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Bill Digest

African Development (Bank and Fund) Bill 2018

Bill No. 101 of 2018

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Abstract

The *African Development (Bank and Fund) Bill 2018* will provide for Ireland's membership of the African Development Bank (AfDB) and the African Development Fund (AfDF). Membership of the AfDB requires ratification of an international agreement which, under the Constitution, requires the approval of Dáil Éireann through enactment of primary legislation.

Contents

Bill published 25 September 2018: Second Stage not determined.

This Digest may be cited as:

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Summary

- The primary purpose of the *African Development (Bank and Fund) Bill 2018* is to facilitate Ireland's membership of the African Development Bank (AfDB, hereafter the "Bank") and the African Development Fund (AfDF, hereafter the "Fund"). In order for a non-regional applicant country to become a member of the Bank, it must first become a participant in the Fund. The procedure for membership of the two institutions occurs, in this case, concurrently;
- Ireland is a member of a number of international development banks including the International Monetary Fund (IMF), the World Bank, the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Council of Europe Development Bank, the Asian Development Bank (ADB) and, most recently, the Asian Infrastructure Investment Bank (AIIB);
- The Fund provides development finance on concessional terms to low-income 'regional member' countries in Africa which are unable to borrow on the non-concessional terms of the Bank. The Bank is headquartered in Abidjan, Côte d'Ivoire (Ivory Coast). The Bank President is always from a regional (African) country;
- The policy objective of the Government in joining the African Development Bank is to reinforce Ireland's political, development, economic, trade and cultural relationships with Africa;
- According to the Government, participation in the Fund and membership of the Bank will provide an opportunity to extend Ireland's reach and impact in terms of trade, in particular through enhancing opportunities for Irish companies to secure project contracts;
- Membership requires ratification of international agreements in respect of the Articles establishing the Bank, and the Articles establishing the Fund. Under the provisions of the Constitution (Article 29.5.2°) approval of Dáil Éireann is required where such an agreement involves a charge upon public funds;
- Ireland will be liable for a subscription cost of **€65.14m**, to be encashed in up to 8 annual instalments (approx.€8m annually) for participation in the Fund, and a 'paid-in' contribution of **€38.2m** for membership of the Bank, payable in annual payments over 8 years (€4.7m annually). The first instalment is due when the ratification procedure has been completed (i.e. once this Bill is enacted, which will facilitate Ireland's membership);[1]
- Ireland will take up (maximum) equity of 53,620 shares / votes in the Bank, a shareholding of 0.799%;
  - This would (notionally) place Ireland 34th of 79 Members (see Appendix 2 of this Digest);

[1] These amounts may be lower depending on currency fluctuations over time.

- The (now) €81 billion Bank was formally established on 10 September 1964 following an agreement signed by 23 founding Member States, all African. The Bank commenced operations on 1 July 1966. The (now) €36bn Fund was established on 29 November 1972 as one of two concessionary funding windows (i.e. funds providing reduced rate loans), the other being the (now) €205m Nigeria Trust Fund (NTF) established in 1975. The three institutions together are known collectively as the African Development Bank Group (hereafter “the Bank Group”).

Timeline

- On **28 November 2017**, the Government authorises the Department of Finance to commence Ireland’s formal engagement with the Bank and to negotiate Ireland’s membership;
- On **8 February 2018**, a formal declaration of Ireland’s intent to apply to become a participant in the Fund and a member of the Bank is made. The Government formally notifies the Bank of its interest in participating in the Fund (i.e. acceding to Fund membership) and becoming a member of the Bank in a letter from the Minister for Finance, Public Expenditure and Reform, Paschal Donohue T.D., to Bank President Dr. Akinwumi Adesina;
- On **8 March 2018**, the Committee on Finance, Public Expenditure and Reform and Taoiseach agrees not to undertake pre-legislative scrutiny (PLS) of the General Scheme / draft Heads;
- On **27 September 2018**, the African Development (Bank and Fund) Bill 2018 is published.

Introduction

The *African Development (Bank and Fund) Bill 2018* was published on 27 September 2018 by the Minister for Finance and Public Expenditure and Reform, Paschal Donohue T.D. The aim of the Bill is to provide for Ireland's membership of the African Development Fund (AfDF, hereafter "the Fund") and the African Development Bank (AfDB, hereafter "the Bank"). Both participation in the Fund and membership of the Bank requires the enactment of enabling primary legislation. Under the provisions of the Constitution (Article 29.5.2°) approval of Dáil Éireann is required where such an international agreement involves a charge upon public funds.

Table of provisions

A summary of the Bill is provided in Table 1 below:

Table 1: Table of provisions

Part	*Section*	*Title*	*Explanation*
1	**1**	**Short title**	This Act may be cited as the African Development (Bank and Fund) Act 2018;
1	**2**	**Definitions**	This Section sets out the definitions used in the Bill.
2	**3**	**Approval of terms of Bank Agreement**	This Section provides for the approval of the Agreement Establishing the Bank, thereby enabling the State to be party to the Agreement. It also provides for publication in the Iris Oifigiúil of notice of approval by Dáil Éireann pursuant to Article 29.5.2 of the Constitution of any future amendment to the Agreement. The Agreement Establishing the Bank is attached as a Schedule to the Bill.
2	**4**	**Financial and other provisions: Bank**	This Section makes provision for payments and receipts under the terms of the Agreement Establishing the Bank.
3	**5**	**Approval of terms of Fund Agreement**	This Section provides for the approval of the Agreement Establishing the Fund, thereby enabling the State to be party to the Agreement. It also provides for publication in the Iris Oifigiúil of notice of approval by Dáil Éireann pursuant to Article 29.5.2 of the Constitution of any future amendment to the Agreement. The Agreement Establishing the Fund is attached as a Schedule to the Bill.
3	**6**	**Financial and other Provisions: Fund**	This Section makes provision for payments and receipts under the terms of the Agreement Establishing the Fund.
Schedule		**Agreement Establishing the African Development Bank**	Details the Agreement comprising 60 Articles and 2 Schedules.

Ireland and multinational development banks

Ireland is a member of and donor to all major international development banks. In particular, Ireland joined the World Bank Group (through the International Bank for Reconstruction and Development) in **1957**, the European Bank for Reconstruction and Development (EBRD) in **1991,** the Asian Development Bank (ADB) in **2006** and, most recently, the Asian Infrastructure Investment Bank (AIIB) in **2017**[2]**.** These banks are compared below.

Table 2: The main development banks compared

	Asian Infrastructure Investment Bank (AIIB)	World Bank Group	Asian Development Bank (ADB)	European Bank for Reconstruction and Development (EBRD)
Lead country (by voting share)	China	U.S.	Japan	EU, EIB and EU Member States own 63% of EBRD capital
Headquarters	**Beijing** (China)	**Washington D.C.** (United States)	**Mandaluyong** (Philippines)	**London** (United Kingdom)
Purpose	• Sustainable development[3] • Regional cooperation • Promote public and private investment • Utilise its resources to finance development • Encourage private investment • Other services	• Reconstruction and development • Promote private investment • Promote long-range balanced growth • Arrange loans for most useful, most urgent projects first • Assist transition from wartime to peacetime economy	• Regional economic development and cooperation • Promote public and private investment • Utilise resources to finance development • Meet requests from members to assist them in development of policy	• Uniquely for a development bank, the EBRD has a political mandate in that it assists only those countries 'committed to and applying the principles of multi-party democracy
Establishment	2013	1944	1966	1991
Membership	57 countries	189 countries	67 countries	65 countries (+ EU + EIB)
Employees	c70-100	c11,000	c3,100	c1,500
Capital (subscribed)	(€95bn) $100bn	€251bn ($266bn)[4]	€139bn ($147bn)[5]	€29.7bn ($30.5bn)[6]
Operations / loans (committed)	(€1.85bn) $2bn	€162bn ($171bn)	€30bn ($31.5bn)[7]	€9.4bn ($10.2bn)
Enabling legislation	*Asian Infrastructure Investment Bank Act 2017*	*Bretton Woods Agreements Act 1957*	*Development Banks Act 2005*	*European Bank for Reconstruction and Development Act 1991*

Compiled by L&RS. Data correct as at 25 April 2017.

