



Chapter 4

The African Development Bank in Brief





The African Development Bank Group at a Glance

Who We Are & What We Do

The African Development Bank (AfDB)⁵ Group is the premier source of multilateral financing for the African continent. Established in 1963 as a Bank for Africans, by Africans, the AfDB's mission is to help reduce poverty, improve living conditions and mobilize resources for the economic and social development of the continent's 53 countries.

History of the African Development Bank Group

The AfDB was created in 1963, in Khartoum, Sudan, when 23 newly independent African countries signed the Agreement establishing the institution. In 1964, the Agreement came into force when 20 member countries subscribed to 65% of the Bank's capital stock of US\$ 250 million. Less than two years later, the institution opened its headquarters in Abidjan, Côte d'Ivoire, and officially began operations in 1966.

African member countries provided all of AfDB ordinary capital during the first two decades. In 1982, membership was opened to include non-African countries, enabling a capital increase from about US\$ 2.9 billion in 1982 to US\$ 6.3 billion in 1983.

Since its inception, the Bank Group has provided more than UA 58 billion in development assistance to its regional member countries. With close to 3,600 operations to date, Bank Group projects have transformed the continent's



infrastructure, connecting countries and crossing borders. These projects have improved the quality of education, augmented the depth of Africa's growing financial sectors and provided the continent with a chance to compete in an increasingly global community.

The Bank Group's compelling achievements have helped build the Bank's image and credibility in international financial markets, while making possible its AAA ratings from major international rating agencies. These ratings reflect the AfDB's strong shareholder support, preferred creditor status, sound capital adequacy, and prudent financial management and policies.

As part of its medium-term strategy 2008-2012, the Bank has intensified its efforts to contribute to poverty reduction and inclusive growth in Africa. The strategy provides the framework that guides and sets direction for the Bank at a critical time for Africa. Focusing the Bank Group's efforts on infrastructure, private sector development, higher education, and governance, the Medium Term Strategy allows the Bank to respond to the continent's changing needs and circumstances. The Bank Group is emphasizing operational selectivity in order to maximize effectiveness, while contributing to regional integration efforts, middle-income country support, fragile state assistance, as well as human and agriculture development. Knowledge generation, climate change, and gender are also mainstreamed in the Bank's operations.

⁵ The African Development Bank Group (AfDB or Bank Group) consists of three related but financial independent institutions : African Development Bank (ADB); African Development Fund (ADF); and Nigeria Trust Fund (NTF). Hereafter, references to the "Bank" refer to the Group at large.

The Medium Term Strategy has proved crucial. During the food and fuel crises that commenced in 2007, and the financial crisis, which affected the continent a year later, the Strategy enhanced the Bank's capacity to deliver. Indeed, the institution's Medium Term Strategy enabled it to respond swiftly to crisis-related needs by accelerating and restructuring ongoing programs; advancing the approval of new projects; and making greater use of fast-disbursing instruments⁶. At a moment when global credit was contracting at an unprecedented rate, the Bank established an Emergency Liquidity Facility, with a US\$ 1.5 billion budget, as well as a US\$ 1 billion Trade Finance Initiative to support trade finance by African banks.

In 2009 alone, the Bank approvals for loans and grants reached an unprecedented UA 8 billion (US\$ 12.5 billion), reflecting the Bank's quick, effective, and efficient response—actions made possible by a Strategy that will continue to benefit Bank operations in the long term.

How We Are Financed

In its efforts to combat poverty and promote social and economic development, the Bank operates through three related, but financially independent institutions:

- The African Development Bank (ADB);
- The African Development Fund (ADF) and;
- The Nigeria Trust Fund (NTF).

The ADB is the parent organization of the Bank Group, comprising 78 member countries, including 53 regional countries, and 25 non-regional countries. Together, the Bank's 78 members subscribe to its capital, which, as of December 2012, stood at UA 66.98 (US\$ 102.48 billion).

The ADB provides financing to 16 of the Bank's regional member countries (13 of which are middle income and three "Blend")⁷. Through the ADB lending window, the Bank uses the capital provided by its shareholders as the basis on which to borrow from financial markets, and then on-lends these resources to eligible regional member countries. In essence, ADB funding helps middle income and blend countries to access critical development financing at competitive rates, which might otherwise not reach them.

Over the past 40 years, the ADB has for example:

- Promoted financial sector reforms in Morocco, strengthening the micro-credit sector and improving access to finance for women who constitute 66% of micro-credit beneficiaries;
- Helped provide credit in agricultural development for roughly 12,000 men and women in rural parts of Egypt; and
- Added value and improved competitiveness, as in the case of the Bank's loan to a Djiboutian cereals facility, which led to improved turnaround time in the storing and processing of cereals, empowering local and indigenous companies, creating new business opportunities, and supporting regional integration efforts.

