The Intrusion of Politics in the Affairs of the African Development Bank: An Opportunity for Autonomous Action

B.Sc. Thesis

June 12, 2017

Chris Dijkman Dulkes
(s1518607)

Word count: 8766 (excluding footnotes, appendix & references)

Supervisor: Dr. M. D. Sampson

Universiteit Leiden

Contents

Introduction

Since the inception of the African Development Bank (ADB and later AfDB) in 1964, the political importance of the Bank has been apparent. The AfDB is an international institution that has remained under control of its borrowing member states; the African or so called regional states. The developing states collectively decided how to tackle poverty and foster development to the exclusion of non-African or non-regional states. Later, two separate institutions: the African Development Fund (ADF) and the Nigerian Trust Fund (NTF), together with the Bank formed the African Development Bank Group. Although economically, the Bank played a marginal role until 1982 due to the very fact that it wanted to exclude non-regional states from becoming members, after the admittance of non-regional states in 1982 the effective control of the Bank remained in African hands (Mingst, 1990). The strong political character of the Bank has resulted in increased salience of competing political views within the Bank (Mingst, 1990). Understanding how political factors can influence the power of IOs not only contributes to academic literature regarding theories of delegation, but also provides a framework for states to monitor this, as well as other international organizations (IOs). Therefore, the aim of this thesis is to analyze the relationship between politicization and the autonomy of the AfDB. More specifically, to answer the question to what extend politicization influences the level of autonomy of the AfDB. The purpose of the Bank before the admission of non-regional states was to contribute to the sustainable economic and social progress of Africa in a 'by Africa, for Africa' fashion (African Development Bank [AfDB] in Udo, 1975). Unlike the Latin American Development Bank and the World Bank, the AfDB solely consisted of borrowing states up until 1982 when states outside of Africa (non-regional states) were admitted to increase the Bank's lending capacity while maintaining the African character (Krasner, 1981). The authorized capital of the Bank slowly increased over a 19-year period until 1982 when it more than doubled as a result of non-regional states joining the Bank. Since 1974, the Bank had increased its lending targets, but disbursements had not increased by the same rate, resulting in an increasing capital gap (Fordwor, 1981, pp. 69-74). The Bank did not open up to non-regionals sooner, because there was a fear among the member states that the opening-up of the Bank would lead to the loss of African control over the Bank. Due to the history of colonial exploitation, the African leaders agreed on establishing a development institution that would not be susceptible to extra-regional political influence (English & Mule). This provides a unique institutional character. As a guide to the analysis, a contemporary diagram of the institution's organizational structure is presented below. This research mainly focuses on the center bodies; the Board of Governors, the Board of Directors (hereafter referred to as the Board) and the president. The latter controls the management of the Bank and its staff. The Board of Governors determines the general direction of the Bank, while the Board oversees the president's conduct and has to approve short term plans of management. This institutional design renders conflict between the Board and management an intricate issue.