Ireland is also a member of the International Monetary Fund (IMF), the Council of Europe Development Bank and the Multilateral Investment Guarantee Agency Development Bank.

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[2] A Bill Digest on this Bill was published by the L&RS in May 2017 and is available here [internal link only].
[3] As summarised in Wan, Ming (2016) The Asian Infrastructure Investment Bank: The Construction of Power and the Struggle for the East Asian International Order, Palgrave, p.81.
[4] World Bank / International Bank for Reconstruction and Development Financial Statements, 31 December 2016;
[5] Asian Development Bank website, Who We Are (fast facts)
[6] ECRD (2017) '*EBRD – Investment of Choice'*, April 2017
[7] Asian Development Bank website, Who We Are (fast facts).

The African Development Bank (AfDB) Group

Background and structure

The African Development Bank (AfDB) Group is a regional and multilateral development financial institution (bank). Multilateral development banks provide financial assistance to developing countries in order to promote economic and social development. The African Development Bank Group (hereafter "the Group") is structured similarly to the World Bank and has three arms as follows (in order of establishment) – Bank, Fund and Nigeria Trust Fund.

Table 3: The three arms of the AfDB / Bank Group

Arm	Establishment	Operational	Function(s)[8]	Members	Subscribed Capital[9]
The Bank (AfDB)	1964	1966	The parent entity, the Bank is a 'hard' lender which, among other things, makes loan / equity investments in regional Member countries and provided technical assistance to projects / programs focused on development in Africa;	80	US$95bn (€81bn)
The Fund (AfDF)	1972	1974	A 'soft' lender, which offers concessional loans and grants to low income countries, as well as technical assistance such as macro-economic advice (the Fund is comparable to the International Development Association, IDA, at the World Bank);	27 State participants + 4 regional donors	US$42bn (€36bn)
Nigeria Trust Fund (NTF)	1976	1976	A fund, financed by the Nigerian Government, which makes limited financial resources available at below-market rates.	n/a	US$242m (€205m)

Arm #1: The Bank[10]

The Articles of Agreement for the Bank were signed on 4 August 1963 in Khartoum, Sudan by 23 newly independent African countries coinciding with the rush to independence of several African countries at the beginning of the 1960s. On 10 September 1964, the Agreement came into force when 20 member countries subscribed to 65% of the Bank's capital stock (a total of US$250m /

[8] Summaries sourced from the House of Commons' International Development Committee Report 'DFID and the African Development Bank', 8 May 2008.
[9] African Development Bank (2018) Investor Presentation, June 2018.
[10] African Development Bank (2013) AfDB in Brief, May 2013, p.7.

€214m). The Bank commenced operations with 10 staff in July 1966, and remains headquartered since then in Abidjan, Côte D'Ivoire (Ivory Coast) in Western Africa. In 1982, the Bank's capital was opened to non-Africa (regional) countries. Today, the Bank has 80 members (54 regional/African countries and 26 non-regional/African countries) and subscribed capital of over $95bn / €80bn.

Arm #2: The Fund[11]

The Agreement establishing the Fund was signed on 29 November 1972, by the Bank membership and 13 non-regional countries ('State Participants'). The Fund's objective is to address the nature as well as the terms of lending to the poorest of the countries, especially for projects with long-term maturities or non-financial returns such as roads, education and health. Today, the Fund has 27 State participants and 4 regional donors and subscribed capital of US$42bn / €36bn.

Arm #3: The Nigeria Trust Fund[12]

The Nigeria Trust Fund (NTF) was set up in 1976 by agreement signed between the Government of the Federal Republic of Nigeria and the Bank Group. The NTF became operational in April 1976 following approval of the agreement establishing it by the Bank's Board of Governors. Today, the NTF is a fund of US$242m (€205m).

Purpose

As is typical for major development banks, the overall objective and purpose of the Bank Group is to contribute to the sustainable economic development and social progress of its regional (African) members individually and jointly. This is set out in Article 1 of the Bank's Articles of Agreement (appended as Schedule 1 of the Bill). This is achieved by providing and promoting investment in terms of public and private capital in projects and programs designed to reduce poverty and improve living conditions. The Group also promotes international dialogue on development issues concerning the African continent. The Bank provides financing for a broad range of development projects and programmes. In addition, it provides policy-based loans and equity investments, finances non-publicly guaranteed private sector loans, offers technical assistance for projects and programmes that provide institutional support, promotes the investment of public and private capital, and responds to requests for assistance in coordinating regional (African) member countries' development policies and plans.

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[11] *Ibid.*
[12] African Development Bank (2013) AfDB in Brief, May 2013, p.7.

Ireland's Membership of the Bank Group

Why join?

The policy objective of the Government is to reinforce Ireland's political, development, economic, trade and cultural relationships with Africa, which would reflect the importance of Africa to Ireland. Ireland has a long and positive relationship with Africa, particularly as a result of the development work of Missionaries and aid workers through Irish Aid. In the Regulatory Impact Assessment (RIA) accompanying the Bill, the Department of Finance outlined the following benefits and impacts associated with the option of joining the Bank immediately, as proposed.

Table 4: Summary of Option 2 – joining the Bank now, as detailed in the RIA

Benefit(s)	Impact(s)
▪ Reinforce Ireland's **existing positive overall relationship** with Africa, and the associated economic and trade relationships with Africa; ▪ Reinforce the **strategic priority** which successive Irish governments have given to Africa; ▪ Promote **job creation in Ireland and Africa** (based on reinforcing the existing trade relationships); ▪ Allow for **business opportunities** for Irish businesses with Bank-financed projects; ▪ Maintain Ireland's **influence in the international financial architecture** by having a role/presence in the Bank, and taking our place among our counterparts from other Countries; ▪ Maintain Ireland's **current proactive role in international affairs,** apply experience from Ireland's role in other International Financial Institutions and reinforce the synergies available from being a member of an increased number of such Institutions;	▪ Membership would **complement Ireland's existing development relationship** in Africa (particularly strong links built through work of Missionaries and aid workers); ▪ The Bank's particular emphasis on climate change, agriculture and nutrition, fragile states and jobs and economic development align closely with **our priority areas for action identified in Ireland's Policy for International Development.**[13]

The RIA also indicated the following costs:

- Monetary cost associated with **allocating resources** (i.e. officials) to participation in AfDB events and meetings;
- Bank shareholding **contribution calculated as €19m** and a **Fund contribution of €65m payable** over (up to) eight years;

[13] The public consultation paper published in July 2018 to inform a new international development policy for Ireland specifically highlights Ireland's potential membership of the African Development Bank as beneficial in broadening Ireland's humanitarian focus to include more of North and West Africa.

Membership risks (economic/fiscal and political)

As detailed in Table 4, there are benefits and costs associated with participation in the Fund and Membership of the Bank. The main risk (economic / fiscal) relates to the likelihood that there may **a call for members to replenish 'callable' funds** in an emergency. However, the Bank Group is historically profitable and there has never been a call on funds. This is discussed further in the Principal Provisions section of this Digest. However, there are risks also associated with non-membership, namely, the (political) impact on **Ireland's relationship with Africa**. These two aspects are discussed further below.

