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The Role of Regional Organisations in Economic Growth Among Developing Countries: A Case of the AfDB

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Abstract

This article seeks to examine how regional organisations in Africa are responding to the growing call for them to provide alternative approaches and models of economic development in the continent. The study interrogates the role of the African Development Bank (AfDB) as an agent of a changing global governance system and an emerging leader in Africa's development journey. The article begins by reflecting on the debate of a decline in global governance; it looks at Africa within the global economy and examines the organisational structure, contributions and changing role of the AfDB since its inception. It concludes that the AfDB finds itself in a unique position of trust among donors and African states at a time when traditional institutions are becoming less popular. It recommends AfDB adopt a number of reforms needed to help it maximise its impact on the continent.

Keywords

Regionalism, global governance, AfDB, international development, Africa

Introduction

Demand and support for global governance has augmented since the 1820s, but the last few years have witnessed incessant efforts to both limit and reverse the gains made by globalisation (Bischoff et al., 2016). Ironically, anti-globalisation sentiments emanate from segments that previously advocated for it. Brexiters'

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victory in the United Kingdom to leave the European Union, the election of President Donald Trump and his administration's rhetoric and actions to withdraw the United States from major international regimes and trade agreements, as well as growing anti-immigration in Europe, have opened up a new debate as to whether it is time to declare globalisation 'dead' (Crabtree, 2019; Gros, 2016; Saval, 2017; Witt, 2016). The deficiency with this debate rests on the notion that globalisation can only exist when driven by Western actors and characterised by Western values and ideals. In other words, events occurring in the West form the basis of conclusions of those arguing for an end to globalisation (see Cox, 2017; Coyle, 2016; Macgregor-Bowles & Bowles, 2017).

While focus is placed on the impact of the declining interest and influence of the West, little attention is given to the growing acceptance of globalisation in other parts of the world. Developing countries, led by China, increasingly seem to appreciate opportunities brought about by globalisation and for some scholars; the change of attitude towards globalisation by developing and developed countries does not constitute a decline of globalisation (see Wade, 2010) but rather a transformation and evolution of the concept and practice. For Donnan and Leatherby (2019), globalisation is a powerful force that cannot be extinguished by current action of individuals. The active role played by regional organisations reflects the changing nature, processes and actors of globalisation as evident with the rise of China not only as an important global economic player but also as a key driver in international organisations and regimes (Dauderstädt & Stetten, 2005; Imbruno, 2016).

Increasingly, the idea of a post-Western globalisation or one dominated by non-Western actors is gaining traction (Schweller & Pu, 2011). The works of Shaw (2018), Stuenkel (2016), Pieterse (2012) and Gu et al. (2016) provide an important foundation to examine emerging trends and actors of global governance in regions such as Africa, where minimum research on globalisation has been done. With the European Union, the United States and United Kingdom facing immense internal challenges, their attention on global issues such as development is tremendously declining. For example, a 2019 report by the EU Commission indicates a fall in official development assistance (ODA) for the year 2018 compared to previous years. Similarly, Trump administration's threat to reduce funding to the United States Agency for International Development (USAID) by nearly 30% in 2017 raised serious concerns among the beneficiaries—a trend seen in current US contributions to other UN agencies and North Atlantic Treaty Organization (NATO). On the other hand, China's decline in global investment over the last 2 years is also a cause of concern since it has been a leading source of foreign direct investment (FDI) in both developed and developing countries (Mccormick, 2017; Molavi, 2019). This leaves regional development entities with an important task of guiding their respective regions to the future.

This article identifies the issue of global development as an important feature of global governance and a matter of significant relevance to the African continent. The impact of economic liberalisation on the continent has been mixed. On the one hand, countries have been able to access international capital through FDI, loans and grants and, on the other hand, most countries continue to struggle to achieve sustainable development. This has raised questions on the role of traditional international organisations such as the IMF and the World Bank, which are leading players in international development and key proponents of structural adjustment programmes that had negative outcomes in Africa (Gardner, 2008; Heidhues & Obare, 2011; Korten, 1996). Therefore, in examining the role of the AfDB, this article seeks to explore the impact of regional organisations in addressing development issues in developing countries. But first, it's important to examine how regional organisations have gained prominence by discussing the changes experienced in global governance.

