge through its Light Up and Power Africa initiative. The [AfDB’s New Deal on Energy for Africa](#) aims to bring universal access to energy to Africa by 2025 using on- and off-grid solutions. The New Deal on Energy for Africa focuses on several themes that hinder development in the energy sector, including creating an enabling policy environment, accelerating regional projects, and increasing the number of bankable energy projects. In 2017, Light Up and Power Africa brought electricity access to [4.4 million](#) people, and ensured that 570,000 people had new electricity connections in 2018. Additionally, 100 percent of the AfDB’s new lending on energy in 2017 was in renewables, up from 74 percent in 2016 and [14 percent](#) in 2015. These investments will bring electricity to an additional [3.8 million](#) people.

Feed Africa

Energy will be a critical component to helping African nations address challenges related to food shortages and agricultural productivity challenges. Through the Feed Africa program, which the AfDB committed [\\$1.2 billion](#) to in 2017, [19 million](#) people were able to access improved agricultural technologies. Feed Africa’s objective is to scale up agribusiness in 18 key agricultural commodity value chains. One of the key initiatives is [Technologies for African Agricultural Transformation \(TAAT\)](#), which provides “proven agricultural and food processing technologies and implementation strategies for inclusion within the Bank’s loans to Regional Member Countries (RMCs).” The United States and other donors continue to finance operations in humanitarian assistance related to food crises primarily in fragile or conflict-affected states; as new technologies and agricultural processes are utilized, supported through initiatives like the one described above, they could support neighboring states in fragile contexts. Furthermore, investing in agricultural productivity in a resource-rich environment can help enhance a country’s ability to provide for its own population and also begin to develop trade relationships with other nations.

Industrialize Africa

If countries want to increase their agricultural exports, they may look to industrial food production to produce in-demand crops in large quantities to sell to different markets globally. Moreover, financing

industrialization will be important to help businesses get off the ground and build value chains, not only in agriculture but in other sectors too. In 2017, the Industrialize Africa initiative, as part of the “High 5 Goals” at the AfDB, provided access to financial services for **210,000 small businesses**, and in 2018, enabled **1.2 million** people to benefit from private sector investment projects. Building access to finance for small businesses can help stimulate job growth and nurture the economy. Industrialize Africa’s goal is to help raise Africa’s industrial GDP by 130 percent, from \$2.2 trillion to **\$4.6 trillion**, by 2025. Making progress on these goals will be critical to boost economic development in the region.

Integrate Africa

As part of the goal to increase trade volumes to global markets, countries within Africa should also develop their own networks. Another initiative known as **Integrate Africa** has a goal to achieve regional integration, which is crucial to Africa’s economic transformation. The AfDB supports connecting Africa through trade and the movement of people. In 2018, Integrate Africa helped improve access to transport for **14 million people** and helped build or rehabilitate 312 kilometers of cross-border roads. In 2018, approvals for Integrate Africa amounted to **\$1.1 billion** (783 million UA), of which 79 percent was invested in multinational transport projects. Furthermore, the Continental Free Trade Area (CFTA)—created and signed by **44 of the 55** African Union nations—will play an important role in supporting this goal.

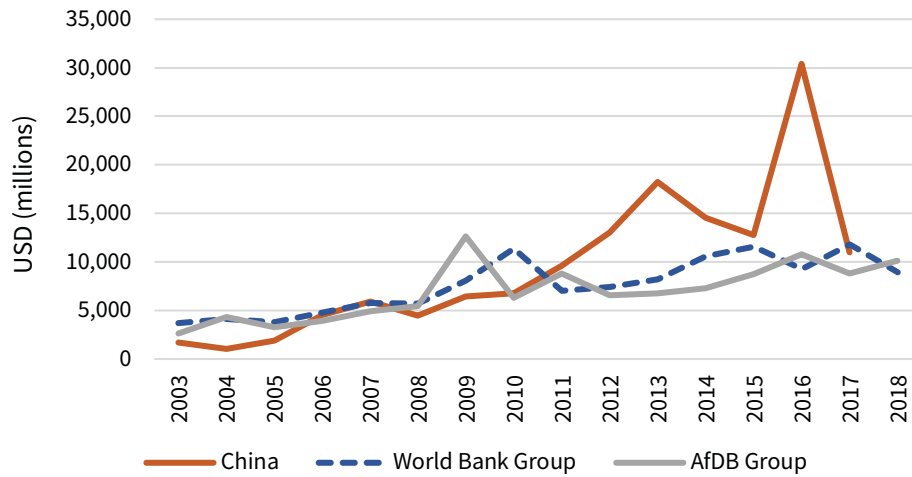
Improve the Quality of Life

The final of the “High 5 Goals”—Improving the Quality of Life for the People of Africa—encompasses a wide array of topics, such as education, health, access to water, labor market opportunities, and others, where the AfDB believes **sufficient progress has not been made**. This priority area will provide safe water and sanitation to **20 million** people moving forward and create **1.2 million** jobs. In 2018, \$3.3 billion (2.38 billion UA) was approved for this program, allowing 8.2 million people to receive access to improved water and sanitation.