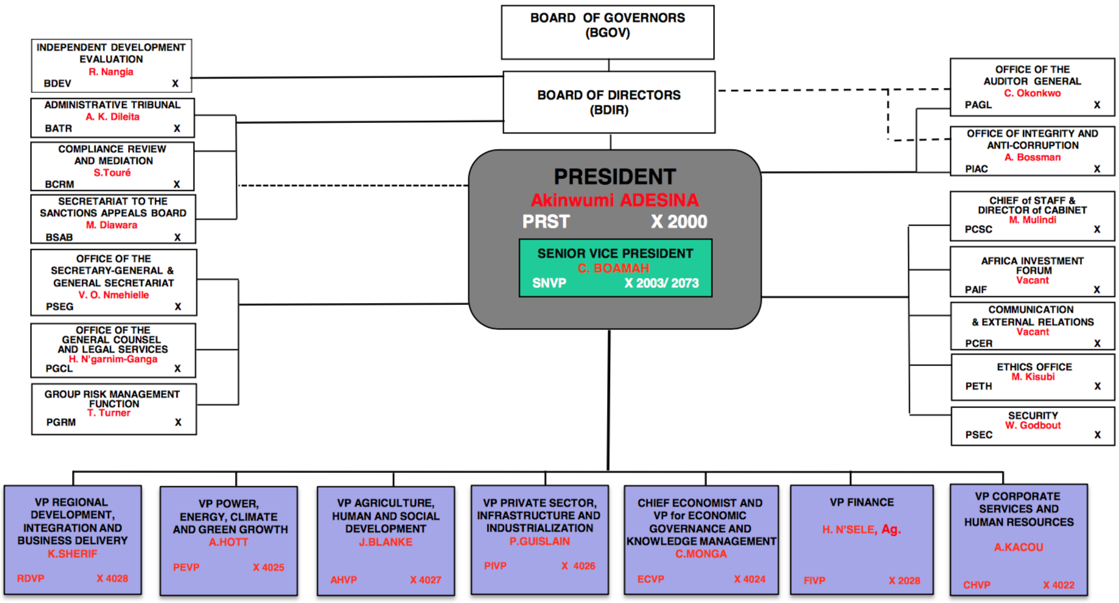

Figure 1. AfDB Organization Chart – May 2nd 2017. Reprinted from AfDB website, by the African Development Bank, 2017, retrieved from: https://www.afdb.org/en/about-us/organisational-structure/

In this thesis the focus of analysis will lie on three issue areas:

1. Resource mobilization which led to the acceptance of opening-up the Bank's capital stock;
2. The 'Fordwor Controversy': an institutional impasse between the president and the Board as a result of the Board's dissatisfaction about the president's institutional role;
3. Staff expansion: a technical policy area which has not been hotly debated in the highest institutional organ.

Due to the increasing financing gap, the member states had to choose between having the Bank continue to play a marginal role in the development of Africa, or having the Bank open-up to non-regional states to increase the Bank's role while decreasing African control over the Bank. This immanent dilemma increased the politicization of the Bank. The clash of the president and the Board of Directors, partly a result of the role that the president had played in the mobilization of resources, increased the level of politicization in the bank as well. On the contrary, although staff related issues have been politicized at times, the issue of staff expansion in particular has remained in the depoliticized sphere. In the principal-agent relationship, where the principals are the member states and the agent is the Bank, the principals set up monitoring mechanisms and delegate authority to the agent. The amounts of discretion and autonomy available to the agent vary from policy area to policy area (AfDB, 2011). Additionally, varying preferences and the importance of these preferences play a role in the autonomy of the agent. In the following section, existing literature on international cooperation and principal-agent (PA) theory will be reviewed and the contradictory expectation following from the literature will be used as starting point for the analysis.

Review of PA Theory

Barnett and Finnemore (1999) challenge the view of regime theory (Krasner, 1983; Rittberger, 1993), which asserts that IOs are structures rather than actors. This thesis follows that notion and treats IOs as actors possessing agency. Once an IO is created, it is often depoliticized as a means to ensure efficiency, efficacy and legitimacy. The depoliticized character IOs present themselves with, being impartial, impersonal and technocratic also allows them to exert power onto their principal (Barnett & Finnemore, 1999). While exerting power onto the principal is one form of autonomous behavior, autonomy can take various forms depending on the factors that facilitate it (Vaubel, 2006; Barnett & Finnemore, 1999; Darren et al., 2006; Stone, 2011). Barnett and Finnemore (1999) argue that the principal-agent dichotomy is difficult to apply to international institutions, for in many cases the discrepancy is between the international organization and the states that created and/or control them is unobservable, because the preferences of the agent are unknown. In this view, international organizations are not merely the instruments through which states can exert their power or pursue their interests. Guzman (2013) acknowledges the potential independent action of IOs as well and argues that, precisely because of this, states are increasingly restraining their IOs to prevent them from becoming uncontrollable. He calls this the ‘Frankenstein problem’. However, contrary to Dr. Frankenstein, states are aware of the possibility that an IO which they created acts against their interests and therefore overly control their IOs to the point where harming their founding states becomes impossible. This limits the notion that IOs can influence their own principals. A widely used measure to restrain IOs being more demanding voting requirements so that the IO cannot make decisions in defiance of the preferences of the member states. The problem with voting rules, however, is that they do not necessarily constrain IO influence on their member states, because the IO can use the voting system to further its agenda by persuading member states of their preferences. Indeed, states can influence the IO by using their votes, but IOs can influence the way in which states vote. However, the technical and impartial demeanor of IOs are not sufficient prerequisites of this form of autonomy

The three types of principal-agency relationships observable in interstate cooperation are presented below. The ‘collective principal’ model is most observed in development cooperation; there are multiple member states that have to reach a collective decision by voting (Lyne, Nielson & Tierney, 2006). In contrast, in the European Union, the European Commission has a dual accountability towards two principals; the member states and the citizens (Christiansen, 1997).

