



**ECONOMIC RESEARCH PAPERS**

**N° 58**

**The Contribution of African Development  
Bank to Economic Knowledge and Policy  
in Africa**

by

The Research Division  
of the Strategic Planning and Research Department

The views and interpretations in this paper are those of the authors  
and not necessarily those of the African Development Bank

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## ABSTRACT

While the African Development Bank Group strives to be the leading development finance institution in Africa, the link between research and development policy in an international financial intermediary is not always obvious. This paper expounds the logic of this crucial relationship and makes the case for enhancing the role of the ADB as a knowledge and information center, providing sound intellectual leadership within the context of African development issues. The development process includes the fostering of research and intellectual ideas, which not only support the Bank's traditional lending activity but also promote discussion and inquiry into the socio-economic problems and challenges of the region.

Multilateral Development Banks including the ADB have increasingly recognized that to tackle these challenges, they must play a major role as knowledge intermediaries in addition to their financial intermediation functions based on the need to explore the causes, dimensions and inter-linkages of economic growth, poverty, population growth, as well ensuring that operational policies constitute a relevant and effective response to the problems of its member states. In this respect the Bank has made modest contributions to economic knowledge and policy in Africa in three key areas: (i) policy coordination through country policy dialogue and sectoral policy formulation as well as post-evaluation studies; (ii) development research and dissemination encompassing *the African Development Report* an annual survey of economic and social progress in Africa; *The African Development Review* a journal for the study and analysis of development policy issues with particular reference to Africa; the *Economic Research Paper* series which aims to stimulate discussions on Bank sponsored research findings and *Statistical information* (iii) support for research institutions and capacity building in the form of training and scholarships among the RMCs. However, despite the Bank's best efforts, research functions have not attained their potential hindered significantly by weaknesses that derive fundamentally from structural causes, notably the organization and location of research, its leadership, scarcity of resources, and the corporate environment and support for a vibrant research culture.

The paper concludes by outlining ways of enhancing the Bank's role as a knowledge center on African development policy issues in the short to medium term within the existing framework.

## RESUME

Bien que le Groupe de la Banque africaine de développement s'emploie à être la première institution de financement du développement en Afrique, il n'est pas toujours aisé, pour autant, d'établir une relation entre la recherche et la politique de développement au sein d'une institution qui sert d'intermédiaire financier international. Ce document présente la logique qui sous-tend cette relation vitale et préconise le renforcement du rôle de la BAD en tant que centre de savoir et d'information, chargé de donner des orientations intellectuelles fiables pour résoudre les problèmes de développement auxquels l'Afrique est confrontée. Le processus de développement inclut la promotion de la recherche et de concepts intellectuels qui, non seulement, viennent soutenir les activités de prêt traditionnelles de la Banque, mais favorisent également les échanges de vues et l'analyse des problèmes et des défis socioéconomiques régionaux.

Les banques multilatérales de développement, y compris la BAD, reconnaissent de plus en plus que pour relever de tels défis, outre leurs fonctions d'intermédiaires financiers, elles doivent jouer un rôle important d'intermédiaires du savoir, en raison de la nécessité d'étudier les causes, l'ampleur et les relations qui existent entre la croissance économique, la pauvreté et la croissance démographique. Par ailleurs, il leur incombe de veiller à ce que les politiques opérationnelles apportent une solution pertinente et efficace aux problèmes de leurs États membres. À cet égard, la Banque a un peu contribué à l'amélioration des connaissances et des politiques économiques en Afrique dans trois domaines clefs : i) la coordination des politiques, à travers la concertation sur l'action à mener, la formulation des politiques sectorielles et les études d'évaluation rétrospective ; ii) la recherche sur le développement et sa diffusion, qui inclut *le Rapport sur le développement en Afrique*, revue annuelle des progrès économiques et sociaux de l'Afrique ; *la Revue africaine de développement*, journal spécialisé dans l'étude et l'analyse des questions relatives aux politiques de développement, qui met un accent particulier sur l'Afrique ; les *Documents de recherche économique*, qui visent à stimuler les discussions sur les conclusions des recherches financées par la Banque et les *Informations statistiques* ; et (iii) l'appui aux institutions de recherche et au renforcement des capacités, par le biais de programmes de formation et de bourses en faveur des pays membres régionaux. Toutefois, en dépit des efforts déployés par la Banque, le potentiel de recherche n'a pas été pleinement exploité en raison des gros obstacles que constituent les faiblesses liées, pour l'essentiel, à des lacunes structurelles, notamment, l'organisation de la recherche et les lieux où elle s'effectue, les chefs de file en la matière, la rareté des ressources, l'environnement institutionnel et le manque d'appui à une culture dynamique de recherche.

Pour conclure, le document définit les voies et moyens propres à renforcer le rôle de centre de savoir joué par la Banque dans le contexte actuel, s'agissant des questions de politique africaine de développement à court et à moyen terme.

# **The Contribution of African Development Bank to Economic Knowledge and Policy in Africa\***

By

**The Research Division  
Strategic Planning and Research Department**

## **Introduction**

The African Development Bank Group is mandated to contribute to the economic and social development of Africa—particularly the reduction of poverty. While its principal operational activity involves project and programme lending, it recognizes the need to become a knowledge center on African development. The development process includes the fostering of research and intellectual ideas, which not only support the Bank's traditional lending activity but also promote discussion and inquiry into the socio-economic problems and challenges of the region.

This paper discusses the contributions of the African Development Bank (ADB) to economic knowledge and policy in Africa. Following the introductory remarks, this paper has four major sections. It starts by recapitulating Africa's development challenges at the turn of the millennium. Section III outlines the role of development policy formulation and research in a Multilateral Development Bank such as the ADB. Section IV focuses on three key areas in which the Bank has made modest contributions to economic knowledge and policy in Africa. The paper concludes by outlining ways by which the Bank's role as a knowledge center on African development policy issues could be enhanced.