THE AFDB’S ROLE VIS-À-VIS OTHER DEVELOPMENT ORGANIZATIONS IN THE REGION

The AfDB operates with other major development partners in the region, including the World Bank Group, the United States, the European Union, and increasingly Russia and China—the latter primarily through the Chinese government, but also through the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB) (Figure 2). The financial commitments China and the World Bank provide are much higher than what the AfDB can finance. However, the AfDB has a variety of valuable tools to deploy beyond financing, including data and knowledge, expert advice, and convening power. In addition, it provides technical assistance, crowds in private capital by developing catalytic partnerships, and offers flexible country-specific financial options.

Figure 2: Development Finance in Sub-Saharan Africa



Source: China Africa Research Initiative (2002–2017), World Bank Group Annual Reports (2002–2018), AfDB Annual Reports (2002–2018).⁵

To leverage its strategic and comparative advantages, the AfDB will need to consider its standing vis-à-vis other development actors and pose a series of questions: What is the AfDB’s comparative advantage over other MDBs like the World Bank? How should the AfDB collaborate with other MDBs to identify collective priorities and divide responsibilities? How will it handle other influential actors on the continent?

AfDB’s Role vis-à-vis Multilateral Partners

The AfDB has unique value in the region in relation to U.S. aid agencies, other bilateral organizations, and the World Bank Group. First, the AfDB has strong expertise and a long history of working in the continent and convening power. Second, it has local presence with 35 country offices in the region that are closely aligned with local conditions and realities. Third, the AfDB is viewed more as a peer than a donor to many African governments. The AfDB plays a critical role as a leading regional institution and a trusted advisor.

It is worth considering how the AfDB and other development institutions currently collaborate and what the division of labor among these institutions should be. Many development institutions often have overlapping projects that spread across multiple sectors. There is an opportunity for the AfDB to collaborate more closely with the World Bank in areas such as strengthening the enabling environment for private sector growth, promoting macroeconomic and political stability and rule of law.

5. 2018 data for China is not available on this database. Given the different uses of financial terms in balance sheets across their annual reports and different reporting mechanisms, it is difficult to make comparisons across the organizations. Furthermore, the data on China represents both the Chinese government, banks, and contractors (not including AIIB and NDB investments), <http://www.sais-cari.org/data>; World Bank data includes loan commitments from the IBRD and IDA, <https://openknowledge.worldbank.org/handle/10986/2127>; AfDB figures were converted from UA’s to USD with the respective conversion rates for each year, <https://www.afdb.org/en/documents/publications/annual-report/>.

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AfDB's Role vis-à-vis Bilateral Partners

In addition to the MDBs, specific bilateral partners have contributed to Africa's development through official development assistance (ODA), also known as foreign aid. The United States, for example, has funneled **billions of U.S. dollars** into Africa for several decades. One of the largest and most successful U.S. assistance programs to Africa is the U.S. President's Emergency Plan for AIDS Relief, also known as **PEPFAR**. The U.S. response to communicable diseases in these nations has saved more than **16 million people** and greatly reduced the incidence of HIV/AIDS. PEPFAR has gone from investing a little over **\$2 billion** in 2004 to just under **\$7 billion** in 2017. These efforts have helped reduce disease-related (particularly HIV/AIDS) mortality rates over the years in many African countries such as Ethiopia and Burundi. Their transformative strategies have also helped in the containment and management of outbreaks.

As conditions continue to improve, it may be appropriate in certain contexts for country governments to begin to take over the financing of basic health. In these circumstances, the United States should reassess its position around the current demands of these countries. It is becoming more common for emerging markets and governments that are better equipped to provide for their own basic needs (including healthcare and education). As governments begin to "pick up the tab" for their own basic services, it creates space for the United States and other partners to transition to projects focused on areas such as infrastructure, higher education, or agricultural productivity.

Infrastructure will be a key priority sector for coordination activities across development actors. The infrastructure financing gap in Africa is hindering many countries from expanding trade and private sector development. Programs such as **USAID's Power Africa**, which has facilitated and increased access to power to unserved communities through its 117 power projects.