Financial profile and profitability

The Bank Group as a whole is profitable. Bank operations, in particular, have yielded a profit every year since the Bank's establishment in 1966. Overall, in 2017, the Group achieved a profit of €70.8m. A comparison with 2016 is provided below:

Table 5: Key financial results (2016-2017) – €m

	Bank		Fund		NTF	
	2017	2016	2017	2016	2017	2016
Income from loans and investments	+792.70	+668.61	+175.13	+211.90	+3.26	+2.79
Borrowing expenses and derivatives	-269.08	-290.52	-	-	-	-
Impairment charge and loans and investments	-20.16	-80.27	-	-	-	-
Translation gains/losses, and other income	+2.56	+12.47	-10.63	-4.95	-	-
Net operational income	+506.03	+310.28	+164.50	+206.95	+3.26	+2.79
Other expenses	-199.38	-167.81	-305.44	-286.76	-0.66	-0.53
Income before distributions approved by the Board of Governors	+306.65	+142.47	-140.94	-79.81	+2.59	+2.25
Distributions approved by the Board of Governors	-97.30	-112.73	-	-	-0.23	-0.17
Net income/loss for the year	+209.35	+29.75	-140.91	-79.81	+2.36	+2.09

Source: African Development Bank Group (2018) 2017 Annual Report, p. 41. All figures detailed in the Annual Report are in 'unit of account' (UA) which is the official currency for Bank projects equivalent to the International Monetary Fund's Special Drawing Right (SDR). As at 31 December 2017, 1UA = US$1.424 (African Development Bank (2018) African Development Bank – Information Statement, August 2018, p. 2). US$1 = €0.8332 as at 29 December 2017 according to the Central Bank of Ireland.

As the above accounts illustrates, the Bank Group (as a whole) and the Bank in particular is profitable and has been since it commenced operations in 1966. There has also never been a call on the capital of the Bank and this is generally deemed "unlikely" by the Bank as it would imply that the bank is unable to meet its financial obligations[14]. This is discussed in more detail in the Principal Provisions section of this Digest.

Ireland's political relationship with Africa

The Government describes Ireland's relationship with Africa as positive. The Department of Foreign Affairs published its African strategy entitled 'Ireland and Africa: Our Partnership With a

[14] African Development Bank website ' AfDB capital subscriptions' [accessed 30 October 2018].

Changing Continent' in September 2011. The Strategy notes Ireland's unique position in a geopolitical sense regarding the African continent:

> "Ireland's profile in Africa as a small country without a colonial history gives us a valuable perspective. Our knowledge and experience of African development challenges enable us to make an important contribution to the consideration of policies at EU level that affect that Continent (p.11)."

The Strategy explicitly states the following in relation to Ireland's participation in development banks:

> "In view of the central importance of the EU, the World Bank and the African Development Bank to broader economic and social development in Africa, the Department of Foreign Affairs and Trade will focus on developing further our involvement with these international financial institutions. We will strengthen our relationship with the World Bank Headquarters in Washington, with a view to optimising opportunities for Irish involvement in such projects (p.21)."
>
> More broadly, it is recognised that the World Bank and the African Development Bank are enormously valuable repositories of knowledge and expertise in relation to macroeconomic and sector-specific developments within Africa. An enhanced relationship with these institutions will help to strengthen our analytical capacity, assist in the way we design and implement development cooperation and economic actions in the region, and act as reassurance for Irish companies who wish to invest in national and regional ventures in Africa (p.21).

The Joint Committee on Foreign Affairs and Trade and Defence published a Review of the Irish Aid Programme (February 2018). The report also highlights the following:

> "Ireland has also committed to achieving the UN committee to spending 0.7% of GNI on Official Development Assistance (ODA), which Ireland is some way off achieving (0.33% in 2016)."

Achievement of the 0.7% target is a commitment contained in the Programme for a Partnership Government (May 2016), as is the implementation of the United Nation's Strategic Development Goals (SDGs). However, the Committee report notes (p.31) that for Ireland to reach the 0.7% target by 2030, the overall aid programme needs to grow from €707m (currently) to €2.5bn, or an increase of €150m per annum over the period (an increase of close to €1.8bn). *Budget 2019,* announced on 9 October 2018, provided an additional €110m for 2019.[15]

[15] RTÉ (2018) '*Overseas aid up €110m in Budget 2019'*, 9 October 2018.

African economic performance and Ireland's trade relationship with Africa

African economic performance and the Sustainable Development Goals (SDGs)

Though the economic performance of African countries in recent years has been strong, significant deprivation and poverty still exists, and progress toward meeting the UN Millennium Development Goals (MDGs), while substantial in some areas (e.g. education and healthcare), is poor in others (e.g. access to electricity, internet penetration, quality of road networks). Population growth is also a major factor, with a combined population for all 54 countries at 1.296bn, or 17% of global population. It is also forecast that by 2050, the population of the continent will surpass the combined population of China and India.[16] As summarised by the UK Department for International Development[17]:

> "Africa experienced strong economic growth (3-6%) over the decade to 2013 despite the difficult global context, but 45.1% of the population of Fund eligible countries still live in extreme poverty, subsisting on less than US$ 1.90 a day.
>
> The UN Millennium Development Goals Report (MDGs) 2015 noted that Africa had made significant achievement towards attaining some of the MDGs, such as:
>
> - 80% primary school enrolment rate in Sub-Saharan Africa;
> - 89% of pregnant women receiving four or more ante-natal visits;
> - Over 900 million treated mosquitos delivered to malaria endemic Sub-Saharan African countries between 2004 and 2014 averting 6.2 million malaria deaths, mainly of children under five.
>
> Despite the progress made, millions remain poor and many of these have been left behind because of their age, sex, disability, ethnicity or geographical location. Undernourishment rates had fallen to 23% but remain the highest globally. Whilst child mortality and maternal mortality rates had fallen by around 50% between 2000 and 2015, they remain high by comparison to other regions.
>
> Only 38% of the African population has access to electricity, the penetration rate for internet is less than 10% while only a quarter of Africa's road network is paved. Poor road, rail and port facilities add 30% to 40% to the costs of goods traded among African countries, adversely affecting the private sector development and the flow of foreign direct investment. The poor state of infrastructure is estimated to reduce national economic growth by two percentage points every year."

The eight Millennium Development Goals (MDGs) has since been succeeded by seventeen Sustainable Development Goals (SDGs), which the Irish Government has committed to implementing under the Programme for Partnership Government (May 2016). Each MDG was unpinned by specific targets and performance indicators for monitoring purposes.

[16] Irish Examiner (2018) '*John Whelan: Africa could hold key to Irish export survival'*, 15 October 2018.
[17] UK Government (2017) Explanatory Memorandum – The African Development Bank (Fourteenth Replenishment of the African Development Fund) Order 2017.