Methodology

This article examines the increasing role of regional organisations in pushing for economic development especially among developing parts of the world. The AfDB has been selected as a case study for its unique structure and region of operation. With several decades in operation, the AfDB has constantly transformed to cope with emerging trends and challenges facing the continent. Whereas there is still room for improvement, and that the challenges experienced by the AfDB constitute a gap for further studies, this article focuses on the structure and achievements of the AfDB in the last four decades. It looks at the organisation of the AfDB, its priority areas of investment, its strength in comparison to other traditional international actors and concludes with a set of recommendations. Context analysis was adopted with in-depth thematic examination of secondary data. The source data was generated from the AfDB annual financial and investment reports, academic publications, government sources and media reports.

Conceptual Framework

The intense debate surrounding the future of global governance has divided commentators into two schools of thought. There are those who are convinced that the world is witnessing a slow demise of globalisation and global governance. Others believe that the world is only witnessing a change of actors and sources of authority. More so, concerns that established institutions of global governance are quickly losing authority are being supported by a number of reasons like post-Brexit referendum, Euro crisis, migration problems, rising populism, declining efficiency of traditional institutions such as the United Nations, International Monetary Fund (IMF) and the World Bank in dealing with global crises, and President Trump's pessimism and unilateralism. Similarly, loss of jobs and widening inequality in developed and developing countries represent the negative aspects of globalisation and strengthen the impression of its demise. The prolonged conflicts in Libya, Yemen and Syria, which continue to have devastating consequences, the rise of rival organisations such as the Asian Infrastructure Investment Bank and the New Development Bank, and resistance by African leaders to comply with the International Criminal Court at The Hague, are also used to demonstrate that global governance is under siege (Lenz, 2017).

Given the challenges facing traditional multilateral actors and processes, policymakers especially in developing countries are increasingly opting for regional and localised solutions engendering more decentralised units in global governance. Decentralisation of roles and authority to local and regional actors is a trend that is likely to continue in the foreseeable future for a number of reasons (Matthews, 2019). First, the nature of issues threatening the global economy and security are dynamic and require fast and effective response, which can best be achieved through regional institutions. Second, states are increasingly becoming cautious over interference with their sovereignty, resulting in deliberate efforts to push back what is seen as 'external pressure'. Third, regional organisations seem to gain more popularity given their low cost, less time in decision-making and more critical giving local states more voice in decision-making. Noteworthy, the majority of the regional and sub-regional actors have emerged to offer support to traditional international institutions and not to replace them (Mansfield & Milner, 1999).

In addition, international organisations are also increasingly becoming independent from control of a few dominant countries within the international arena and are establishing independent organs such as development banks, courts and general secretariats (Zürn, 2014, p. 52). Most of these independent organs are taking up the responsibility for negotiating, enforcing and adopting decisions on behalf of a larger organisation. This is not only seen among international bodies such as the United Nations but also in other regional organisations such as the African Union and the European Union. For example, the AfDB of the African Union, the European Court of Justice for the EU, regional parliaments for the East Africa Community and Mercosur.

The significance of these independent bodies within regional organisations seems to be underestimated as they are often not regarded as part of international organisations. Perhaps this view emanates from the conservative definition of what amounts to an international organisation that disregards the increasing role of emerging regional bodies like AfDB, and thereby invoking scepticism over the future of traditional organisations. This article maintains that the current trend is a transformation in global governance through decentralisation of not only institutions but also responsibilities and authority, and that this is not an attempt to overthrow traditional organisations. It is plausible that the increased proliferation of independent and sub-regional actors with global outreach and agenda will be witnessed in the coming years, and that more of non-Western organisations will emerge to fill in the gap created by the declining Western influence and the inefficiencies of traditional global governance architecture.

To understand the position and experience of Africa in the global governance efforts to promote development, this issue explores how the continent has manoeuvred between the Millennium Development Goals (MDGs), the Sustainable Development Goals (SDGs) and its own regional development goals and processes.

Global Governance and Economic Development in Africa

The constantly changing global economy due to factors such as technological revolution, increased trade flows and high inequality necessitates the development of new policies and approaches in dealing with these issues (Cepal, 2018). Despite various efforts at the national and international level, limited success has been registered. The world continues to grapple with inequalities as more than 1.9 billion people live below the poverty line (Mahembe & Odhiambo, 2018), rapid population growth especially among less developed and emerging economies, climate change and its impact on the environment and public health, fluctuating oil prices, changing nature of conflict and trade agenda pose a constant threat for sustainable development (Diffenbaugh & Burke, 2019; Evans, 2009; Forman & Wu, 2016).

