+27 21 202 4071
info@ijr.org.za
https://www.ijr.org.za
Stay updated and follow us on social media

THE IJR WEEKLY LENS

6 June 2025 Column

By Crystal Orderson

"LET'S GO," SAYS NEW AFRICAN DEVELOPMENT BANK PRESIDENT

The African Development Bank (AfDB) is a leading financial provider to African governments and private companies. The Bank invests in a wide range of projects, including access to electricity, support in agriculture, and other major infrastructure projects within member countries. Recently, it appointed a new President who will need to steer the Bank through uncertain global economic headwinds. These challenges include fluctuating commodity prices, rising inflation rates, and shifting geopolitical dynamics that could impact funding availability for key projects. The new leadership will need to implement innovative strategies to ensure sustainable growth and support development initiatives across the continent.

Africa's largest multilateral development finance institution, the African Development Bank (AfDB), has appointed a new President and leadership team who will be tasked with navigating the Bank through challenging times ahead due to global aid cuts and higher import tariffs from the United States (US).

The former Mauritanian Finance Minister, Sidi Ould Tah, was elected by the Governors of the Group's 81 shareholders at the Bank's annual meeting in Abidjan at the end of May. He will lead the Bank for the next five years. Tah concluded his speech, delivered in French, Arabic, and English, by saying, "Let's Go."

How to Do More with Less...

Tah and his new leadership team face the critical task of not only securing new sustainable and diverse funding sources but also fostering regional collaboration to mitigate the impact of external pressures. The new Bank President will need to devise and implement innovative strategies that align with the Bank's mission to promote economic growth and development across the continent. Additionally, he will need to find alternative funding sources from China and the Middle East, to buffer the withdrawal of the US contribution to the Bank.

The United States, one of the Bank's largest institutional investors, is withdrawing close to $600 million in funding, an action that will complicate the Bank's efforts to do more with less.

The race to the presidency was highly competitive, with five different candidates vying for the position. Contenders had to demonstrate their understanding of the Bank’s role in Africa and present a convincing vision for its future to shareholders.

Their proposals ranged from innovative financing solutions to sustainable development initiatives, each candidate highlighting their unique approach to enhancing the Bank's role in fostering economic growth across the continent. Ultimately, the ability to inspire confidence and rally support from both the public and private sectors, including the bigger shareholders like Nigeria, Egypt, and Algeria, was crucial for securing the five-year term presidency.

Tah ultimately won the confidence of the shareholders, securing 76.18% of the total vote and 72.37% of regional votes in the third round of voting. He defeated South Africa’s Swazi Tshabalala, Zambia’s Samuel Maimbo, Senegal’s Amadou Hott, and Chad’s Mahamat Abbas Tolli.

> AGILITY IS A REAL ISSUE. THE PROJECT CYCLE AT THE BANK CAN BE SLOW, AND BY THE TIME A PROJECT IS APPROVED, CONDITIONS ON THE GROUND MAY HAVE CHANGED; GOVERNMENTS MAY EVEN HAVE CHANGED.

Who is Sidi Ould Tah?

Tah has spent more than three decades in the field of African and international finance. Until April, he served as the president of the $20 billion Arab Bank for Development in Africa (BADEA) for a decade. He is the Bank's 9th president and will assume office on September 1, succeeding Akinwumi Adesina.

Speaking to *African Business* ahead of his elections, Tah outlined what he would like to change if he is elected. "Agility is a real issue. The project cycle at the Bank can be slow, and by the time a project is approved, conditions on the ground may have changed; governments may even have changed," he said.

As head of BADEA, the bank's annual approvals rose twelvefold, its disbursements eightfold, and it became a key investor in infrastructure, SME financing, digital platforms, and development in fragile states.