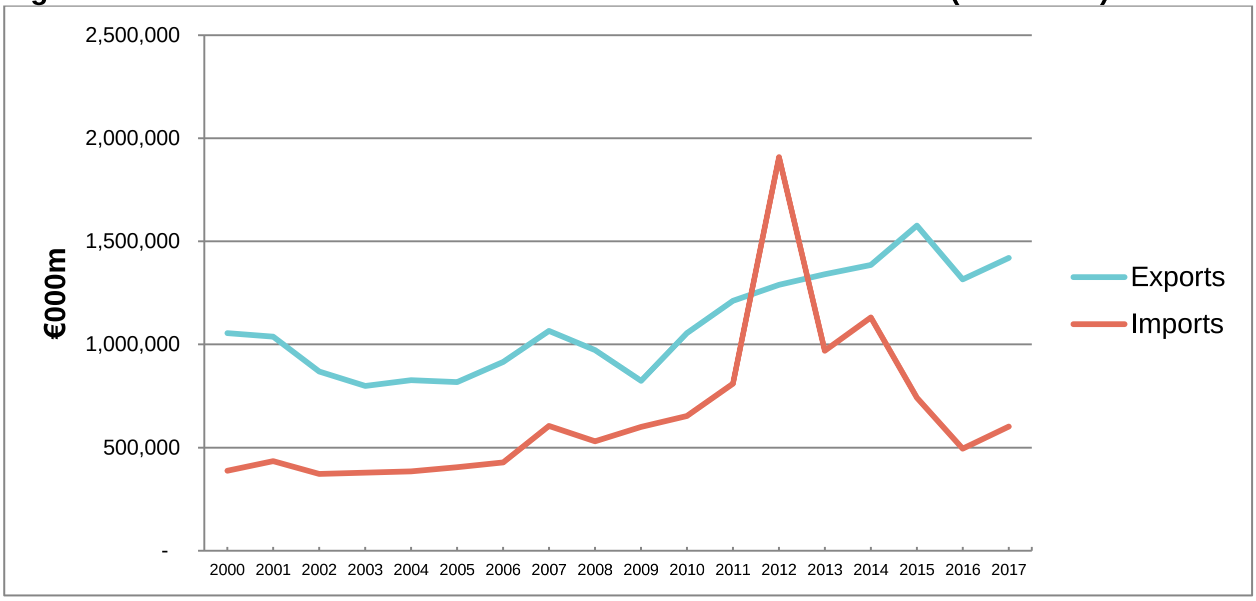
Table 6: MDGs and SDGs compared

MDGs (- 2015)	SDGs (Since 2015)	
1. Eradicate extreme poverty and hunger 2. Achieve universal primary education 3. Promote gender equality and empower women 4. Reduce child mortality 5. Improve maternal health 6. Combat HIV/AIDS, malaria and other diseases 7. Ensure environmental sustainability 8. Develop a global partnership for development	1. No poverty 2. Zero hunger 3. Good health and well-being 4. Quality education 5. Gender equality 6. Clean water and sanitation 7. Affordable and clean energy 8. Decent work and economic growth 9. Industry, innovation and infrastructure 10. Reduced inequality	11. Sustainable cities and communities 12. Responsible consumption and production 13. Climate action 14: Life below water 15: Life on land 16: Peace and justice strong institutions 17: Partnerships to achieve the Goal

Ireland's trade relationship with Africa

Overall, Irish exports to African countries have increased over the past decade. It is a core objective of the Government and the relevant State Agencies active in the region to increase exports, stimulate investment and contribute to developing productive capacity, typically through enhanced EU trade agreements.[18] In terms of external trade flows, Ireland trades with all African countries and territories though trade is concentrated in a small number of markets (See Table, overleaf).

Figure 1: Ireland's trade flows with African countries and territories (2000-2017)



Source: CSO – External Trade (supplied on request to L&RS).

In 2017, the total value of Irish exports to the continent was €1.42bn, with imports to Ireland worth €601.3m. Since 2000, a (goods) trade deficit has only occurred in 2012. Irish exports, the value of good exports to Africa has increased by 34.6% since 2010. The breakdown (overall) is included in Appendix 3 of this Digest. The main markets are as follows:

[18] Department of Foreign Affairs / Irish Aid (2014) Trade between Africa and Ireland to reach €24billion by 2020, October 2014.

Table 7: Main export and import markets for Irish-Africa trade, 2017

Exports (Ireland to Africa)				Imports (Africa to Ireland)			
Rank	**Country**	**€**	**%**	**Rank**	**Country**	**€**	**%**
1	Nigeria	280.4m	19.8	1	Guinea	130.24m	21.7
2	S.Africa	243.1m	17.1	2	Nigeria	117.15m	19.5
3	Egypt	161.5m	11.4	3	S.Africa	102.26m	17.0
4	Morocco	103.5m	7.3	4	Algeria	65.25m	10.9
5	Algeria	99.6m	7.0	5	Egypt	48.68m	8.1

Source: CSO – External Trade (supplied on request to L&RS).

In value terms, the principal goods **exports** in 2017 were:

- Essential oils, perfumes and other toiletries (€371.2m, 26.1%);
- Miscellaneous edible products (including inputs for Guinness) (€267.7m, 18.8%);
- Dairy products and bird's eggs (€171.5m, 12.1%);
- Pharmaceuticals / medical products (€112.2m, 7.9%); and
- Office / data processing machines (€87.2m, 6.1%)

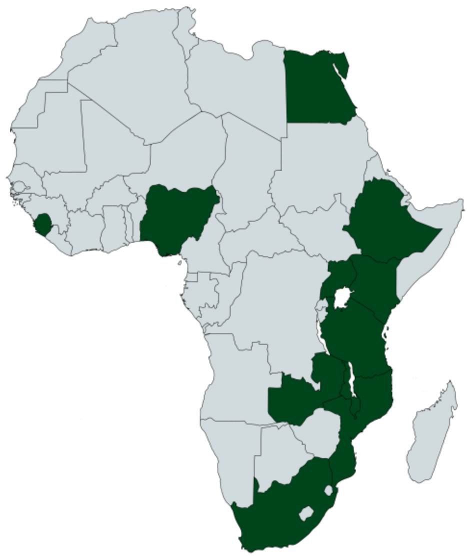
Principal goods **imports** in 2017 include:

- Petroleum, petroleum products and related materials (€176.7m, 29.4%);
- Metalliferous ores and metal scrap (€135.9m, 22.6%); and
- Vegetables and fruit (€49.2m, 8.2%);

Ireland's diplomatic presence in Africa

Ireland has permanent embassies in 11 African countries[19], 1 in North Africa and 10 in sub-Saharan Africa, as follows:

- Egypt
- Ethiopia
- Kenya
- Malawi
- Mozambique
- Nigeria
- Sierra Leone;
- South Africa
- Tanzania
- Uganda
- Zambia