## **Africa's Development Challenges at the turn of the 21<sup>st</sup> Century**

Africa enters the new century facing enormous challenges. Close to a million people live on US\$ 1 or less a day, and up to 150 million children live below the poverty line. Africa is the only continent where the number of the poor is increasing. Although Africa's economic performance over the last five years represents an encouraging improvement on that of the first half of the decade, current growth rates of just above 3% are generally inadequate for effective poverty reduction, and at best only show the rate at which poverty is growing in Africa.

The central challenge for development that confronts Africa and its partners is to accelerate broad-based economic growth in order to meet the now universally accepted International Development Goals. These goals fall into three major groups:

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\*This paper was prepared by the staff of the Research Division of the African Development Bank led by Temitope W. Oshikoya and comprising of Nureldin Hussain, Kupukile Mlambo and Siphon Moyo. It draws from several Bank documents listed in the References. The inputs and comments of Messrs. Aklilu, Beileh, Diallo, Lufumpa, Manai, Mubila, Mwaikinda, Sesay, the research assistance provided by Maurice Kponnou and the type-setting services provided by Rhoda Bangurah in preparing this paper are gratefully acknowledged. An earlier version of this paper was presented to the 41<sup>st</sup> annual Nigeria Economic Society Conference on Policy and Prospects of Economic Development in the 21<sup>st</sup> Century in September 2000.

### *Economic well being*

Reducing the proportion of people living in extreme poverty by at least one-half by the year 2015;

### *Social development*

Attain universal primary education in all countries by the year 2015; progress in gender equality and the empowerment of women by eliminating gender disparity in education by year 2005;

Reduce by two-thirds the 1990 mortality of infants and children under five years and reduce maternal mortality rates by three-quarters of the 1990 levels by the year 2015; and, improve access to reproductive health services through the primary health care system for all individuals of appropriate ages, by the year 2015.

### *Environmental sustainability and regeneration*

Implement current national strategies for socially responsible sustainable economic development, in every country by 2005; and, ensure an effective reversal of current global and national trends in loss of environmental resources by 2015.

Africa's situation is particularly difficult because the growth rate required to secure these goals, especially for reducing poverty is high relative to the expectations that would be reasonable in light of its experience. Recent studies have shown that four percent of the poor in Africa would need to move out of poverty each year until the year 2015 to meet the internationally agreed goal of reducing the proportion of the poor by one-half by then. The rates of growth required to meet the development goals and reduce poverty vary among African countries depending on initial levels of per capita income and patterns of income distribution. They are estimated at five percent in the relatively more prosperous countries in North and Southern Africa, and eight percent in the relatively poorest states of Central, East and West Africa. Clearly, such growth rates exceed those attained by even Africa's better performers during recent years, though a few high performers have demonstrated that they can reach these levels. Other regions of the world, particularly the Asian countries, have succeeded in reducing poverty in a relatively short time. So while the goals for Africa are ambitious, they are not impossible. There is a precedent for change and reason, therefore, for optimism given appropriate economic and social reforms.

## **The Importance of Knowledge and Policy Research in the ADB**

The African Development Bank Group is a regional multilateral development finance institution the members of which are all of the 53 countries in Africa and 25 countries from Asia, Europe, North and South America. The purpose of the Bank is to further the economic development and social progress of African countries, individually and collectively, through project and program lending.

By the end of 1999, the African Development Bank Group cumulatively approved 2,357 loans and grants for commitments amounting to US\$36.5 billion. The commitments were made to 52 regional member countries and institutions to support development projects and programs in

agriculture, transport, public utilities, industry, education, and health sectors. Since the mid-1980s, a significant share of commitments has also gone to promote economic reform and adjustment programs. About two-thirds of total Bank Group commitments were financed on non-concessional terms, while the balance benefited from concessional financing. The non-concessional operations of the Bank are financed from its ordinary capital resources consisting mainly of borrowings from international capital markets. In addition, the Bank's soft window affiliates — the African Development Fund and the Nigeria Trust Fund — provide concessional financing to low-income countries that are not able to carry loans on market terms.

The importance of research into development policy issues may not be immediately apparent at the ADB whose mandate, as an international financial intermediary, is to promote the investment of public and private capital for development, primarily by providing loans and grants for projects and programs. This financial intermediation role is predicated on the assumption that finance is a major constraint to Africa's development and that sustained development could be achieved once this constraint is removed. The experience of most African countries, however, shows that development finance may be a necessary but not a sufficient condition for development. After nearly four decades of channeling development finance into African countries, they are poorer in per capita income terms today than they were at independence. After showing great growth potential in the immediate post-independence period, much of Africa suffered from negative per capita GDP growth for most of the four decades that followed. Indeed, Africa enters the new millennium facing enormous development challenges: pervasive poverty, issues of governance, widespread societal conflicts, degradation of natural resources, and growing urbanization.

Thus, Multilateral Development Banks including the ADB increasingly recognized that to tackle these challenges, they must play a major role as knowledge intermediaries in addition to their financial intermediation functions. In this context, it is now widely acknowledged that a development strategy should embody the accumulation, promotion, transfer and transformation of knowledge to complement financial resources transfers. The importance of economic knowledge and policy research at the African Development Bank stems from five main reasons.

*First*, the ADB needs to explore the causes of economic growth, the causes and dimensions of poverty, the relationship between population growth, economic growth and poverty, the policies for transition from low-income to high-income countries. What factors are needed to ensure sustainable development that does not compromise the continent's environment? How can Africa compete in an increasingly globalized world economy? What is the link between regional trade, regional integration and globalization? How should the private sector be encouraged to become an engine of economic growth? How can information technology be harnessed for Africa's development? What is the role of human capital in the development process? How should major health concerns, such as AIDS and malaria, that significantly threaten the fabric of society be addressed? What are the roles of policy, governance and institutions in development? These are some of the development policy research issues that the Bank should be engaged in.

*Second*, enhancing the Bank Group's understanding of the development process such that operational policies constitute a relevant and effective response to the problems of its member states. As a development finance institution, it is important to understand how policies, projects, and programmes could influence the development pattern and pace of a borrowing country. The quest for developmental effectiveness and efficiency in future operations would require enquiry into past lending activities for lessons of experience. Thus operational activities will continue to request for directives and guidelines, new methods of dealing with development issues and lessons that can be derived from past activities.