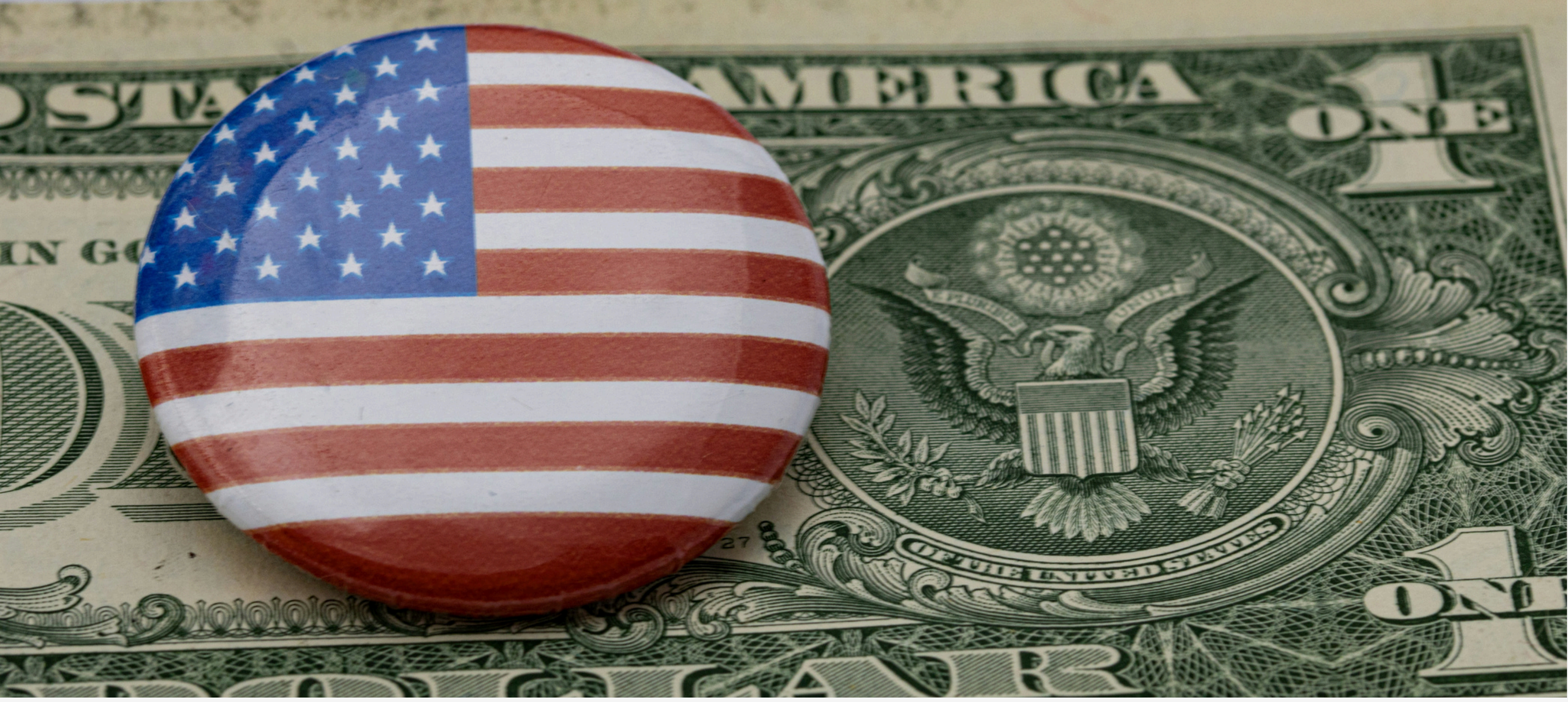
"AfDB should be the leader—that is its very mandate. However, the AfDB must also serve as a catalyst by attracting regional development banks, sovereign and pension funds, and international institutional investors. I don't think the bank has fully exploited its potential there. We need innovative solutions and AfDB can be the platform to orchestrate them," he told *African Business.*

Africa's Largest Multi-Lateral Bank

Innovative financing will be essential. The AfDB, with a $318 billion capital, is owned by 54 African states and 27 non-African (or non-regional) member countries, including the G7 nations such as Canada, the U.S., and Japan. Its largest shareholder is Nigeria.

The Group comprises three main entities: the African Development Bank, the African Development Fund (ADF), and the Nigeria Trust Fund. Since its inception, the AfDB has played a pivotal role in fostering economic and social development across the continent by providing financial and technical assistance.

As of 31 December 2024, the African Development Bank Group's investment portfolio contributed approximately 46% of its financing to the financial sector, 16% to energy, 15% to industry, 9% to transport, 9% to agriculture and social affairs, and 5% to multi-sector projects.