The launch of the Millennium Development Goals (MDGs) in 2000 is one of the most comprehensive efforts to overcome the challenges in the post-Cold War era with an aim of enabling countries in the south to achieve certain social and economic goals. However, according to Easterly (2009, pp. 27–30), regions such as Africa were from the onset destined to struggle to attain the set targets given the nature of how failure and success were measured. His argument is founded on the continued sentiments raised by MDG campaigners that ‘Africa will miss all the MDG goals’, yet, in defining poverty reduction, MDGs only focused on the number of people who were elevated from the poverty line and did not take into consideration increased incomes for those already above the line. In this case, Africa did perform well with the number of people who moved from living barely above the poverty line into the middle class. Although the continent failed to meet the MDG goals by the 2015 deadline, the introduction of SDGs provided another round of global efforts to improve people’s welfare (Hanson et al., 2017; Shaw 2016; Shizha & Diallo, 2016).

Despite the increased interconnection and joint efforts to achieve sustainable development, global economic crises, especially in 2008, reveal the huge weakness and inequality in global cooperation. Scholars such as Glaser (2012), Horton (2014), Persson et al. (2016) raised concerns over the potential failure of SDGs before and after it was launched due to the lack of sufficient ‘pro-poor’ policies and insufficient commitment to provide necessary funding. Such concerns are adequate to trigger regional efforts to address concerns affecting global development. For Africa, economic development continues to be a major concern despite global efforts to reduce poverty and inequality. As the numbers show, a lot of work needs to be done. For example, the continent claims only 2.4% of the global GDP (with 17% of the global population), its share of the global stock market is 1.3% with 0.8% of the bank assets, debt security of 0.2% and foreign direct investment averaging 4% per annum (Le Pere, 2017). While the continent’s stagnation can be attributed to domestic factors, globalisation and unfair neoliberal international practices are also blamed for the development challenges (Moore, 1999).

Introduction of Structural Adjustment Programs (SAPs) in the 1990s brought optimism in the continent as donor agencies, imposed conditions that African countries were to liberalise their economies and diversify and expand their exports (see Maulani & Agwanda, 2020; Yeats et al., 1997). Advocates of SAPs blamed poor performance of African economies in the late 1980s and early 1990s on ‘adoption of wrong policies’ thereby leading to further rounds of externally recommended economic policies in the mid-1990s, similarly with negligible success (Mkandawire, 2005) and by the turn of the millennium, the continent had not reaped the fruits of its reform measures. At the core of Africa’s development challenges is low capital, production has not successfully been diversified nor expanded as it was intended, corruption and lack of financial prudence, less discipline in planning and implementation of policies as well as low foreign direct investment. By 2018, Africa received the lowest share of the global FDI limiting its ability to break off the cycle of underdevelopment.

While the share of FDI in developed and developing countries is considerable high as shown in Figure 1, Africa with significant number of developing countries received a small share of FDI relative to other regions. Based on this, other regional blocs have attempted to reverse the deficits. For example, the emergence of Brazil, Russia, India, China and South Africa (BRICS) has had a significant impact on the continent. According to Le Pere (2017), trade relations between Africa and BRICS member states between the years 2000 and 2014, increased by over 1,250%, from a paltry \$28 billion to \$380 billion and continues to rise. Similarly, the launch of the 'Forum on China-Africa Cooperation' (FOCAC) by China, and the 'Initiative Supporting Industrialisation in Africa and LDCs' by the G20 during the 2016 Hangzhou Summit, and the follow-up meeting in South Africa titled 'Africa and the G20: Building Alliances for Sustainable Development' in 2017, opened further avenues for African countries seeking development assistance. Equally, Africa is involved in a series of new engagement platforms away from traditional international organisations. For example, '*Tokyo International Conference on African Development, India-Africa Forum, US-Africa Leaders' Summit, Turkey-Africa Summit, South Korea-Africa Summit, Canada-Africa Business Summit, OECD Economic Forum on Africa, Arab and Regional Coordination Group* and most recently launched in 2019, the *Russia–Africa Summit'*. These platforms offer a unique model of global governance approach and most focus on economic development with some seeking to address challenges raised directly by African leaders.