*Third*, the gradual build-up of an internal capacity for analyzing economic problems and for providing policy advice to member countries. The acquisition of knowledge about member states' economies could improve the operational efficiency of the Bank Group. Knowledge, for example, of the absorptive capacity of borrowing countries, the structure and performance of their economies, and country risk are indispensable to the Bank in the discharge of its lending operations.

*Fourth*, providing an institutional focal point around which development policy issues in Africa can continue to be discussed and debated. Promoting development policy research would enable the Bank Group to play a more informed and prominent role in formulating and expressing African viewpoints on development and economic issues.

*Fifth*, with its strong African character, African countries look to the ADB for intellectual leadership and an African voice on African development policy issues. As the Bank strives to become a knowledge center on African development policy issues, it would need to build adequate research facilities that enable it to provide strong intellectual support, and a ready source of information and data dissemination in all its regional member countries.

## **Economic Knowledge and Policy Research at the ADB**

The African Development Bank's role in economic knowledge and policy research in Africa consists of three main components: (i) policy coordination through country policy dialogue and sectoral policy formulation; (ii) development research and dissemination; and (iii) support for research institutions and capacity building.

### ***Policy Formulation and Coordination***

#### **Country Policy Dialogue**

To improve its operational and developmental effectiveness, the Bank Group has focussed on issues relating to programming strategies, lending policies and practices, monitoring and post-evaluation and operational reporting through the various stages of the project cycle. The Country Strategy Paper (CSP) is the principal programming document to translate the performance-based resource allocation into an effective operational program at the country level. CSPs are prepared for each country every three years and updated annually. Board approval of this document is a pre-condition for the consideration of any loan for a country in a given year. Issues considered in the CSP include: (i) assessment of socio-economic conditions, including recent macroeconomic trends, poverty reduction, gender mainstreaming and environmental management; (ii) resource requirements and institutional and policy reforms needed to realize growth potentials; (iii) country creditworthiness and risk profiles; (iv) details of Bank Group operations in support of the development strategy; and (v) country performance on governance issues.

CSPs are grounded in thorough and systematic analysis of key economic and social issues including, poverty assessments, environmental assessments, financial sector reviews and governance indicators. Efforts have been made to increase the participation of stakeholders in the design of the strategies and operations encapsulated in the CSPs, pointing out that this introduces the crucial element of program ownership, while enhancing the quality of Bank Group operations. The preparation of CSPs provides the mechanism for the Bank Group, its regional member countries, and other development partners to ensure that development effectiveness of programs is related directly to the degree of borrower ownership and the level of civil society participation in their

development and execution. For these reasons, the Bank continuously strives to ensure a broadening and intensification of participatory approaches to CSP formulation, implementation and review, especially as the documents will be made available to the public.

### **Sectoral Policy Guidelines**

To guide its operational activities in diverse sectors and issues, the Bank Group regularly prepares studies, which form the basis of sectoral policy guidelines. Sectoral policy guidelines serve the internal decision processes of the Bank Group by providing a frame of reference within which to consider and assess specific projects and programs. They inform member states more reliably on the type of sectoral projects the Bank Group would likely support, which would thus facilitate both planning by regional member countries and the long term collaboration between the Bank Group and its members. Sectoral policy guidelines also assist the Bank Group's efforts with the activities and priorities of other donors and development partners operating in Africa.

Sectoral policy guidelines tend to provide a realistic and pragmatic approach to the sectors by taking cognizance of the nature and the problems of the sector and of the trends and issues that have played major roles in shaping the present situation and the likely future development. They are also flexible enough to accommodate the considerable diversity of conditions across the regional member countries. Among the sectoral policy guidelines that the ADB has prepared are: Forestry policy, Water supply and Sanitation, Transport, Private sector, Health Sector, Micro-Finance, Emergency Assistance, Urban Development, Environmental Policy, Women in Development, Gender and Equity, Industrial Sector, Population Policy, Policy on Regional Integration, Financial Sector Policy, Education Sector, Policy on Sectoral and Structural Adjustment Lending, and Bank Group Policy on Good Governance. In 1999, the Boards of Directors approved the Bank Group's Policy on Good Governance. The policy seeks to encourage RMCs to improve their systems of governance and thereby create a more favorable environment for economic growth and development.

### **Post-Evaluation Studies**

The Bank Group attaches great importance to the lessons of development projects and programs that come through the ex-post evaluation, as every project or program, successful or not, yields information about what works and what does not. Independent post-evaluation studies have become important tools in assessing and accumulating knowledge about the developmental effectiveness of Bank Group operations. The role of Operations Evaluation is therefore to ensure the efficiency and effectiveness of the established procedures and mechanisms and, at the end of the cycle, conduct a post-evaluation of the performance of completed projects, impact assessments, thematic and sectoral evaluations and reviews of experience in countries and sectors, while drawing the most relevant lessons for future operations.

The Post-Evaluation Department (OPEV) of the Bank conducts thematic and impact studies on the Bank's operating strategies and programmes and assesses its performance in comparison to its specific goals and objectives as regards projects, sectors and borrowing countries. Greater synergy is now expected between the post evaluation department, the Country Operations Departments and the Central Operations Department in which the quality at entry, supervision, monitoring during implementation, mid-term review and country portfolio performance are the main aspects of the Bank's self-evaluation system. To that end, Operations Evaluation Department and the Country Operations Departments try to co-ordinate their actions so as to effect the

provisional annual programmes for the preparation of Project Completion Reports (PCRs), and the Project Performance Evaluation Reports (PPERs), review papers and updates of policy or operational procedures papers, taking into account the long-term or current priorities of the Boards of Directors as reflected in the various policy deliberations.

The Department focuses more on development effectiveness aspects and is gearing its activities towards a performance evaluation system centered on the assessment of the relevance of the goals and objectives pursued, efficiency in the implementation of economic, social and institutional development actions, as well as on long-term sustainability factors. This system will link the results obtained by the project to the Bank's objectives and strategies.