The ADF funds on the other hand, provide concessional loans and grants to finance projects and programs, as well as technical assistance for studies and capacity building activities, in 40 low-income African countries, which represent nearly 80% of the continent's population. ADF loans are interest free, repayable over a 40-year period, and carry minimal service charges. As such, the 25 donor countries replenish ADF funds every three years⁸.

⁶ Examples of such responses include: reallocating resources from specific projects towards activities that could increase agricultural production in the short term (e.g., the purchase of fertilizer) during the food crisis, while improving rural infrastructure and increasing rice production in the long term, among other measures.

⁷ For operational and analytical purposes, the ADB Group classifies economies by their gross national income (GNI). Based on GNI per capita, countries are classified as low (2008 GNI US\$975 or less) or middle income (2008 GNI US\$ 976 or more). Middle income countries include: Algeria, Botswana, Egypt, Equatorial Guinea, Gabon, Libya, Mauritius, Morocco, Namibia, Seychelles, South Africa, Swaziland, and Tunisia. Blend countries, in turn, are ones whose income qualifies them for ADF funding (which is only accessible to low income countries) and whose international credit worthiness qualifies them for ADB financing; these countries include: Angola, Cape Verde and Nigeria.

Multilateral Development Banks

Multilateral Development Banks (MDBs) are institutions that provide financial support and technical assistance for economic and social development activities in developing countries. The term typically refers to the four regional development banks—the African Development Bank; the Asian Development Bank; the European Bank for Reconstruction and Development; the Inter-American Development Bank—and the World Bank Group. MDBs are characterized by a broad membership, including borrowing developing countries and developed donor countries, both within and outside of the institution’s region.

The MDBs provide financing for development through:

- Long-term loans based on market interest rates. To fund such loans, MDBs borrow on the international capital markets and re-lend at very competitive rates to borrowing governments in developing countries.
- Very long-term loans (often termed credits), with well below market interest rates. These are funded through direct contributions from governments in donor countries.
- Grant financing is also offered by some MDBs, mostly for technical assistance, advisory services or project preparation.

Several other banks and funds that lend to developing countries are also identified as multilateral development institutions. They differ from MDBs due to their narrower ownership/membership structure or their focus on special sectors or activities.

Through its projects, in 2011 the AfDB completed the following:

- Rehabilitated and installed 14,985 km of energy transmission and distribution lines;
- Constructed and rehabilitated 38,614 latrines;
- Constructed 6,079 educational support facilities;
- Trained 32,780 health workers and improved access to health care for over 11 million people.
- Trained or recurited over 8 million people in rural areas to use improved technology.
- Created 67,990 jobs.

For its part, the Nigeria Trust Fund (NTF) supports development projects for the Bank’s poorest members, as well as areas such as inter-African trade and financial services. Established in February 1976, NTF is a special

fund administered by the Bank on behalf of the Nigerian government, whose resources and assets are not consolidated with those of the African Development Bank or the African Development Fund.

Regional member countries can also benefit from special sources of funding—including multi-donor thematic funds, bilateral trust funds, and co-financing agreements with other development partners—which provide opportunities for technical assistance and capacity building.

Bank multidonor funds included 63 new approvals in 2012 alone, totalling roughly UA 53 million, and covering areas from water and sanitation, to infrastructure⁸. Meanwhile bilateral funds included 53 approvals amounting to UA 13.4 million. The Bank currently hosts nine co-financing projects.

⁸ These include: Argentina, Austria, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, India, Italy, Japan, Korea, Kuwait, Netherlands, Norway, Portugal, Saudi Arabia, Spain, Sweden, Switzerland, the United Kingdom and the United States of America. The United Arab Emirates is also a State Participant, bringing the total to 25 non-State participants; however it is not a non-regional member country of the Bank Group.

⁹ These funds include: African Water Facility (AWF), Rural Water Supply and Sanitation Initiative (RWSSI), Mult-donor Water Partnership Program (MWPP), NEPAD - Infrastructure project, Preparation Facility (NEPAD-IPPF), the Fund for African Private sector Assistance (FAPA) and the Congo Basin Forest Fund.

Africa's Knowledge Bank

Going forward, the Bank aims to become the "Premier Knowledge Bank for Africa," cementing its role as a leading change agent for sustainable socio-economic development of the continent. Recognizing the importance of generating, mobilizing, sharing, and applying knowledge, the Bank is undergoing reforms to

deepen its analytical capacity, build partnerships, and increase collaboration with universities, think-tanks, and relevant external institutions.

The Bank will also continue to enhance knowledge dissemination and sharing, and continually apply the knowledge it generates to strengthen its operational and development effectiveness in its regional member countries.