China has become a big player in infrastructure development in the continent. It is the **largest provider** of bilateral loans in sub-Saharan Africa and many countries risk being trapped into unsuitable debt situations if they do not receive valuable alternatives for financing critical development projects. One example of China's financing monopoly is the **Standard Gauge Railway** station, which was financed, built, and is now operated by China in Nairobi—one of the largest infrastructure projects in the country. Overall, Kenya owes China \$5.3 billion. Certain standards, norms, and basic requirements of governments create a level playing field for donors and governments. The AfDB has a role to play in ensuring that these standards are upheld and reinforced in the countries where they operate.

Future Directions of the AfDB

The AfDB has a unique role and comparative advantage with respect to other development organizations in the region. As such, the AfDB should focus on leveraging its reputation as a trusted partner, its local presence, its ability to convene, its knowledge and expertise, and its flexibility to adapt to changing circumstances. The comparative advantages of the AfDB help make the case for i) reforming the ownership structure, ii) creating a better division of labor with other donors, and iii) refocusing the AfDB's strategic sectors.

REFORMING AFDB'S OWNERSHIP STRUCTURE

Currently, the AfDB's ownership structure is "cooperative," which means that it is pulled in multiple directions by African and non-African member nations, making it more difficult to set a priority agenda. The current [governance structure](#) gives greater ownership or voting power to borrowers in operational decisions of the AfDB. Given the cooperative structure, non-borrowers do not have as much influence or control and tend to rely on exercising their influence through voice and working together rather than through their votes. The AfDB should revisit its [voting and ownership structure](#) in order to strategically respond to the shifting development landscape in Africa and to create incentives for donors or "creditors" to provide additional resources to the AfDB for its activities when they seek a capital increase. The AfDB should also reconsider the position of their large non-regional shareholders within the bank, which are becoming increasingly vocal about the disproportionately small voting power they hold compared to their large contributions to the AfDB. If they are willing to pay, they should have larger voting shares in the bank. This will be an [important factor](#) for shareholders to discuss with AfDB management as the AfDB seeks its next capital increase.

AVOIDING DUPLICATION AND CREATING A BETTER DIVISION OF LABOR WITH OTHER DEVELOPMENT PARTNERS

The AfDB also works on a wide range of issues, which increases the chances of duplicate programs with other development actors and stretches its capacity. Some overlapping USAID and AfDB programs include the renewable energy and power access projects that are ongoing in the same countries under the auspices of these two actors (e.g., AfDB's "The Ethiopia Renewable Energy Program I (EREP-I)" project and USAID's "Power Africa" and "Scaling Off Grid Energy" projects in the same areas).

The AfDB should also seek a better division of labor with the World Bank. In 2018, the AfDB amassed approximately [\\$10.3 billion](#) (7.4 billion UA) in co-financing investments from multiple institutions including the World Bank. These institutions should seek to complement their roles in different programs rather than overlap: this would avoid inefficiencies, conflicts of interest or diluting resources.

REFOCUSING THE AFDB INTO KEY STRATEGIC AREAS

If the AfDB were to specialize in a narrower set of strategic priorities, it would enhance its impact and credibility.

Promoting Regional Stability

As a locally trusted partner by many governments, the AfDB is an asset to nations handling internal conflict and violence. The AfDB can better support fragile and post-conflict states through their [Transition Support Facility](#) by rebuilding the social contract between governments and civil society with a degree of trust that other MDBs do not possess. The AfDB can build on advising governments on how to create conditions for a stable and conflict-free society.

Providing Capacity Building for Structuring Deals

The [World Bank Doing Business 2019](#) report highlighted that several countries in sub-Saharan Africa have made noteworthy reforms related to incentivizing private sector development. The AfDB could play a larger role in strengthening institutions and, through its private sector lending arm, mobilize private capital into the region.

In this regard, one of the AfDB's most effective tools is the legal expertise that it provides to structure and negotiate commercial transactions. This expertise could be scaled to ensure these countries are receiving the best deal for their financial input. Legal support is only a small part of the AfDB's operations which it contributes through the African Legal Support Facility (ALSF). The AfDB contributed a total of [\\$17.5 million](#) in 2017 to ALSF, but it heavily depends on funding from Canada, Germany, the United Kingdom,

and other friends of Africa—the United States is a less prominent partner in it and perhaps should consider further supporting its mission. Legal expertise on the structuring and the negotiation of deals could create a virtuous cycle of investment for numerous African countries. Furthermore, this expertise can serve as an opportunity to teach technical experts in-country who can carry on the work that the AfDB initiates.