### ***Economic Intelligence and Policy Advocacy***

The African Development Bank is beginning to play an active role in representing the voice of Africa at major international fora such as the Development Committee Meeting, the World Economic Forum, and international conferences dealing with specific issues that are of relevance to Africa. The Bank often prepares studies and position papers on development issues and trends that affect Africa. In the last four years, the Research Division prepared over 100 papers and briefing notes in the form of economic intelligence for presentation by the Senior Management of the Bank at international fora. The issues and topics covered often include resource mobilization, HIV/AIDS, environment, population poverty alleviation, and information technology, etc.

### ***Research and Dissemination***

The Bank is involved in a wide range of research and dissemination activities. At the core is the research itself, which examines pressing issues in Africa's economic development. The active dissemination of research findings through publications and conferences is central to the Bank's efforts in research development. Research done in collaboration with colleagues in other units in the Bank, as well as with researchers in universities and other development institutions is itself an important means of sharing information and insights. Publications support these activities, in addition to serving as an important dissemination tool in their own right. The Bank's principal research publications are the African Development Report, the African Development Review, Economic Research Papers, and various Statistical Publications all of which are briefly described below.

#### **The African Development Report**

The Bank began publication of the *African Development Report* in 1989. Prior to this, and more particularly, during the period 1984-1988, the Bank published, together with the United Nations Economic Commission for Africa (UNECA), an annual report entitled *Economic Report on Africa*.

The decision to produce the *African Development Report* by the Bank was motivated by four major considerations. First, the *Report* was intended to provide the Institution with a forum that would enable it to sensitize policy-makers, both within and outside Africa, on major African development policy issues. Second, as a technical staff document, the *Report* was expected to provide Bank staff with a forum for providing authoritative analysis of, and commentary on, the economic and social problems of Africa. Third, it was, thus, expected to contribute to the enhancement of the research capability of the Strategic Planning and Research Department, as

part of that Department's contribution to the regular operational activities of the Bank Group. Finally, a well-researched Report was viewed as important in enhancing the Bank's stature as a knowledge center in Africa. The primary responsibility for producing the Report is on the staff of the Research Division, with some consultancy assistance mostly from African Economists, particularly with regard to the special expertise and professional experience required in the preparation of Special Topics.

The *Report* is essentially a staff annual survey of economic and social progress in Africa. It provides a comprehensive but concise analysis of economic developments, current issues and forward-looking policy challenges facing the Continent. The analytical framework is, thus, broader and freer than could be attempted in the strictly official *Bank Group Annual Report* that focuses primarily on annual operational and financial matters relating to the Institution. In producing the *African Development Report*, the process of assembling, analyzing, and making available economic and social data on Africa has not only helped to enrich the capability of the research staff, but has also enhanced the programming work of the Bank. Beyond this, by assembling such indicators in one convenient place, the *Report* has provided researchers both within and outside the Continent with an up-to-date source of information on Africa. It provides the policy and operational contexts relevant to the respective areas of operations; and is viewed by shareholders as a policy framework within which development-financing and related efforts are situated.

*The Report*, which is now in its eleventh year, consists essentially of three parts. Part I surveys broad economic developments during the year under review and begins with a general review of the world economy and its implications for Africa. This is followed by a detailed analysis of Africa's economic performance during the year; a review of economic policy developments; an in-depth assessment of conditions by sub-regions; and an assessment of the medium-term outlook and emerging issues. Part II of the *Report* offers a detailed critical analysis of a major African development policy issue. The special topics that have been dealt with from 1989 to 2000, are: *Economic Integration and Development in Africa (1989)*; *International Trade and African Economic Development (1990)*; *Human Resource Development in Africa (1991)*; *Population and Economic Development in Africa (1992)*; *Economic Integration and Structural Adjustment in Africa (1993)*; *Financial Structures, Reforms and Economic Development in Africa (1994)*; *Structural Adjustment and Development in Africa: The Missing Links (1995)*; *Towards Policies for Long-Term Growth and Development in Africa (1996)*; *Fostering Private Sector Development in Africa (1997)*; *Human Capital Development (1998)*; *Infrastructure Development in Africa (1999)*; and *Regional Integration in Africa (2000)*. Part III of the *Report* presents updated socio-economic statistical information on the African economies.

Since 1997, *The Report* has been published by Oxford University Press on behalf of the Bank. Oxford University Press publishes amongst several others, the World Bank's *World Development Report*; The Asian Development Bank's *Asian Development Outlook*; UNDP's *Human Development Report*; UNHCR's *State of the World's Refugees*; UNIDO's *Industrial Development Report*; the UN Centre for Human Settlements' *Global Report on Human Settlements*; and, the International Federation of Red Cross and Red Crescent Societies' *World Disasters Report*.

Oxford University Press seeks to present the *Report* world-wide as authoritative and high quality while at the same time pricing competitively given the nature of the publication and its audience. The Bank buys back copies at a discount for distribution to African institutions free of charge. In 2000, 5000 copies were printed and distributed to Executive Directors, Senior Management, all professional staff, regional offices, the ADB library, the ADB Communications

Unit, the press and selected individuals and institutions, within and outside Africa. Copies were also distributed to Governors and delegates during the Bank Group's annual meetings.

The wide circulation and the favorable reviews of the *Report* provide an indication that, as envisaged, the Bank is progressively emerging as a reputable knowledge center on African economic and social affairs. Thus, the Bank's stature and its influence is being enhanced, vis-à-vis, other institutions. One implication of this is that the Bank should endeavor not only to sustain the influence it is continuing to wield on African development issues but also to improve and expand on the quality of the *Report*.

### **African Development Review**

The *African Development Review* is a journal of the African Development Bank for the study and analysis of development policy issues with particular reference to Africa. Its publication began in June 1989. It was envisaged that the *Review* would serve as an outlet for research and inquiry into the many development challenges that confront Africa, in order to facilitate meaningful discussion of those issues of direct policy relevance to the region. As a multidisciplinary publication, it would seek to encourage Bank staff, African scholars, policy makers and others interested in African development to debate, discuss and analyze Africa's problems of economic and social development. The *Review* was, therefore, intended to represent a general attempt to understand these problems, in the search for better strategies and better policies for development. The *Review* also aimed at enhancing the Bank's role as a catalyst for innovation and as a knowledge center on African development, given its responsibility to promote, develop and disseminate the intellectual, scientific and technical ideas which not only support traditional lending activity but also promote discussion and inquiry into the socio-economic concerns of the region.