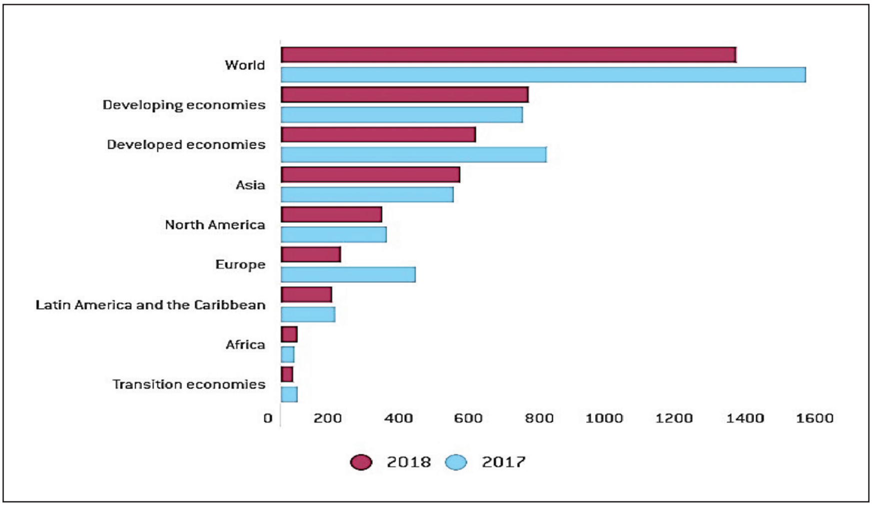

Figure 1. Share of FDI per Region Between 2017 and 2018

Source: UNCTAD, Natixis (2019).

Regional Development Banks

Since their inception, regional development banks continue to provide valuable resources and policy recommendations to developing countries. While they share similarities with traditional institutions such as IMF and the World Bank, they have unique features that distinguish them from the former. Regional Development Banks (RDBs) are established through treaties that define how they operate, and the conditions members need to adhere to. Of importance is how membership and decision-making is made. Decisions are subjected to voting and membership can extend to countries beyond the geographical location as long as they meet the requirements. To achieve their goals of promoting regional development, RDBs pool resources from members and sometimes non-member entities to fund projects through loans and sometimes policy-oriented lending can be extended to a member state, which is in turn required to make certain changes in its public policy.

RDBs have unique historical context that led to their emergence as well as their own organisational culture, scope and priorities (Strand, 2018). Currently, there are four major RDBs spread across the world. These include 'Inter-American Development Bank (IDB), the African Development Bank (AfDB), European Bank for Reconstruction and Development (EBRD) and the Asian Development Bank (ADB)'. There are also a number of sub-regional development banks with limited and narrow scope. Some examples include West African Development Bank (BOAD), Caribbean Development Bank (CDB) and Central American Bank for Economic Integration (CABEI) (Ferroni, 2002; Griffith-Jones et al., 2008). Despite their focus on limited geographical spheres, RDBs have had significant impacts on global economic governance that cannot be underestimated. For example, they are establishing trans-regional networks with other institutions, they are involved in debates and policy recommendations on emerging issues and are acting as agents of promoting good governance as they strengthen lending conditions to their members.

RDBs became a necessity in the post Second World War era as many developing countries (and still continue) faced several constraints in accessing private and bilateral capital. Until the 1960s when the International Development Association (IDA) was created, developing countries received meagre support from multilateral actors. Bilateral assistance was treated as a political tool to the disadvantage of poor countries while in some cases foreign policy interests led to acceleration of creating regional banks as it was the case of the IDB seen as deterrence to the spread of socialism in the region.

Noteworthy, the historical context in which the World Bank and the IMF were established also informs the need to have RDBs. Low- and middle-income economies were worried that the Bretton Woods institutions were more concerned with the reconstruction of western Europe with blithe disregard to the interests and needs of poor countries. Proponents of RDBs saw it as an opportunity to address the needs of poor countries. In addition, emerging powers such as Japan in the 1950s and China in the 2000s, see RDBs as a means of extending their prosperity to other countries in the south (Krasner, 1981; Wang, 2017).

Initiatives Taken by the African Development Bank (AfDB)

When the board of the AfDB approved a $208 billion capital boost in October 2019, representing a 125% increase from the previous years, its significance and future on the continent's development journey became eminent. Established in 1964, it has grown over the years to become one of the leading institutions in the continent. Structurally, AfDB is divided into two units: Nigeria Trust Fund and African Development Fund. These entities are designed to facilitate the bank's goal of improving living standards, promoting investment, reducing poverty and instilling best practices in public policy. With 81 members (54 African states and 27 non-African entities), the AfDB is not only a source of cheaper loans for African states but also the only entity currently providing distinct and relevant knowledge and data on African countries, convenes powers to member states, gives technical and expert advice to struggling economies and enjoys significant trust more than any multilateral or bilateral development partner (see Table 1). It has 35 offices connecting 55 countries and largely focuses on health, infrastructure, education and natural resource governance.