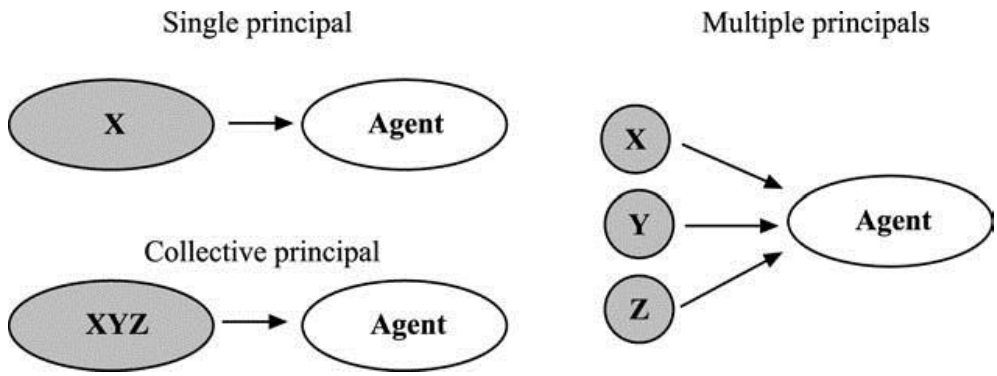

Figure 2. Types of agency relationships. Reprinted from *Delegation and agency in international organizations* (p. 45), by D. G. Hawkins, D. A. Lake, D. L. Nielson, & M. J. Tierney (Eds.), 2006, Cambridge University Press. Copyright 2006 by Cambridge University Press.

The collective principal, treated as one entity does, of course, have several different intrinsic preferences. Either consensus has to be reached or votes have to be casted in order for a collective preference to emerge. Vaubel (2006) draws the relationship beyond the state and argues that the citizens of the member states are the ultimate principals of the IOs. IOs suffer from PA problems more than other institutions, because the chain of delegation is longer and the main controlling actors, the member states, are often misled by the IO (Vaubel, 1991, 1996). Where misleading occurs, there is a clear discrepancy between the preference of the principal and that of the IO, where the IO ‘slacks’. Darren et al. (2006) defined agent slack as follows: “independent action by an agent that is undesired by the principal. Slack occurs in two primary forms: shirking, when an agent minimizes the effort it exerts on its principal’s behalf, and slippage, when an agent shifts policy away from its principal’s preferred outcome and towards its own preferences" (p. 8). Regarding autonomy in IOs in general, Darren et al. (2006) argue that it fosters the desirable situation in which it "increases the likelihood that over some unknown number of future disputes regarding unforeseen issues, an individual principal is likely to 'win' as many times as it 'loses.' This permits the agreement to go forward on a 'risk neutral' basis" (p. 18). However, this assumes the depoliticized character of principal's preferences and leaves open the question of whether principals deem it desirable for the agent to have autonomy in the situation in which a dispute regarding an unforeseen issue is politically salient and highly contentious. Assuming that a dispute of such magnitude will likely rarely happen, the cost of delegation suddenly becomes extremely high for the principals which would be disfavored by the autonomous decision of the agent. Although, in practice, such an issue will most likely be voted on by the principals, can the agent influence the voting behavior of the principals regarding the issue? With respect to this question, the collective principal model cannot provide a useful framework, for it assumes a single preference and does not take into account any potential influence on individual preferences of principals. An important aspect that influences this relationship is the design of the institution itself, especially voting rules. Cortel & Peterson (2006), and Koremenos, Lipson and Snidal (2001) discuss the varying ways in which voting power can be distributed in international institutions. When neither one, nor a small group of principals can impose its preference on the others, the role of the agent increases; agents can use their autonomy to influence future decisions by principals (Darren et al. 2006). In this sense, agency slippage can result in a change in policy direction which could potentially have a tremendous impact on the future of the institution itself.

The literature suggests that 1) there is a positive relationship between the amount of principals required to approve an action and the equality of voting power on the one hand, and the extent to which the institution they control can exert autonomy on the other (Darren et al., 2006). 2) Significant preference heterogeneity among principals allows for more agent autonomy (Kiewiet & McCubbins 1991; Nielson & Tierney 2003, as cited in Cortell & Peterson, 2006). 3) An IO is expected to have less autonomy when the preferences of the member states are politically salient i.e., when the institution is politicized due to the perceived increase in costs of delegation. The idea behind the first relationship is that a large amount of principals with conflicting preferences decreases the likelihood of an agreed upon set of measures to be taken in case of agency slack, because there needs to be agreement on whether or no to act against agency slack, and if so, in what way. The second relationship takes into account the convergence/divergence of preferences. The third takes into account the politicization of interests. Stone (2011) suggests that multiple principals with divergent preferences leads to agent discretion. Copelovitch (2010) argues that heterogeneity either leads to conflict among principals or creates a scope for the agent to engage in agency slack. However, he does not take into account the aforementioned possibility that the conflict itself can be exploited by the agent to influence the preferences of the principal. Multiple principals having converging preferences will lead to a more constrained agent, because it is not costly to heavily monitor and possibly restrict the agent's discretion. Conversely, many principals with diverging preferences will result in more agent autonomy, for agreeing on the degree to which the agent should be limited will be more difficult (Milner, 2006).