Since 1989, the *Review* has been published twice a year—in June and December. Each issue has a minimum of five articles, with one article, on average, from Bank staff. The *Review* is bilingual, in English and French, with articles published in the original language of the author and abstracts in the other language. The contents of each issue of the *Review*, the quality and the number of articles received and printed, the wide-ranging subject matter and countries covered have all served to further the original objectives of the *Review*. Policy relevance and methodological balance are important in the selection of articles for publication. In line with the multidisciplinary character of the *Review*, the subject matter of published articles ranges from topics in economics to socio-political issues. The issues covered have included: (a) *short-term macroeconomic stabilization problems of inflation, fiscal, monetary and exchange rate policy*; (b) *the evolution and efficacy of medium-term structural adjustment programs and the shifting roles of the State and Market*; (c) *sectoral issues on agriculture and industry*; (d) *microeconomic enterprises*; (e) *regional and international concerns such as debt, resource transfers, regional integration and South-South cooperation*; (f) *socio-economic issues of income distribution, poverty alleviation, the human dimensions of adjustment and women in development*; (g) *financial liberalization in Africa*; and (h) *information technology and economic development*.

Five special issues of the *Review* were devoted specifically to topics that are of major priority of the Bank Group. Volume 3 Number 2 (December, 1991) was devoted to the papers presented by high level experts to the North-South Roundtable on "African Debt, Recovery and Democracy" held at Bank Headquarters. These papers formed the basis of the *Abidjan Declaration of Debt Relief, Recovery and Democracy in Africa*. Volume 4 Number 2 (December, 1992) on *Population Growth and Sustainable Development in Africa*," was based on the papers

presented to the international conference organized by the Bank to consider an African population strategy. These papers formed the basis of the conference resolutions, which urged the Bank to use its resources and status to mobilize and assist African governments to develop and implement population policies and programs. Volume 7, Number 2 (December 1995) was devoted to *invited papers on Africa and the Future*. Volume 9, Number 1 (June 1997) was published in collaboration with the African Economic Research Consortium (AERC). It consisted of papers on “*Financial Liberalization, Domestic Resource Mobilization and Investment in Africa*,” presented at the Second Policy Seminar sponsored and organized by the AERC in Abidjan on November 14-15, 1996. Volume 10, Number 1 (June 1998) was devoted to papers on *Information Technology and Knowledge for Development in Africa*.

The *Review* has enjoyed wide acceptance in the international intellectual community. It has been accepted for abstracting in Applied Social Sciences Index and Abstracts since 1992. Since 1991 it has been annotated in the New Journals section of the Annotated Listing of New Books in the *Journal of Economic Literature (JEL)*, the prestigious publication of the American Economic Association. In addition, the *Review* has been evaluated and accepted for inclusion in the electronic online and CD-ROM indexing and abstracting services of the American Economic Association.

Since 1998, the *Review* has been published by Blackwell. Blackwell is the largest specialist publisher in the social sciences and humanities in the World. Blackwell provides innovative global exposure through its editorial and marketing operations in North America, Europe and Asia-Pacific which will ensure that the journal has the highest possible profile worldwide. Blackwell provides reliable and efficient production and distribution quality for Journals especially with new electronic publishing technologies. Blackwell publishes leading Journals including: *International Finance*, *The Econometrics Journal*, *The Economic Journal*, *Journal of Finance*, *Econometrica*, *The World Economy*, *The Australian Economic Review*, *Asian Pacific Economic Literature*, *Review of Development Economics*, *Pacific Economic Review*, *Africa Research Bulletin*, *Asian Economic Journal*, *Development Policy Review*, *Economica*, *The Japanese Economic Review*, *Journal of Common Market Studies*, *The Journal of Industrial Economics*, *OPEC Review*, *The Review of Economic Studies*, *Review of International Economics*, *The Scandinavian Journal of Economics*, *Scottish Journal of Political Economy*, and *Oxford Bulletin of Economics & Statistics*.

### **Other Research Publications**

The Bank publishes the *Economic Research Papers*, an internal series that aims to stimulate discussions on Bank sponsored research findings. The series, which started in 1983 now has about 50 papers, more than half of which were published between 1996 and 2000. The Bank has also published a few books on development policy issues pertinent to its operations and its regional member countries. To commemorate its 25th Anniversary, the ADB published *Africa and the African Development Bank in 1989*, which provides a record of the past achievements of the continent and of the Bank, as well as discusses the challenges and the possibilities for Africa in the 1990s. In 1991, the Bank published three volumes on *Economic Integration in Southern Africa*. In 1996, the Bank published *Africa and Europe: The Changing Economic Relationship*. This volume, which is the result of an initiative by the research staff of the Bank in commissioning various studies and discussions, presents the issues at stake for Africa on the changing patterns of trade and capital flows, the future of monetary cooperation in Africa, and various scenarios for the future of African-European economic relations.

More recently, the ADB, AERC, Global Coalition for Africa (GCA), UN Economic Commission for Africa (UNECA), and the World Bank agreed to undertake a study to review Africa's development performance during the last four decades and to explore the challenges and promises for Africa in the next century. The collaborative study resulted in the publication of "*Can Africa Claim the 21<sup>st</sup> Century?*"

Research studies carried out by ADB research staff have also been published in several reputable journals including *World Development Report*, *Journal of African Economies*, *Economic Development and Cultural Change*, *Finance and Development*, *African Journal of Economic Policy*, *African Finance Journal*, *African Journal of Economic Policy*, *Southern African Journal of Economic Development*, *African Development Review*.

### **Statistical Knowledge**

Statistical activities of the African Development Bank include developing and maintaining socio-economic databases on the major development indicators needed to monitor economic and social progress in RMCs; developing and maintaining databases on Bank Group operations to chart the Bank's financial contribution to RMCs development efforts, and disseminating data outside the Bank.