The AfDB is operating in a unique environment that has (and continues to) experience significant socio-economic and political changes over the last decades. On the one hand, African countries are increasingly freer (see Freedom House report 2019—more than 60% of African states are either free or partly free), richer and establishing more stable and responsive governments than it was in the past five decades. The private sector is rapidly growing to broaden the tax base and employing millions of people. Population growth has benefited from lower infant mortality rates and higher life expectancy. The flow of information has also been enabled thanks to the doubling of the number of mobile phone subscribers (from 380 million in 2010 to 750 million in 2017) and a sevenfold increase in the number of people with access to the Internet (Runde, 2019). On the other hand, there are issues to do with corruption, governance and insecurity that pose a serious challenge to further growth. Such a mixed setting presents a unique challenge for development agencies to fulfil their goals. Over the years, AfDB has had to make changes and adapt to the transformations being experienced in the continent and within the international system. Figure 2 illustrates a comparison in the provision of capital by the World Bank, China and AfDB to African countries between 2003 and 2019.

The figure indicates that although AfDB has a comparatively lesser financial capacity, its contribution to the region has been almost at a similar par, if not more, than the financial contribution from multilateral organisations like the World Bank. In addition, unlike China's sharply fluctuating capital flow especially in the last decade, the AfDB has established a consistent trend in the amount of capital flow it provides to the continent. This increasing relevance of the AfDB in the development of the continent constitutes part of the ongoing debate about the need for countries to form and be part of international organisations (IOs) (see Allee & Scalera, 2012; Keohane, 1984; Krasner, 1982; Rey & Barkdull, 2005). For African states, membership to organisations such as the AfDB is therefore a

Table 1. List of AfDB Members and Their Status

AfDB Beneficiary Countries	ADF Beneficiary Countries	Non-African Member Countries
Algeria, Botswana, Egypt, Equatorial Guinea, Eswatini, Gabon, Mauritius, Morocco, Namibia, Seychelles, South Africa, Tunisia	Angola, Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Congo, Ivory Coast, Djibouti, Eritrea, Ethiopia, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, Somalia, South Sudan, Sudan, Tanzania, Togo, Uganda, Zambia	Argentina, Austria, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, India, Italy, Japan, Kuwait, Luxembourg, the Netherlands, Norway, Portugal, Saudi Arabia, South Korea, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States

Source: African Development Bank (2018).

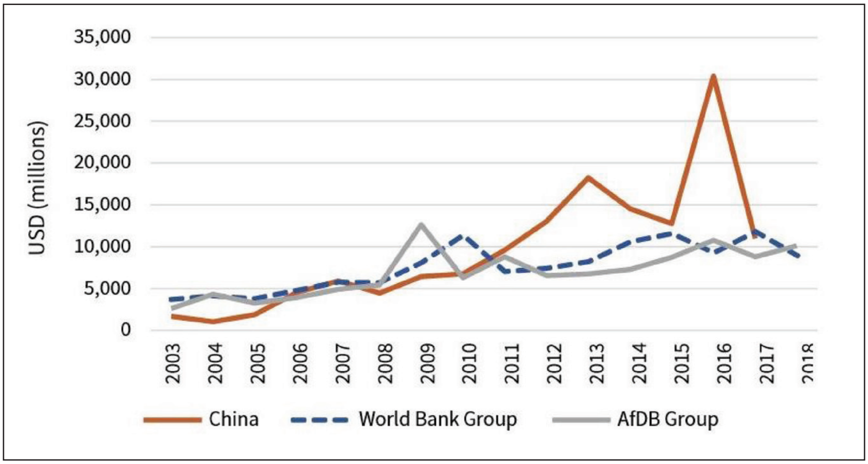

Figure 2. Comparison of Capital Flow from the World Bank, China and AfDB to Africa Between 2003 and 2018

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

localised means to achieve strategic goals, overcome collective weaknesses and the anarchic environment of the international system in which they operate (Abbott, 1993; Keohane, 1984). Indeed, AfDB has benefited from the growing inefficiencies of established institutions because over the years those institutions (World Bank and IMF) have used their financial muscle to push for non-economic (mostly political) changes in the capital recipient countries, and this has often been a subject of criticism by Africa governments. Therefore, having a regional bank whose decision-making organs are dominated by African representatives creates more trust between the institution and the member states. Between 1967 and 2018, the bank has provided resources and technical support in the implementation of several projects in the continent as captured in Table 2.

Infrastructure, industry, mining, finance and social sector have received large amounts of funding, respectively, as a result of their previous deplorable states. To achieve its goals, the bank adopts strategic plans covering specific areas of focus for a period of 10 years and the plans provide important avenue for promotion of global governance goals and African voice beyond the continent. For the period between 2013 and 2022, the bank initially announced two thematic objectives: to promote inclusive growth and to advocate and invest in the green growth for Africa. Inclusive growth involves increasing women's involvement in economic activities, harnessing the potential of fragile states, broadening economic opportunities for youths and assisting countries build safety net programmes (African Development Bank (2013). The green growth agenda entails promoting economic growth a through sustainable and efficient management of natural resources, creating a socio-economic environment that is resilient and investing in the construction of sustainable infrastructure.