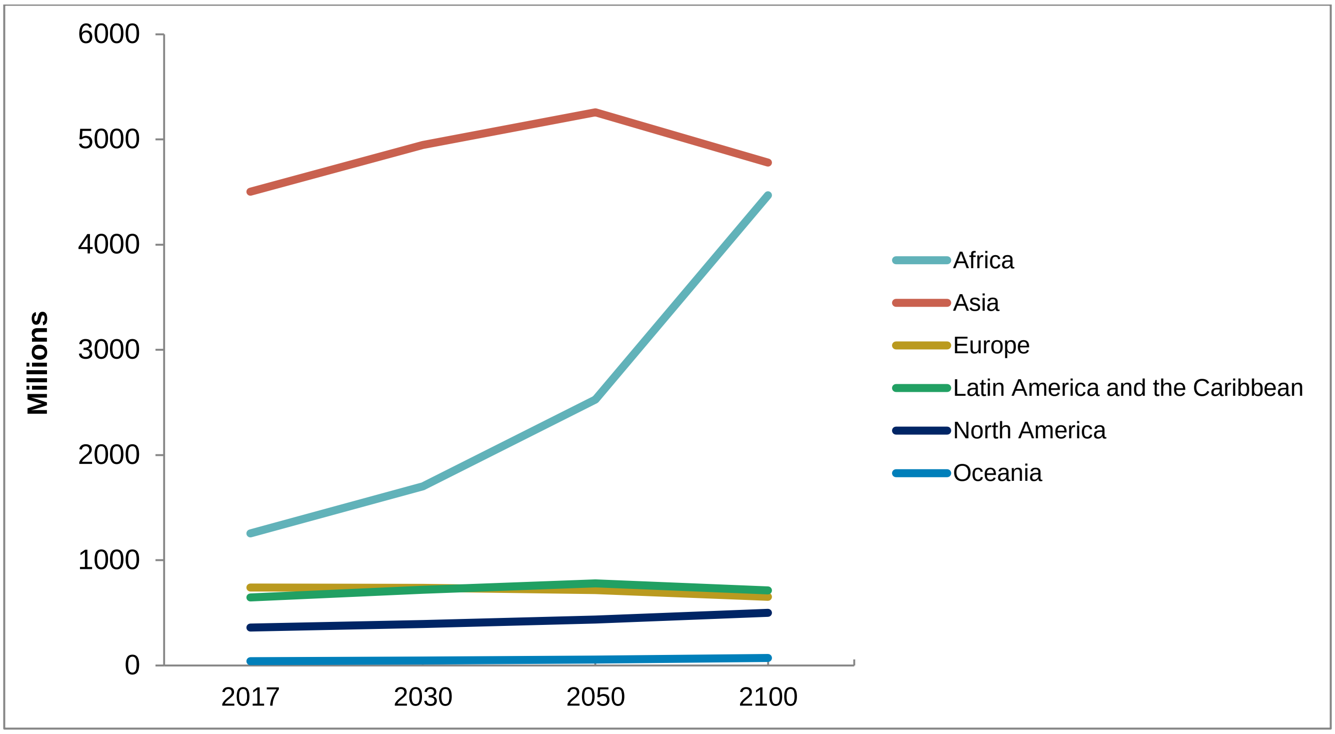


Source: Department of Foreign Affairs website.
Map designed by L&RS using mapchart.net.

[19] Certain embassies provide diplomatic and consular services for neighbouring countries (e.g. Irish embassy in Uganda also covers Rwanda).

Expected population growth will change global commerce as existing markets grow and new markets develop. Africa, as a region, based on UN forecasts, is expected to undergo rapid population change, as illustrated by the Figure below, and Table overleaf.

Figure 2: Population of the World regions, 2017-2100



Source: United Nations (2017) World Population Prospects: The 2017 Revision, Key Findings and Advance Tables, Table 1, p.1.

Table 8: Population of the World regions, 2017-2100

	Population (millions) / Year			
Region	***2017***	***2030***	***2050***	***2100***
Africa	1,256	1,704	2,528	4,468
Asia	4,504	4,947	5,257	4,780
Europe	742	739	716	653
Latin America and the Caribbean	646	718	780	712
North America	361	395	435	499
Oceania	41	48	57	72
World	**7,550**	**8,551**	**9,772**	**11,184**

Source: United Nations (2017) World Population Prospects: The 2017 Revision, Key Findings and Advance Tables, Table 1, p.1.

Mission, strategy and goals (The 'High 5s') of the Bank

The Bank Group's 2013-2022 Strategy focuses on achieving inclusive growth and assisting Africa to gradually transition to green growth. The strategy is built around five core operational priorities:

- Infrastructure development;
- Regional integration;
- Private sector development;
- Governance; and
- Skills and technology.

To accelerate the delivery on the 10-year strategy and advance the economic transformation of Africa, the Bank decided in 2015 to place a sharper focus on five priority areas known as "The High 5s". Each priority is directly linked to the United Nations Sustainable Development Goals (SDGs). According to the Bank, the High 5s will help African countries achieve close to 90% of the SDGs. The linkages between the UN SDGs, the Strategy, and the 'High 5' priorities are illustrated overleaf.

These areas, and their estimated annual financing needs, are as follows:[20]

1. **Light up and Power Africa** (€56bn-€78bn);
2. **Feed Africa** (€28bn-€35bn);
3. **Industrialize Africa** (€35bn);
4. **Integrate Africa** (€8.7bn);
5. **Improve the quality of life for the people of Africa** (€4.8bn);

In total, the Bank estimates an annual financing need of between €132.5bn - €161.5bn. Conversion from US$ to euro using xe.com [23 October 2018].

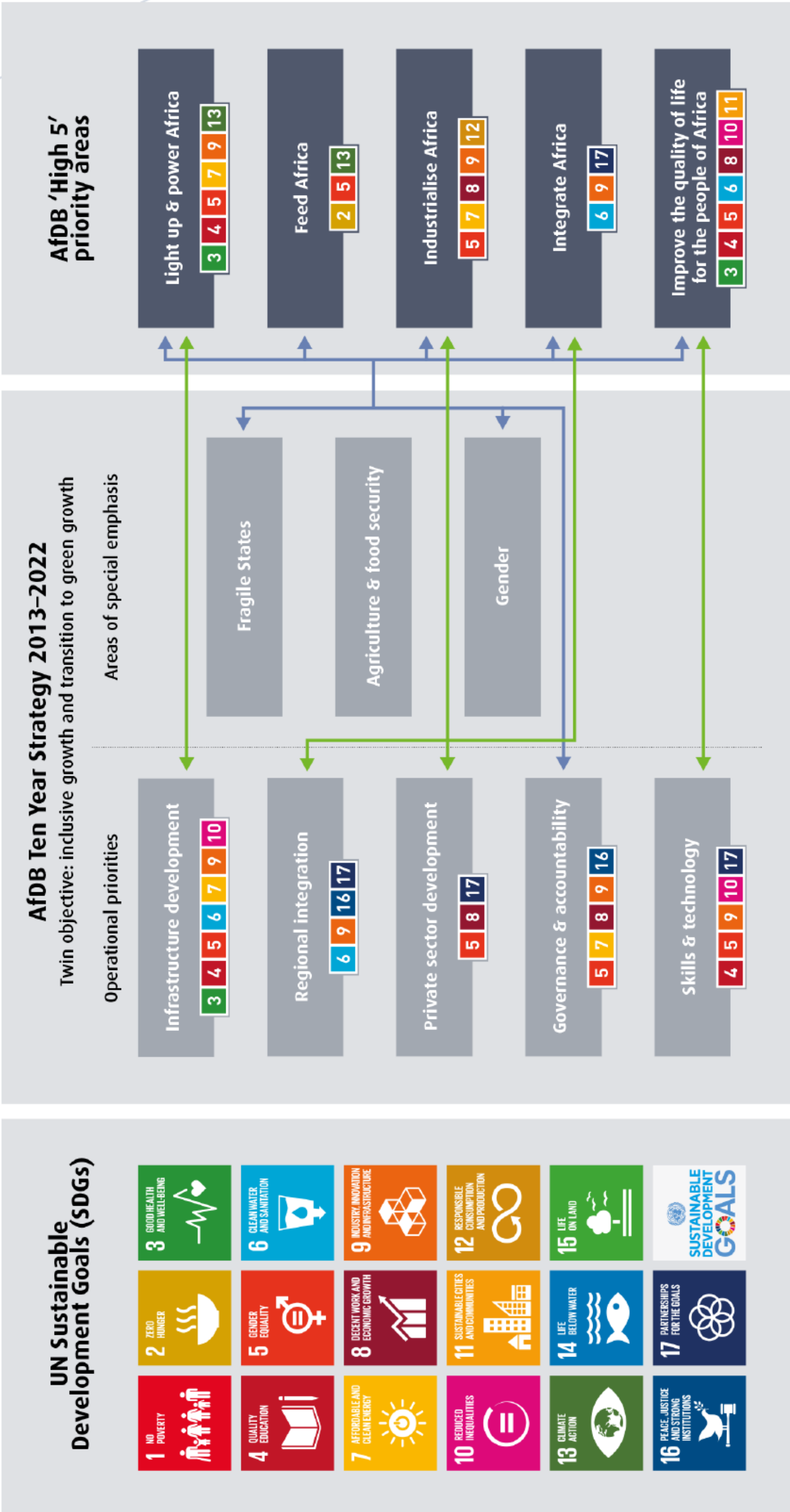
'High 5' Progress

In 2017, the progress in terms of achieving these priorities during that year was as follows:[21]

1. **Light Up and Power Africa**: +4.4 million people provided by access to electricity;
2. **Feed Africa:** Improved access to improved agricultural technologies for +8.5m Africans;
3. **Industrialise Africa**: +210,000 small businesses provided with access to financial services;
4. **Integrate African:** +14m Africans with improved access to transport;
5. **Quality of life for the People of Africa:** +8.3m Africans with improved access to water and sanitation;

[20] African Development Bank (2018) Strategy presentation: A Southern Africa Regional Perspective, 3 May 2018. Conversion, as at 3 October 2018, from US$ made by L&RS using xe.com.
[21] African Development Bank Group (2018) 2017 Annual Report, p. vii.