The Bank's statistical publications help disseminate reliable statistics throughout Africa as well as to research and policy institutions in non-regional member countries. These include the overviews provided in the *Annual Report* of the Bank and the *African Development Report*; the annual *Selected Statistics on African Countries* with detailed benchmark socio-economic data (such as population and demographic indicators, social statistics (education and health), agricultural production, national accounts, balance of payments, money and banking statistics and external debt); the *Compendium of Statistics on Bank Group Operations* with statistics on loan approvals, commitments, cancellations, disbursements, loan repayments, procurement of goods and services, and co-financing operations; and the *ADB Statistics Pocketbook*, a quick reference version of the detailed statistics provided in the other publications. In addition, in 1999, a new biennial publication, *Gender, Poverty and Environmental Indicators on African Countries* was launched to consolidate information on key sustainable development indicators in Africa. This publication helps to monitor progress made in African countries towards achieving the internationally agreed development goals for 2025.

Recently, the content of statistical publications was broadened to include a wider range of development indicators such as human development and public finance statistics. Publication format was also modified to include both cross-country data and more detailed information on individual countries. Country-specific statistics were included to facilitate the retrieval of information on individual countries.

A management system for the Live Database (LDB), a Windows/Excel-based statistical network system, has been put in place in order to significantly improve the availability, consistency, accuracy and timeliness of a wide range of socio-economic data. Data manipulation tools include (i) a Local Database for in-depth economic work, (ii) Briefings, a management tool for accessing data on selected indicators in a pre-sorted, ready to use format and (iii) Query, a tool for storing, accessing, and manipulating economic and sector variables.

The Bank has also been involved in supporting statistical activities in RMCs. This is being done by providing resources to improve the quality and availability of data in African countries, which in turn helps the governments to make good policies and informed decisions based on

quality statistics. The Bank Group, through its lending operations, has provided financial and technical assistance for institutional capacity building and data collection activities in national statistical agencies in member countries. Since 1988, for example, Bank Group support in this area has been extended to nineteen countries for 21 statistical operations in the form of technical assistance grants amounting to around UA 41 million. Besides the inclusion of components on statistical capacity building in projects financed by the Bank, the ADB also does finance, where deemed necessary, stand-alone statistical projects especially those aimed at providing the necessary data required for the preparation of poverty reduction strategy papers (PRSPs).

### ***Capacity Building***

#### **Support for Research Institution**

Over the years the Bank Group has been providing support to research institutions in recognition of the fact that inadequate research, especially in the field of agriculture, health, education and other socio-economic and rural development programs, is a serious impediment to progress in its Regional Member Countries (RMCs). Sustained efforts to improve research and technological dissemination could contribute substantially to development on the continent. In this respect, the Bank has continued to attach particular importance to the promotion of research in the stated fields.

Support has been provided to selected institutions whose research programs are in line with the objective, policies and priorities of the Bank Group. It has provided support through its administrative budget and, recently, through the ADB net income and Technical Assistance Fund (TAF) resources. First, it provided support through its administrative budget. Later, between 1986 and 1990, it provided a total of US\$ 24.886 million, from the ADB net income, and in 1993 approved US\$ 4.396 million from the TAF resources. Out of these amounts, US\$17.298 million was used to assist the core and special programs of these institutions. Research institutions, which have benefited from this support, include WARDA, TDR, ILCA, ICIPE, SAFGRAD, ICRISAT, IITA, IIMI, ILRAD, ICRAF, IRLCO/CSA, SPAAR, MMRS, ACDESS, ITC, IFDC and DLCO-EA. In addition, the ADF provided special long-term grants in 1990 and 1991 to the IRLCO/CSA, ICRISAT and WARDA for a total of UA 8.041 million for research, training and development concerned with the control of red locusts and army worms; the improvement in the production of pigeon pea in Eastern and Southern Africa and the improvement in the production of rice in West Africa respectively and US\$ 1 million for research on AIDS in Africa. Many research institutions have made requests to the Bank Group for financial support. However, because of the limited availability of the ADF/TAF funds, only 24 institutions, whose programs are relevant to the policies, objectives and priorities of the Bank Group under ADF-VII, have been selected for financial support from the ADF/TAF resources for the period 1996-1999. The Bank is now more engaged with economic research networks in Africa, particularly the African Economic Research Consortium (AERC), Council for the Development of Social Science Research in Africa (CODESRIA), and the Secretariat for Institutional Support of Economic Research in Africa (SISERA). The relationship between the ADB and AERC was recently strengthened when, in 1998, the Bank approved from its Technical Assistance Fund (TAF), an amount of US\$200,000 in support of research activities that the AERC is carrying out in Africa. The ADB now sits on the Board of the AERC as well as the steering committee of SISERA. The ADB and SISERA are exploring the possibility of a collaborative research exchange program. As part of its program of

support for African Partner Institutions, SISERA will provide funding support for researchers who are hosted by the ADB to implement joint research projects. The Bank recently hosted in April 2000, the Research Collaboration Conference of CODESRIA.

### **Training in Regional Member countries**

The Bank's capacity building initiatives have also focused on training public sector officials in macroeconomic and development policy related courses. The training activities that the Bank undertakes in regional member countries (RMCs) consist of two major components: (i) project management training and (ii) development management training.

*Project Management Training.* In 1998, African Development Institute (ADI) undertook 8 national/regional project management workshops for 10 countries—Algeria, Botswana; Cameroon, Gabon, Gambia, Guinea, Morocco, Namibia, Swaziland, and Zambia. The curricula for these workshops covered the project cycle, project management, and the Bank's procurement and disbursement procedures. In addition to these eight workshops, a pilot workshop for project coordinators was also launched in 1998. The second phase of the *Agricultural Management Training Programme for Africa (AMTA)* was also fully launched in 1998. The training of trainers (TOT) for four Francophone countries (Burkina Faso, Chad, Côte d'Ivoire, and Guinea) and consisting of 30 participants was completed. Similarly, the TOT programme for Nigeria was completed, and a TOT for three North African countries (Algeria, Morocco and Tunisia) was also launched. In addition, project staff training was started in the four Francophone countries.