Table 2. AfDB Financial Disbursement in Africa Between 1967 and 2019 (NB. Amount in US$)

Cumulative Loan and Grant Disbursements per Sector	1967–2016 (Amt. US$)	1967–2017 (Amt. US$)	1967–2018 (Amt. US$)
Agriculture and rural development	6,826	7,223	7,631
Infrastructure	21,757	23,724	25,612
Transport	9,299	10,260	11,274
Communication	720	724	737
Water supply and sanitation	3,696	3,913	4,177
Power	8,042	8,827	9,424
Industry, mining and quarry	2,057	2,057	2,063
Finance	7,684	8,492	9,068
Social	5,653	5,875	6,196
Education	2,462	2,556	2,740
Health	1,541	1,571	1,590
Poverty alleviation and microfinance	451	495	466
Gender, population and nutrition	45	45	45
Other social sector	1,180	1,243	1,355
Urban development	20	20	20
Environment	103	120	128
Multisector	12,018	13,999	15,083

Source: AfDB Compendium of Statistics (2019).

These objectives were reviewed in 2016 with the introduction of the 'High 5 Goals'. The five thematic areas include 'light up and power Africa, integrate Africa, feed Africa, industrialize Africa, and improve the quality of life for the people of Africa' (Adesina, 2015). In the 2018 financial year, the bank disbursed \$1.9 billion for power and lighting, \$2.2 billion for industrialisation projects, \$1.8 billion for feeding programmes in the continent.

Figure 3 indicates that a total amount of \$6.6 billion was disbursed towards implementing the High 5 Goals in 2018. This may seem insignificant but when compared to other external sources in the same year, then one can understand the value of this contribution. For example, the World Bank disbursement to the continent in 2018 (including IDA and International Bank for Reconstruction and Development) was \$8.9 billion (The World Bank, 2019). In addition, the 2018 funding by the AfDB was a 17% increase from its 2017 disbursement. These increasing allocations are a positive sign for a continent that has for years been desperate to diversify its revenue sources.

The 2022 goals are entwined with other international goals, specifically SDGs. For example, the AfDB 2013–2022 strategic plan intends to significantly reduce poverty and hunger, promote environmental sustainability, support and empower women and gender equality, as well as increase the access to universal primary education. Given that Africa, specifically the sub-Sahara region lags behind in achieving the SDGs, efforts of the bank on the continent will have a significant impact on the global collective development agenda (Onder & Nyadera, 2019). The bank also has other ambitious plans; according to the 'New Deal on Energy' (2016–2025) by 2025 it aims to achieve universal access to electricity for African households (Nalletamby et al., 2016). More than 6 million people were connected to electricity between 2017 and mid-2018. Although on- and off-grid solutions are being adopted, renewable energy is getting more attention as 100% of the 2017 financial allocation was invested in green energy. This is an important contribution to global efforts on environmental conservation.

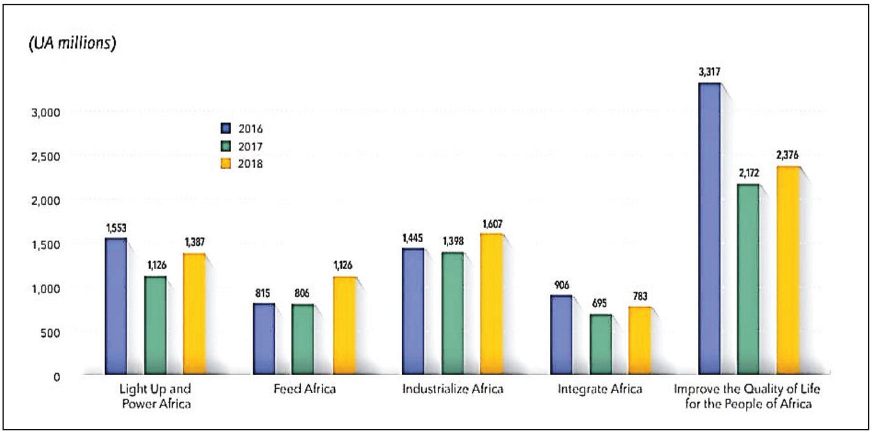

Figure 3. Disbursements Made on High 5 Goal Projects Between 2016 and 2018

Source: Africa Development Bank Annual Report (2018).