Figure 3: The Bank's Strategic Framework (2013-2022) and 'High 5' priorities



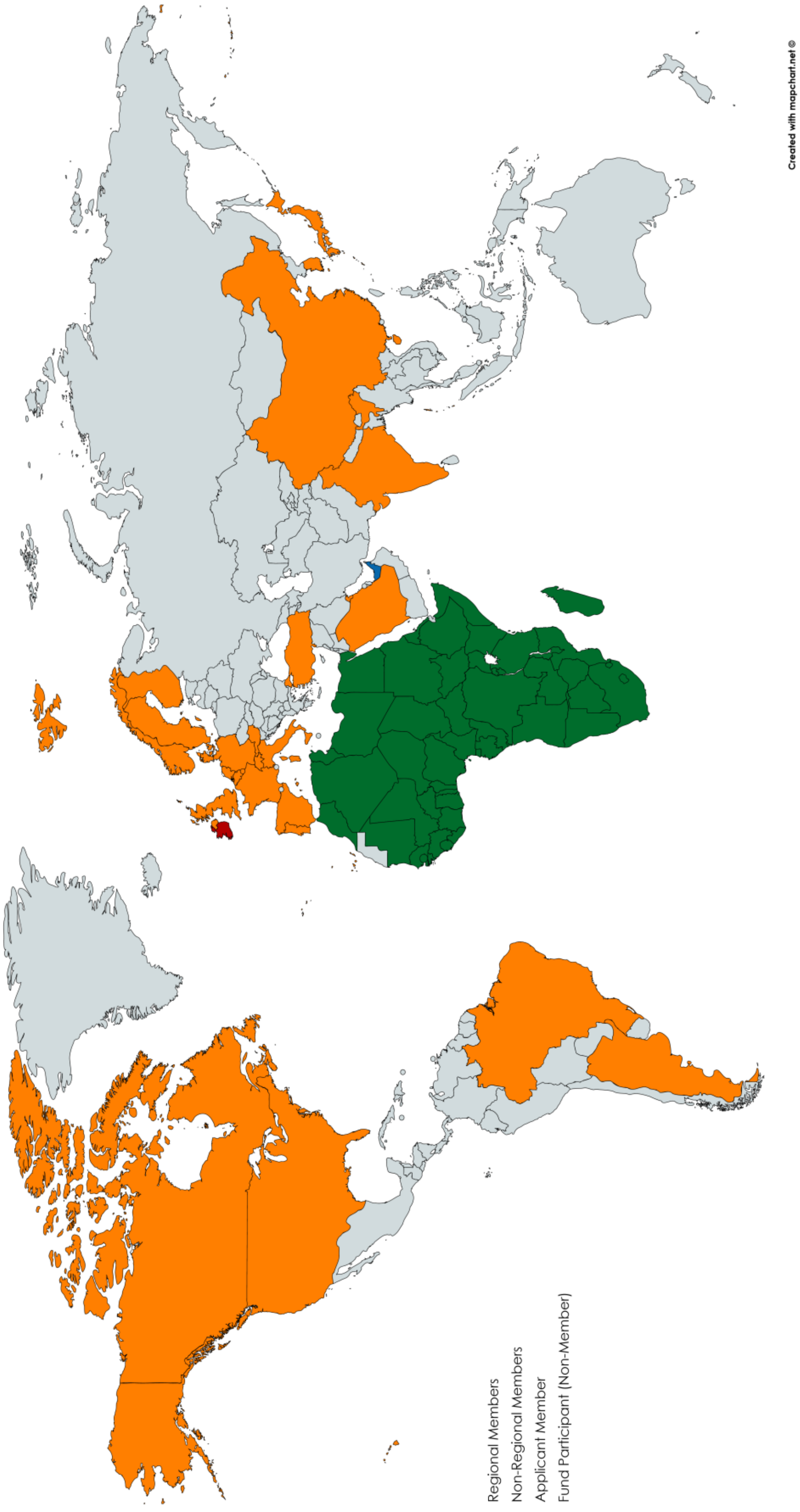
Source: African Development Bank (2018) [Strategy presentation: A Southern Africa Regional Perspective](), 3 May 2018.

Membership

As of 31 December 2017, there were 80 subscribed member countries of the Bank comprising 54 regional (African) countries and 26 non-regional countries.[22] One country (the United Arab Emirates – UAE) is a member of / participant in the Fund only. All African countries are Bank members with the exception of Western Sahara. Non-regional members were first admitted in 1982. The membership is illustrated overleaf.

[22] African Development Bank (2018) African Development Bank – Information Statement, August 2018, p. 4.

Figure 4: Membership of the Bank (as at 31 December 2017)



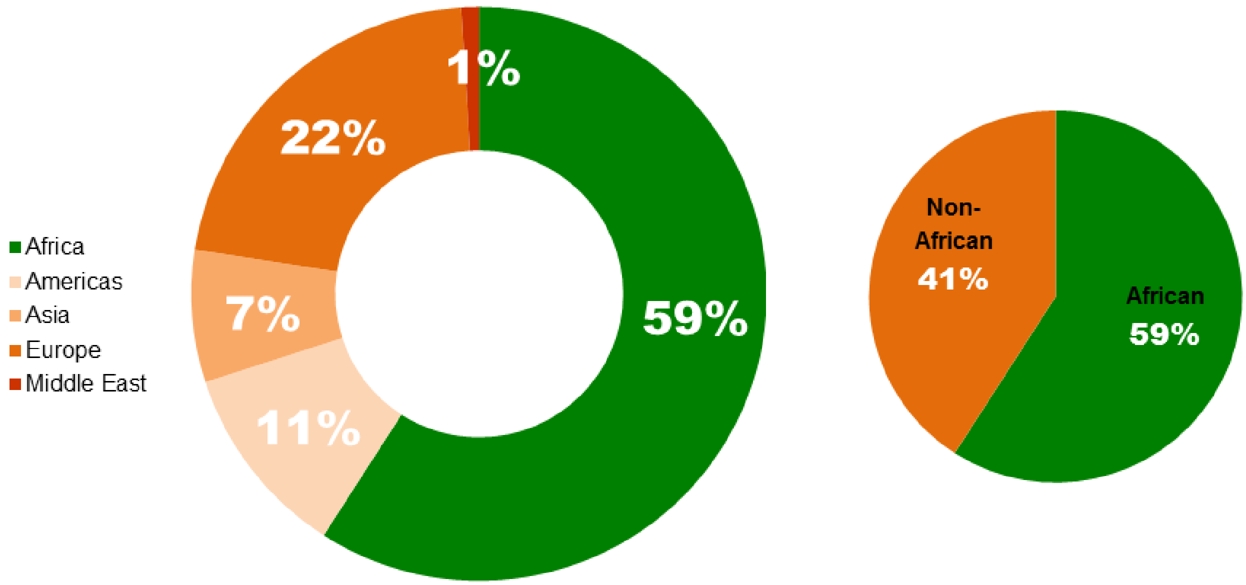
Source: AfDB Group website '[Member Countries'](). Map designed by L&RS using Mapchart.net.