*Development Management Training.* In 1998, the ADI expanded considerably its development management programme and undertook a total of 12 development courses, seminars and workshops. Most were implemented in cooperation with other institutions, both bilateral and multilateral. Substantial financing was also secured from bilateral sources. The seminars covered such diverse subjects as the political economy of the environment, development macroeconomics, gender and economic reform, health sector reform, the East Asian Experience, policy-based finance, and taxation and tax administration. In addition, the Institute organized the Annual Meetings Symposium devoted to the theme of *Regional Cooperation and Integration in Africa*. The 25 project and development management training activities that ADI implemented for officials of the Bank's regional member countries provided training for over 1,300 participants, and covered some 6,500 training days, for an average of five training days per participant.

### ***The Joint Africa Institute***

The African Development Bank Group, the International Monetary Fund (IMF), and the World Bank agreed in 1999 to establish the Joint Africa Institute (JAI) by a Memorandum of Understanding. Officially established under the auspices of the ADB, the JAI will be jointly administered by the three founding institutions and have its offices in Abidjan, Côte d'Ivoire.

The JAI is expected to satisfy a critical need for capacity building by offering training in a number of areas. These will include macroeconomic management and policies (including financial programming) monetary and exchange rate operations, public finance, and banking supervision and statistics. In addition, the JAI will offer courses in structural and social topics, such as poverty reduction, gender, environment, good governance, sectoral issues, and other reform policies. In its initial years, the JAI is expected to train over 400 African officials per annum, primarily

government officials including high-level policy makers and senior officials. Some courses may, however, be open to participants from the private sector, NGOs, and other regional training institutions. In addition, all JAI courses will be open to the staff of the three institutions. The training provided by the JAI will distinguish itself by its quality; by creating opportunities to develop collaborative courses that will bring the regional experience of the ADB and the global development experience of the IMF and the World Bank to bear on specific African problems and issue by developing an Africa-focused training program; and by creating a unique setting in which African officials and participants can productively exchange their knowledge and experience.

The JAI will function on a cost-sharing basis. Each institution will be responsible for the costs of the staff it assigns to the Institute as well as for the staff it provides for training. Training cost participants travel and accommodation, course preparation- and other operational costs will be shared equally by the three institutions. Infrastructure costs will be borne solely by the African Development Bank Group.

In the initial years, the training departments of the three sponsoring institutions will offer most of the courses given in the JAI. Each institution will be individually responsible for developing and delivering its courses. In time, most JAI courses will become collaborative efforts among the three sponsoring institutions. In addition, it is envisaged that the JAI will help develop the capacity of other African training institutions to improve their training programs.

In the medium- to long-term the JAI is expected to train a significant number of African officials likely to play major roles in the economic management of their respective countries. The Institute will thus make a significant contribution to improving the capacities of RMC governments and should become an important resource center on African economic development issues. The Bank Group's participation together with the location of the Institute in Abidjan will further the vision of the Bank as a knowledge and information center for the continent. The Institute had its inaugural seminar on *Capacity Building, Governance, and Economic Reform* at the beginning of November 1999. In addition, it offered two courses in 1999: *Money and Banking Statistics* and *Policies for Sustainable Rural Development*. Twelve courses, seminars, and workshops are planned for the year 2000.

### ***The ADB/JAPAN Fellowship Program***

The ADB/Japan Fellowship program began in 1995 as a collaborative venture between the Government of Japan and the Bank Group. The program provides ten fellowships a year to African scholars wishing to participate in a Master's degree program in a field related to economic and social development, and who return to their home country. The objective is to increase the pool of highly qualified Africans in a position to contribute to the development of their countries. The Human Resources Development Grant of the Government of Japan to the Bank funds all costs, including tuition and fees, basic allowance, books, medical insurance and airfare. The Bank's African Development Institute administers the program.

Since its inception, the Fellowship Program has awarded 50 fellowships to scholars from 25 African countries who have pursued graduate studies in a number of fields, including: economic development and policy; finance; business administration; health service management; elementary education; tropical medicine; energy and environment information technology; telecommunications engineering; and, maternal and child health care. The ten fellowships have become increasingly competitive over the last five years. In 1999 alone, over 1,800 inquires were made and 500 applications received.

The Bank's Human Resource Development Committee, composed of representatives from various Bank departments, oversees the selection process. Selection criteria include academic excellence, the relevance of the proposed program of study, work experience, and commitment to contributing to the economic and social development of one's home country. To date, nearly all applicants have successfully completed their proposed studies and have returned to their respective countries and workplaces.

### ***Other Capacity-Building Activities***

In addition to its own programs, the Bank Group has provided the following support to other capacity building activities. The Bank Group, the World Bank and UNDP sponsor the African Capacity Building Foundation (ACBF) and the Bank Group is represented on the Executive Board of the Foundation and chairs its Operations Committee. The ACBF will expand its operations in the coming years to incorporate activities under the new Partnership for Capacity Building (PAC17), in addition to the support it provides to the establishment of national and regional policy analysis units and to training in macroeconomic management.

## **Towards Enhancing the ADB's Role as a Knowledge Centre**

Most of the Bank's RMCs have limited institutional capacity, including in the formulation of macro- and micro-economic policies, and in project preparation and appraisal. As a result, most RMCs have not been able to internalize MDB-led initiatives such as PERs and Economic and Sector Work. In the process effective dialogue and ownership of development policies have been severely constrained. The Bank would, therefore, collaborate with other development partners in assisting RMCs to build sustainable and viable institutions through well-tailored training and technical assistance programs. The Bank would also help ease the path to adequate private sector funding through support for deepening and regulation of the financial sector.

Apart from the weak institutional capacity of most RMCs, access to information, especially social and economic data is a major constraint, which seriously hampers the planning and budgeting process as well as policy analysis of RMCs. More importantly, lack of readily available information in a convenient form adds to the search cost to private operators as well as adds to the costs of doing business in Africa.