The former President of the Bank, Nigeria's Akinwumi Adesina, said in his closing address that it was "an extraordinary ten years working together," and thanked everyone for the "opportunity, trust and resources." He also emphasised the importance of collaboration in driving sustainable development across the continent and expressed optimism about the future initiatives that would continue to empower African nations.

At a roundtable event addressing the continent's media outlets, Adesina added that the AfDB will be focussing on boosting electricity connections, increasing food production, fostering industries, integrating economies on the continent, and improving people's living standards over the next decade.

US Funding Cuts and its Implications

The US has been a major contributor to the ADF since 1976. President Donald Trump said the US would end its contributions to the AfDB and ADF – the concessional window of the African Development Bank Group – cutting $555 million from its foreign aid budget and ending all US contributions to the fund.

African analysts say this move will "significantly impact the AfDB's funding, which is already facing a funding crisis as it prepares for a new fundraising cycle."

However, all is not lost yet. Already five African nations have collectively pledged $16 million towards the next replenishment of the ADF. Governors representing The Gambia, Ghana, Liberia, Sierra Leone, and Sudan announced this at a constituency meeting held in June in Abidjan.

According to a media release from the Bank, these pledges are up from a collective $5 million in the previous cycle, signalling a growing commitment among African countries to strengthen home-grown financing solutions.

This has raised the total number of contributing African countries from 8 to 13 – a 62.5% increase in continental participation. African policymakers are not urging governments and even the Bank to look at the pension funds across the continent. However, Tah will still need to

raise significant more to fill the gap left by the US, and some point to African pension funds as a potential source of support.

Pension Funds for Africa's Development

Africa has access to more than $165 billion in readily available domestic capital that can drive continental development and reduce dependence on volatile external funding sources, experts said at the AfDB's recent annual meeting.

Senior executives from several major African financial institutions told the panel discussion titled "Leveraging Africa's Capital for Development Amidst Increased Economic Challenges" that there are billions of dollars in pension funds that can fund much-needed infrastructure projects capable of unlocking economic development.

Abena Amoah, Managing Director of the Ghana Stock Exchange, told the panel, "We have pension funds in West Africa, specifically between Ghana and Nigeria, that amount to almost $40 billion; over 90 percent of these funds are currently parked in government securities because there are no available investment opportunities." He added that in 2024, Africans invested $125 billion in cryptocurrency assets, with Nigeria alone contributing over $65 billion, making it the second-largest cryptocurrency investor base globally after India.

The Harith Infrastructure fund manager stated that African pension funds managed $500 billion in assets in 2020, a figure projected to grow to about $.3 trillion by 2050. "Yet less than 2.7% is allocated to infrastructure," says Harith. They add that much of this capital is invested in low-risk government bonds or foreign markets.

It is this money, and accessing more capital, that will be key for the new Bank President. Imagine being able to fund innovative job creation initiatives, support critical infrastructure projects that can lead to better roads and ports, or even finance critical health research that's now affected by the US and Western donor cuts.

However, citizens also want to trust that their hard-earned pension savings will be managed responsibly and transparently. Building this trust will require clear communication about investment strategies and the tangible benefits these projects will bring to the communities. Additionally, Tah must ensure that trust is established in the institution based on his experience.

Let's go, as Tah told those in Abidjan, and we hope it will go beyond mere words and translate into actionable results that uplift the continent and transform scepticism into confidence and ensure that investments yield positive outcomes for Africa.

PREVIOUS ISSUES


THE IJR WEEKLY LENS
21 May 2025 Column
LAND EXPROPRIATION ACT IN SOUTH AFRICA - ONE OF THE MANY TOOLS TO FOSTER RECONCILIATION AND JUSTICE?
TRUE RECONCILIATION BEGINS WHEN THE WOUNDS OF THE PAST ARE ACKNOWLEDGED, AND THE LAND IS RESTORED AS A FOUNDATION FOR JUSTICE.

[Land Expropriation Act in South Africa]


THE IJR WEEKLY LENS
14 May 2025 Column
RECKONING WITH THE PAST AND REIMAGINING THE FUTURE: A NEED TO ADDRESS REPARATIONS FOR COLONIAL CRIMES IN AFRICA
REPARATIONS RESTORE DIGNITY AND ACKNOWLEDGE HISTORICAL WRONGS.

[Reckoning with the Past and Reimagining the Future]