Shareholding and capital subscriptions

Shareholding

African (regional) members hold **59%** of voting rights, with non-regional members holding **41%.** The largest single 'shareholder' is Nigeria, at 9.33%. The largest non-African shareholders are the United States (6.6%), followed by Japan (5.5%) and Germany (4.1%). Appendix 1 details the capital subscriptions for all regions and Member countries. The overall regional composition of capital share (as at 31 December 2017) is as follows:

Figure 5: Composition of regional capital subscriptions / shareholding



Source: African Development Bank (2018) [Investor Presentation,] June 2018.

Capital subscriptions

Bank resources are made up of ordinary and special funds. Fund resources consist of:

- Subscriptions by all participants, typically on a successive 3-year replenishment basis;
- Subscription by the Bank;
- Funds derived from operations accruing to the Fund; and
- Other resources received by the Fund.

Prospective member countries are required to pay an initial subscription to the Fund and to the Bank. The **Fund subscription** amount if based on a country's IMF quota. The amount of the minimum initial subscription of new participants is determined by multiplying its relative International Monetary Fund (IMF) quota (current IMF quota[23] relative to the IMF quotas of all State

[23] The IMF quota of each of the member countries of the African Development Bank is published on the website of the International Monetary Fund. The relative IMF quota is computed as the quota of a specific country, divided by the total of the IMF quotas of all State participants in the Fund.

participants in the Fund), with the latest audited Net Development Resources of the Fund (NDR)[24]. **Bank subscriptions** are divided between paid-up capital (which reflects a participant's shareholding) and callable (non-paid up) shares. As is typical with development banks, only a small proportion of total subscribed capital is "paid-in" capital. Member countries subscribe to the capital of the Bank by depositing an instrument of subscription. The subscription is deemed effective when the member country pays the first instalment of the paid-up capital. The shares representing the paid-up portion are issued when the Bank receives the actual payments for such shares, while the entire callable shares are issued upon the payment of the first instalment of the paid-up capital. For the Bank, of the US$95bn (€81bn) in total subscribed capital, only US$5.86bn (€4.97bn) is paid-in by all Members, or 6%. This provides diversified sources of liquidity for the Bank to support its credit rating, enabling the Fund to borrow at advantageous interest rates. To date, there has never been a call on the capital of the Bank.[25]

Replenishments

The Fund's resources are replenished every 3 years. The Fund's most recent replenishment (ADF-14, or its 14th) covering the resource requirements for the period 2017-2019 was concluded in November 2015. In total, the Bank is supported by €81bn of authorised capital (US$95bn), the Fund by €36bn (US$42bn), and the Nigeria Trust Fund by €205m (US$242m).

State participants are not obliged to participate in a given replenishment, though all have to date.

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[2] NDR are published in the special purpose financial statements of the Fund. For the purpose of subscriptions to the Fund, the latest published NDR of the Fund, set as of 31 December of each year, are used.

[25] African Development Bank (2018) [Strategy presentation: A Southern Africa Regional Perspective](), 3 May 2018.

Principal provisions

The *African Development (Bank and Fund) Bill 2018* consists of 3 parts, 6 sections and 2 schedules. The primary purpose of the Bill is to:

> "…provide for Ireland's membership of the African Development Bank (AfDB) ("the Bank") and African Development Fund (AfDF) ("the Bank"). The Bill will approve the terms of the Agreement Establishing the AfDB and the Agreement Establishing the AfDF, and provide for the payments to the Bank and Fund respectively."

This Section of the Digest will focus on two main themes in the Bill as follows:

- Ireland's participation in the Fund and subscription (sections 5 and 6); and
- Ireland's membership of the Bank and subscription (sections 3 and 4).

Ireland's participation in the *Fund* and subscription

Section 5 provides for approval of the term of the Fund Agreement (as set out in schedule 2 of the Bill). Section 6 of the Bill refers to the financial and other provisions, which set out that the subscription will be paid from the Central Fund, and any moneys / receipts received on the State's behalf shall be added to the Central Fund. As is typical with such agreements, the Irish Central Bank shall act as depository for the holdings and assets of the Fund. The amount of the minimum initial subscription of Ireland is determined by multiplying its relative International Monetary Fund (IMF) quota (current IMF quota[26] relative to the IMF quotas of all State participants in the Fund), with the latest audited Net Development Resources of the Fund (NDR)[27] as presented below:

Table 9: Initial subscription of Ireland

Relative IMF quota	NDR as of 31 December 2016	Initial subscription
1.00330%	**5,457,842,000**	**€65.14m**

Source: Financial Note on Ireland's Membership of the African Development Bank (2018) Department of Finance.

Participation in the Fund is deemed effective once the full initial subscription (€65.14m) is paid. Payment options are:

A. In cash;
B. by the deposit of a promissory note in a Fund custody account opened at the Central Bank; or
C. By the deposit of a demand obligation;

In the case of option A, payment can be made in up to three installments (of €21.71m) if in cash, or up to eight instalments in the case of options B and C (payable in any freely convertible currency).

[26] The IMF quota of each of the member countries of the African Development Bank is published on the website of the International Monetary Fund. The relative IMF quota is computed as the quota of a specific country, divided by the total of the IMF quotas of all State participants in the Fund.
[2] NDR are published in the special purpose financial statements of the Fund. For the purpose of subscriptions to the Fund, the latest published NDR of the Fund, set as of 31 December of each year, are used.

Ireland's participation in the *Bank* and subscription

Section 3 provides for approval of the term of the Bank Agreement (as set out in schedule 1). Section 4 of the Bill provides for payments / receipts under the terms of the Bank Agreement. Each member of the Bank is subject to a minimum and maximum subscription. Subscriptions are divided between 'paid-up' capital (which reflects a participant's shareholding) and callable capital (not-paid up) shares.

Box 1: Callable capital

Callable capital is that portion of the subscribed capital stock which may be called upon as and when required by the Bank to meet its financial obligations. The purpose of callable capital is to act as a contingency measure / collateral to support the Bank's overall credit rating (and therefore, its ability to borrow). In the event of a call, payment must be made by the member countries concerned in gold, convertible currency or in the currency required to discharge the obligation of the Bank for which the call was made. Callable capital acts as protection for holders of bonds and guarantees issued by the Bank in the unlikely event that it is not able to meet its financial obligations.

No member could be required to pay more than the unpaid balance of its ordinary capital subscription. No call has ever been made on the callable capital of the Bank.

Source: African Development Bank (2018) Information Statement, p.11 and AfDB website.

The shareholding of Ireland in the Bank following the payment in full of its subscription amount was estimated at between 0.404% and 0.799%. The difference between the minimum and the maximum subscription is exactly 2:1. In accordance with the Sixth General Capital Increase (GCI-VI) of the Bank, shares are divided into paid-up and callable capital in the proportion of 6% paid-up shares for 94% callable shares. As detailed in Box 1 above, callable capital is the commitment (i.e. notional) by each shareholder to make an agreed amount of additional capital available to the Bank to meet specific obligations (typically, in the case of financial distress) if required. This may be considered to be the biggest liability for Ireland associated with Bank membership.

Table 11: Subscription details (minimum v maximum)

	Minimum		Maximum	
Subscriptions details	**In Shares**	**€ / %**	**In Shares**	**€ / %**
Paid-up capital (6%)	1,609	€19,139,377	3,217	€38,266,858
Callable capital (94%)	25,201	€299,770,935	50,403	€599,553,766
Total (100%)	**26,810**	**€318,910,312**	**53,620**	**€637,820,624**
Indicative shareholding	-	0.404%	-	0.799%

Source: Financial Note on Ireland's Membership of the African Development Bank (2018) Department of Finance.