This brings us to the question of the Bank's own research capacity which is needed in order to be able to play a lead supporting role in the RMCs. It can be noted that the Bank's weakness in research derives fundamentally from structural causes, notably the organization and location of research, its leadership, scarcity of resources, and the corporate environment and inadequate support for a vibrant research culture. Briefly these are as follows:

### ***Organizational structure and place of research***

From its inception, the Bank's structure has always been such that research activities have generally been located alongside other activities such as planning, resource mobilization and economic intelligence for senior management which activities by their very nature, tend to command urgent attention. The implication of such an arrangement is that research activities will suffer. Indeed they become sidelined to the periphery as the urgent functions of speech writing and economic intelligence take center stage thus undermining research to an activity that gets done when staff are

less busy. In the very least, research is untenable in these circumstances, as it requires systematic effort and dedication over time. Thus to redress the situation and for progress to be achieved in the area of research, it must be separated from other activities and given organizational independence while at the same time forging and preserving strong links with other departments of the Bank to keep its activities relevant to the work of the Bank.

### ***Resources allocation***

Staff can be motivated to deliver quality research output when adequate resources are provided for research activities.

Given adequate resources, the Bank would build its capacity, over time, to become a Knowledge and Information Centre with strong intellectual authority and an ability to think strategically and act locally, in an African context. As a knowledge center, the Bank would build adequate facilities and a strong and reliable Information Technology base in order to provide a ready source of information and data dissemination to both public officials and private sector operators in all its member countries.

Resources for Research at the ADB remain woefully inadequate. With only 3 professional staff presently, and one support staff, the Research Division is critically understaffed and has hardly the capacity to sustain a vibrant research culture. This compares unfavorably with the Development Research Group at the World Bank with close to 100 (95 to be exact) professional research staff and 22 support staff. Similarly the IMF dedicates up to 10 percent of its resources to direct research activities with a full staff compliment to match which undertakes substantive economic policy research on an ongoing basis. The Inter-American Development Bank also has an Office of the Chief Economist separate from the Strategic Planning and Policy Department. A critical mass of highly trained and experienced research economists will be required if the Bank is to make an impact in the area of development knowledge and policy research. This will require a substantial increase in the number of professional staff as well as budget allocation for research assistant positions.

### ***Corporate environment and support for research***

The presence of research in a development finance institution like the Bank requires some justification as it falls outside the boundaries of its natural habitat (universities and research institutes). This justification derives only from the relevance of research output to the overall goals and objectives of the Bank. Thus relevance requires that a research agenda be set in such a way that research feeds directly into operational activities. The results of research must influence operational work and vice versa. Once research results become relevant to operational work, management would find, increasingly, that its operational decisions must be informed by the findings of research. As it increasingly becomes a pillar on which operational work rests, research would continue to require strong management commitment in a mutually reinforcing manner so that on the one hand, the Bank relies on the fruits of research, and on the other hand, research requires the support of senior management to be able to deliver operationally relevant research results. Thus the research department must create a demand for its activities through their relevance, while management, the beneficiaries of research results, must continue to give its support, if it is to continue to enjoy those benefits. The challenge of research in a non-research environment is one of relevance to the institution, which has opted to have it as one of its activities.

Knowledge generation in the form of research and capacity building is essential to Bank operations. As Africa's premier international financial institution, the Bank seeks to develop into a center of excellence, with research and knowledge generation complementing the Bank's traditional role, that of project and programme funding. As discussed in this paper, the Bank has made great strides towards achieving this goal, although there is a lot that still needs to be done. The Bank now regularly publishes the *African Development Report* and the *African Development Review*, among other Reports and papers for generating and disseminating knowledge. However, the Bank faces problems of institutional and human resource constraints, which limit its ability to take a leading role in providing economic knowledge and policy advice in Africa.

## Short to Medium Term Solutions

Having highlighted some of the major elements hindering the Bank's progress towards becoming a knowledge center fully effective in its contribution to resolving some of Africa's problems, the following actions are recommended within the existing framework in the short term:

*Adequate Resource Allocation:* An initial step would be to boost the budget for research functions including funding research assistant positions, increase to reasonable the number of regular professional staff in concerned departments to allow for a reasonable level of specialization. Alternatively it could provide adequate resources to secure consultants for special studies where new positions are not feasible. There is a complimentary need to also strengthen the Library services to provide the staff with the most recent publications in their subjects of interest notwithstanding the advent of the Internet.

*Reorganization of Functions:* Senior management could consider separating economic intelligence work, whose activities are devoted to servicing senior Management, from the research department given the staff constraints in the concerned units. An initial step would be to establish the position of a speechwriter, possibly in the office of the President, self-sufficient with a dedicated staff compliment for this purpose. Such a department or unit would of necessity have to maintain close ties with the research and development policy units, whose new role should be limited to providing notes and background information on specific subjects. This is a common practice at other sister MDBs and should find full justification within the ADB Group. A second step to strengthen long term research and strategic planning work while minimizing the recurrence of ad-hoc assignments, would be to increase the support staff compliment to include office assistants capable of performing semi-professional functions such as handling correspondence and routing documents.

*Scholarships and Exchange Programs:* To encourage the flow of new knowledge into the institution, the Bank should promote even greater collaboration with specialized knowledge centers and universities such as the Centre for the Study of African Economies at Oxford University, the African Economic Research Consortium, HIID, and SISERA among others. The modalities for such cooperation are already in place. This will allow the Bank to tap new knowledge from specialized institutions as well as universities. The Bank could also establish a scholarship fund for promoting research and special studies that could be published by the Bank or used as background papers for the *African Development Report*. CADI, in collaboration with the research and policy departments, could play a central role in promoting this activity.

Enhancing the Bank's role as a knowledge center also assumes the presence of adequate capacity to perform the required functions. Research and policy development staff may require specialized training to refresh their research skills and sharpen their analytical skills associated such efforts should be supported by the Bank through partial scholarships or partial reimbursement of expenses even if it involves long term specialized training programs. This is a sound investment not only in the staff, but also the Bank's research capacity and in the final analysis an investment in Africa's development.

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