The Feed Africa programme shifts from passive response to food insecurity often characterised by food aid and targets food production through the mechanisation of agriculture. In 2017, 19 million people benefited from the $1.2 billion allocated to improved agricultural technologies, which gave rise to projects such as 'Technologies for African Agricultural Transformation (TAAT)' (Runde, 2019). Similarly, the bank's focus on industrialisation saw over 210,000 small and medium businesses benefit from financial support. This translates to over 1.2 million people who have directly benefited by injecting more capital into their enterprises.

AfDB is also becoming an important driving force for regional integration in the continent. The bank has invested over $3.6 billion between 2009 and 2013 on 70 multinational projects to enhance interconnectivity among African countries (AfDB, 2013). This investment was utilised in the construction of 467 kilometres of new transnational highways, rehabilitation of over 776 kilometres of electricity transmission lines, promoting the establishment of one-border posts and modernisation of immigration between countries and improving logistics services and technical support in implementing WTO agreements. According to the African Development Bank annual report (2018), 2017 allocations gave 14 million people access to improve transport facilities with 312 transnational highways being constructed. In the 2018–2019 financial year, $1.1 billion will go to improving transportation. These efforts have not only improved the mobility of persons within the continent but also led to the increased intracontinental trade, setting the stage for the recently launched African Continental Free Trade Agreement (AfCFTA). Indeed, one of the biggest obstacles to effective trade among African states has been inadequate infrastructure, which the AfDB is increasingly improving.

The AfDB has opened new avenues through which the African continent is interacting with external state and non-state actors. While the bank does not intend to replace bilateral relations between states, its involvement cushions some of its members from the unpopular political pressures and conditions often placed when countries seek financial support directly from international actors. The bank has created an elaborate network with entities such as the World Bank Group, Japan, the European Union, Russia, the United States and China. With countries like China, the bank interacts with them both at the government level but also through other institutions, in this case, the New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB) (Shelepov, 2016; Wang, 2017).

Through the various memorandums of understanding signed between the AfDB and other regional development banks, African states have been beneficiaries of major infrastructural programmes that cut across investments in infrastructural development, climate resilience projects, water and hygiene, small and medium enterprises, food security, renewable energy, and health and education (see Table 3). Importantly, the partnership between AfDB and the other RDBs has focused on priority sectors that historically have been fairly neglected. In other words, to spark the 'African industrial revolution', access to energy, connectivity, food security, improved standards of living and industrialisation have been identified as the focus of external investment partnerships with other regional banks.

Table 3. AfDB Cooperation with Other Regional Development Banks

Regional Development Bank	Memorandum of Understanding Priority Sectors	MoU Year
Asian Infrastructure Investment Bank (AIIB)	Energy and power, transportation and communication	2018
New Development Bank (NDB)	Mega infrastructural projects	2019
European Bank for Reconstruction and Development (EBRD)	Syndication, trade finance, structuring and management, mobilisation of commercial co-financing, restricting programmes and privatisation processes	2011
Nordic Development Fund (NDF)	Climate resilience, agriculture and water infrastructure	1992
Islamic Development Bank (IsDB)	Infrastructure, water and sanitation, regional integration, education, social infrastructure, agriculture and food security	2010

Source: AfDB (2019).

The AfDB offers an advantage to multilateral actors operating in the continent, and this has yielded enhanced cooperation and division of labour between the AfDB and other development partners in the continent. Through the bank's leadership, the 2018 Africa Investment Forum saw over $38 billion worth of investment deals made between African states and international actors. Some of the agreements include 47 million euros by the EU commission to the Africa Legal Support Facility and Somalia Infrastructure Trust Fund, 43.5 million British pounds by the UK government to support various electricity projects and US$37 million from the Gates Foundation. Additionally, France and Luxembourg for the Africa Digital Financial Inclusion Fund and the US$18 million South Korea–Africa Economic Cooperation Trust Fund are among the 63 deals made. Apart from the capital raised, the AfDB needs to take credit for successfully bringing together states and non-state actors to support key development areas challenging the continent.