It is intended that Ireland up take the <u>maximum equity</u> offered by the Bank[28]. Therefore, Ireland is subject to a 'paid-in' subscription amount of €38.3m and will be liable for callable capital

[28] Confirmed in correspondence between the Department for Finance and the L&RS / author (31 October 2018).

of €599.55m – an overall capital allocation of **€637.8m.** The Bank is historically profitable, and there has never been a call on the capital of the Bank and this is generally deemed unlikely by the Bank. This arrangement is typical for development banks.

The subscription to the Bank becomes effective (i.e. shares issued and corresponding voting rights allocated) once the Bank receives the payment for the first instalment of Ireland's subscription to its capital stock in full. The existing shareholding allocation is detailed in Appendix 1 and the indicative ranking (including Ireland, minimum subscription) is included in Appendix 2.

Articles of Agreement

The Articles of Agreement is attached to the Bill as Schedule 1 (Bank) and Schedule 2 (Fund). It is not within the scope of this Digest to address each article as much has been outlined in the previous sections.

Chapter VI is of particular note regarding organisation and management and institutional governance structure. The Board of Governors is the supreme organ of the Bank. Each member country is represented on the Board by a Governor and an alternate. The position of Governor is usually held by a Minister of Finance and/or Economy of each Member states. The Board of Governors issues general directives concerning the operational policies of the Bank. For the Fund Board of Governors, each participant is represented by one Governor while Governors of the African Development Bank are *ex-officio* Governors of the Fund.

Appendix 1: Capital subscriptions

Africa		Americas		Asia		Europe		Middle East	
Nigeria	**9.33%**	U.S.A.	**6.62%**	Japan	**5.52%**	Germany	**4.16%**	Kuwait	**0.45%**
Egypt	**5.62%**	Canada	**3.88%**	China	**1.18%**	France	**3.77%**	Turkey	**0.36%**
South Africa	**5.06%**	Brazil	**0.33%**	Korea	**0.48%**	Italy	**2.44%**	Saudi Arabia	**0.19%**
Algeria	**4.24%**	Argentina	**0.09%**	India	**0.26%**	U.K.	**1.77%**		
Côte d'Ivoire	**3.74%**					Sweden	**1.58%**		
Morocco	**3.61%**					Switzerland	**1.47%**		
Libya	**2.65%**					Denmark	**1.18%**		
Ghana	**2.14%**					Norway	**1.18%**		
Zimbabwe	**1.97%**					Spain	**1.07%**		
Ethiopia	**1.58%**					Netherlands	**0.88%**		
Kenya	**1.44%**					Belgium	**0.64%**		
Tunisia	**1.41%**					Finland	**0.49%**		
D.R.Congo	**1.29%**					Austria	**0.45%**		
Zambia	**1.18%**					Portugal	**0.24%**		
Angola	**1.17%**					Luxembourg	**0.20%**		
Cameroon	**1.08%**								
Botswana	**1.08%**								
Senegal	**1.05%**								
Gabon	**1.00%**								
Tanzania	**0.76%**								
Mauritius	**0.65%**								
Madagascar	**0.65%**								
Mozambique	**0.62%**								
Congo	**0.45%**								
Uganda	**0.45%**								
Mali	**0.43%**								
South Sudan	**0.41%**								
Guinea	**0.40%**								
Burkina Faso	**0.40%**								
Namibia	**0.35%**								
Sudan	**0.31%**								
Sierra Leone	**0.29%**								
Malawi	**0.24%**								
Burundi	**0.24%**								
Niger	**0.24%**								
Benin	**0.19%**								
Liberia	**0.19%**								
Togo	**0.16%**								
Gambia, The	**0.15%**								
Equ.Guinea	**0.15%**								
Rwanda	**0.13%**								
Swaziland	**0.11%**								
Cape Verde	**0.07%**								
Sao Tome & P.	**0.07%**								
Chad	**0.07%**								
Lesotho	**0.06%**								
Mauritania	**0.06%**								
Cent.Afr. Rep	**0.04%**								
Eritrea	**0.03%**								
Somalia	**0.03%**								
Seychelles	**0.03%**								
Guinea Bissau	**0.02%**								

Source: African Development Bank (2018) Investor Presentation, June 2018.

Appendix 2: Capital subscriptions (and notional position of Ireland)

Rank	Country	%	Rank	Country	%
1	Nigeria	9.332%	21	Tunisia	1.406%
2	U.S.A.	6.623%	22	D.R.Congo	1.293%
3	Egypt	5.622%	23	China	1.183%
4	Japan	5.518%	24	Denmark	1.182%
5	S. Africa	5.055%	25	Norway	1.181%
6	Algeria	4.243%	26	Zambia	1.177%
7	Germany	4.157%	27	Angola	1.168%
8	Canada	3.876%	28	Cameroon	1.082%
9	France	3.773%	29	Botswana	1.077%
10	Côte d'Ivoire	3.738%	30	Spain	1.070%
11	Morocco	3.608%	31	Senegal	1.047%
12	Libya	2.652%	32	Gabon	0.997%
13	Italy	2.438%	33	Netherlands	0.879%
14	Ghana	2.140%	34	Ireland	0.799%
15	Zimbabwe	1.965%	35	Tanzania	0.762%
16	U.K.	1.774%	36	Mauritius	0.653%
17	Ethiopia	1.580%	37	Madagascar	0.649%
18	Sweden	1.578%	38	Belgium	0.642%
19	Switzerland	1.473%	39	Mozambique	0.622%
20	Kenya	1.440%	40	Finland	0.491%

Rank	Country	%	Rank	Country	%
41	Korea	0.483%	61	Saudi Arabia	0.194%
42	Congo	0.454%	62	Benin	0.193%
43	Kuwait	0.451%	63	Liberia	0.192%
44	Uganda	0.450%	64	Togo	0.157%
45	Austria	0.449%	65	Gambia,The	0.152%
46	Mali	0.433%	66	Equ.Guinea	0.146%
47	South Sudan	0.412%	67	Rwanda	0.132%
48	Guinea	0.403%	68	Swaziland	0.114%
49	Burkina Faso	0.399%	69	Argentina	0.090%
50	Turkey	0.359%	70	Cape Verde	0.070%
51	Namibia	0.345%	71	Sao Tome & P.	0.068%
52	Brazil	0.332%	72	Chad	0.066%
53	Sudan	0.309%	73	Lesotho	0.057%
54	Sierra Leone	0.289%	74	Mauritania	0.057%
55	India	0.258%	75	Cent.Afr. Rep	0.042%
56	Malawi	0.244%	76	Eritrea	0.031%
57	Portugal	0.240%	77	Somalia	0.030%
58	Burundi	0.238%	78	Seychelles	0.028%
59	Niger	0.237%	79	Guinea Bissau	0.021%
60	Luxembourg	0.202%			

Source: African Development Bank (2018) Investor Presentation, June 2018, and African Development (Bank and Fund) Bill 2018.

Appendix 3: Ireland-Africa trade relationship

Year	Exports (€m)	Imports (€m)
2000	1,055,212	387,104
2001	1,037,584	434,133
2002	869,262	371,908
2003	798,378	378,826
2004	827,177	383,953
2005	817,082	405,260
2006	915,542	427,356
2007	1,065,237	604,056
2008	972,176	530,745
2009	823,399	600,526
2010	1,054,877	653,489
2011	1,211,196	810,062
2012	1,289,626	1,908,033
2013	1,340,987	969,500
2014	1,385,866	1,130,979
2015	1,576,411	741,979
2016	1,315,364	494,992
2017	1,420,183	601,271
Grand Total	**19,775,561**	**11,834,172**

Source: CSO – External Trade (supplied on request of L&RS).

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