Enabling Private Sector Jobs to Meet the Youth Bulge

In the next decade, Africa's youth bulge is predicted to increase to **226 million youth (15-24 years old)**. However, a mismatch exists between the growing youth population and the opportunities available for work. In 2017 in Nigeria, there were more than 4 million unemployed post-secondary graduates. An effective way to fix this disparity is to generate an environment conducive to firm growth and entrepreneurship to provide employment for the burgeoning youth population. The AfDB's **2016 Jobs for Youth in Africa Strategy (JfYA)** seeks to address this problem by catalyzing private sector investment to create a new entrepreneurial ecosystem. The bank will, for example, launch a series of Private Sector Challenge Prizes to incentivize private sector actors to create market-based solutions for Africa's youth unemployment gap. The AfDB will accomplish this by providing on-lending to Small and Medium Enterprises (SMEs), guarantees to financial institutions, or linking the two through credit lines to boost investment. Other private sector actors are also taking initiatives towards employing Africa youth. The Mastercard Foundation is funding a project in Uganda entitled DYNAMIC. The project supports disadvantaged youth by offering access to financial services and skill-building opportunities and providing markets that will enable this youth to find entry-level jobs or pursue entrepreneurial interests in agricultural value chains.

Focusing on “Reliable” Energy

Over recent years, the European Union and the World Bank have chosen to focus their investments on renewable energies and green funds, which has put pressure on the AfDB to put more emphasis on renewables. Accordingly, the AfDB increased its focus on renewables, and **100 percent** of its new lending in energy went to renewables in 2017, compared with 14 percent in 2015. The AfDB, which specializes in developing micro-grids and traditional power grid transmissions, has readily focused more of its portfolio solely on renewables and largely divested from coal. However, renewables are often criticized for their lack of reliability and scale compared to non-renewable energy sources such as natural gas. The AfDB should push back against the non-regional members on focusing entirely on renewable energy because many AfDB regional members have both hydro and natural gas potential that is untapped. A more balanced approach to energy involving both renewables (with a focus on hydroelectricity) and non-renewables (with an emphasis on natural gas) should be adopted in the short run.

Conclusion: Supporting the AfDB's Capital Increase

The AfDB will continue to play a critical role for development in the region in the years to come. Yet it is operating in a regional environment that has evolved significantly in the past 30 years and as such, needs to rethink its role to be more effective.

In order to meet the “High 5 Goals” and keep up with the pace of change in these countries, the AfDB will require financial support from its shareholders. The AfDB is currently on its way to negotiating a **seventh general capital increase** to help achieve the five priorities it has set out. The previous capital increase was in 2010, when shareholders endorsed tripling the AfDB's capital resources to **\$100 billion**. It is still too early in the negotiations to know the amount of the next increase, when it will happen, or what shareholders of the AfDB will prioritize—details that will likely become public in the coming months.

The AfDB will need approval for a capital increase from the United States, which is its largest non-regional shareholder. There are several reasons why the United States might support a capital increase for the AfDB. First, the AfDB has proved its capacity to leverage its current balance sheet. The AfDB has published [evaluations](#) that reflect how it has delivered on its commitments in each capital increase. Second, the United States has a good relationship with the AfDB and, in turn, the AfDB is more sympathetic to the national security and economic interests of the United States, especially issues concerning fragility, global pandemics, and migration. Third, as African countries begin to move up the development ladder, the United States has a geostrategic interest in expanding trade and business transactions with the continent as well as a continued national security interest in countering violent extremism and forced migration in Africa. The AfDB could be instrumental in developing the African private sector. At the same time the United States should seek some increases in its shares in exchange for more money.

The AfDB's seventh general capital increase request to shareholders is a critical opportunity to consolidate some of these changes and reevaluate the AfDB's position vis-à-vis other development actors in Africa. The AfDB can do more for Africa's development if it places greater focus on a reduced number of strategic priorities. Moreover, the AfDB will need to think about how it can leverage its assets and collaborate more closely with other development organizations operating in the region. The challenges facing the continent require a concerted effort and coordination by country governments, the private sector, and development partners to utilize existing tools, develop new approaches, and create lasting partnerships that will build prosperity for the future.

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The author would like to thank their external reviewers and informants for their input. The author also thanks the CSIS Project on Prosperity and Development staff members, Shannon McKeown, MacKenzie Hammond and Carmen Gallego, as well as Nicolas Berlinski, Alex Seringes, and Lili Vessereau for their research support.

This report is made possible by general support to CSIS.

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