Challenges Faced by the African Development Bank

Conversely, the bank has faced a number of obstacles and received a fair share of criticism in the recent past. Runde (2019) observes that the bank has struggled with dealing with disparities between countries as it has in the past been predisposed towards prioritising projects in 'small' countries at the expense of 'big' countries that it considered to be receiving more aid from donors. First, this has the potential of buttressing the stupefying disparities between countries, a situation that could deny the bank cooperation and approval from major countries. Second, African countries' relations with former colonial powers have also been found to be a hindrance to smooth operations of the bank, as most African states continue to be vulnerable to, or influenced by, the decisions of former colonial powers (Woods & Mathew, 2012). This, in part, stripes the bank of the much-needed legitimacy and resource mobilisation capacities relative to traditional institutions such as IMF and World Bank. Additionally, the bank's dependency on developed countries and China is considered to be an impediment to achieving its objectives, since the institution must observe caution, in its justification of selected projects to accommodate the interests of these actors. Scholars such as Birdsall (2018) argue that the bank's lack of competitiveness in mobilising financial resource could be a potential hindrance to its ability to sustaining donor (creditor) confidence in the long run—a situation that grants its competitors like World Bank a comparative advantage and subjects the bank to the whims of external actors.

It is worth noting, however, that faced with these challenges and criticisms, the significance of the bank in promoting economic development and cooperation among African countries cannot be ignored, and with the continued approval of the bank by the member states and external actors, it's foreseeable that it will overcome most of its challenges and lead the continent through the protracted journey to economic development.

Conclusion and Recommendations

This article sought to examine the place and role of regional organisations in developing countries within the realm of global governance and, in particular, the role of regional development banks in promoting economic growth. The AfDB was chosen as a case study given the unique environment it operates in and its growing relevance over the years. The article establishes that the AfDB enjoys somewhat a privileged position of trust both within the African continent and among external actors and the bank has also contributed immensely in terms of financial, technical and policy recommendations to its members and continues to provide a unified voice for the continent in many forums. It has also enabled national and international actors to focus on strategic issues and enhance sound implementation of donor projects through the division of roles.

The bank still faces a number of challenges and has received criticisms over its past failures. But the political and economic landscape that the bank operates in is somehow unique following the continent's past experience with exploitative colonial regimes, dictatorships and conflicts. Considering this, this article presents a number of recommendations for the AfDB. The bank must refocus on the strategic areas. The areas AfDB has chosen to focus on are of true relevance and cannot be undermined, but the continent's economic development agenda is hampered by disruptive effects of conflicts that have led to a decline in social trust between the people and the governments (Nyadera et al., 2019). Perhaps given the unique position of AfDB in the continent, its strategic focus would include the above issues since their impact on economic growth in the continent is unrivalled. Indeed, the AfDB can be an important factor in promoting regional security just as Intergovernmental Authority on Development (IGAD) has done in the horn of Africa.

The issue of resource flight is an important area AfDB can play a bigger role. Africa faces financial deficits between capital inflows and outflows, but while some outflows are legitimate, it is ironic that much of the capital leaving the continent annually emanates from corrupt practices. According to a report by Honest Accounts published in 2017, illegal capital outflows from the continent in 2016 amounted to $68 billion, while for the same year, $19 billion was the total amount of foreign aid the continent received. In addition, of the $32 billion that Africa received as aid in 2015, $18 billion was spent paying interest on loans. African countries dominate the top 20 most corrupt countries in the corruption index and Transparency International estimates that over $150 billion is lost annually through local corruption and bribery during the implementation of government projects. This article, therefore, recommends that the AfDB should play a bigger role in helping African countries minimise the problem of corruption in all the government projects it is involved in and encourage financial prudence. In effect, the continent will generate internally a large sum of capital that can then be used to fund more development projects.

The governance structure of the AfDB has been its most important strength when it comes to the idea of localising global governance. Decision-making in the bank is largely dominated by African countries the majority of which are borrowers and not creditors. Currently, more than 50% of the votes are with the borrowing countries (Birdsall, 2018). While this is positive for the continent, concerns have often been raised by creditors on what they see as disproportional voting. Fears that external actors may have divergent interest from the continent are as legitimate as concerns that the current governance structure may deny the bank more revenue due to increased interests from external actors. It is important for the bank to develop a comprehensive strategy that will cushion the interest of African countries while attracting more donors and creditors.

Expanding capital base is another important area the AfDB can improve on. So far, investments and lending made by the bank have had a positive impact on the African continent. However, the demand for capital in the continent is far much higher than what is currently available. According to Jesse and Madden (2019), the continent needs averagely $125–$180 billion annually to develop sufficient infrastructure but continues to face a deficit of $60–$130 billion per year. This means that more resources are needed to successfully implement the infrastructure projects. Unless the continent taps on economies of scale in production and have enough infrastructure to allow speedy and sustainable movement of goods within the continent to cover over 1.2 billion market size, then the current development goals will hardly be met. AfDB thus has a bigger responsibility to help bridge this demand for capital.

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