The aforementioned contributions in the literature provide an incomplete theoretical framework. While a set of heterogeneous preferences carrying proportional weight in terms of voting is expected to increase the level of autonomy of the IO, when conflicting preferences become highly politicized often as a result of unforeseen circumstances, it is expected to decrease the level of autonomy of the IO. On the one hand, the interests of the principals are perceived to be of high importance and the agent will therefore most likely be kept in check. On the other hand, conflicting preferences make it more difficult to keep the agent in check and may facilitate the option of persuasion for the agent to alter the preference of the collective principal. This gap in the literature can be resolved by analyzing different cases of the Bank in which the level of politicization varies and both the preferences of the principals and the agent are known. In this way it becomes possible to detect any difference in agent autonomy. The main argument in this thesis following from the existing literature is that preference divergence alone is not a sufficient precondition for increased agent autonomy. Rather, politicization increases the level of agent autonomy due to the possibility for the agent to engage in persuasion of the principals in the way Barnett and Finnemore (1999) and Darren et al. (2006) described.

Conceptualization and Operational Definitions

Principal and Agent

The most important concepts of this study are indeed the independent and dependent variable; politicization and autonomy. However, it is not unimportant to clearly define the main actors involved in the case: the principal and the agent. The two actors are defined by the relationship they have with each other. The principal is the actor that delegates authority to its agent and the agent is the actor that receives this grant of authority. Darren et al. (2006, p. 7) note that the delegation of authority is conditional and thus must be revocable by the principal.

The principal and the agent are operationally defined as follows: the executive management of the Bank, including the president, is the agent and the member states of the Bank are categorized as principals. It should be noted that the principal is not analyzed as one entity in this research. Since the research question regards the AfDB as a whole, both choices of operational definitions have some obvious shortcomings. The former has the problem that, despite the fact that the president represents the Bank, neither the president, nor management and staff are 'the institution' itself. The members of the Board are pro forma in between management and the Board of Governors in terms of delegated authority (see figure 1). The directors are part of the Bank and not directly steered by their home state, instead they represent constituencies (English & Mule, 1996, pp. 40-41). Moreover, directors can act against the preferences of the member states they represent once they are elected (Tirole, 1994). However, since the Board is not the managing organ in the chain of delegation, the focus will lie on the president and his staff instead. Though in the cases of l'Affaire Fordwor and staff expansion, the role of the Board as agents will be touched on. The political relationship between the president and the Board is a manifestation of the institutional design of checks and balances (AfDB, 2011) and clearly highlights that treating the Bank as a single agent, or the president as sole agent does not capture the inner-relationships of the Bank. However, the president is the formal head of the executive and of the Bank as a whole; he has the role of setting up the framework through which the Bank will operate during his term of office. The other members of management and staff usually follow suit, although issues of integrity have also plagued ordinary staff members (Hafsi & Le Louarn, n.d.). The usage of governors' preferences as the preferences of the member states follows from the fact that the governors are members of the government of their home states (Mingst, 1990).

Politicization

When analyzing the reason why some IOs become politicized, Zürn, Binder and Ecker-Ehrhardt (2012) use the conceptualization of Smith (2004), where politicization is conceptualized as follows: "the demand for, or the act of, transporting an issue into the field of politics, making previously un-political matters political" (p. 73). They further specify this by defining the field of politics as being a public forum for scrutiny over collectively binding decisions by increased societal awareness and public mobilization of concerns (Zürn et al., 2012). Smith's conceptualization will be used here, excluding the definition of the field of politics by Zürn et al. (2012). The reason for this exclusion is that the main focus lies on the politicization of the preferences of the member states and not those of the civilians of the member states, despite the fact that they are indeed the ultimate principals of any IO, provided that they are citizens of a democratic state (Vaubel, 2006). It would be a near-impossible task to measure the preferences of the citizens of the member states, aggregate them to a collective preference and analyze any potential discrepancies between that preference and the one of the Bank. Instead, the preferences of the member states of the Bank were known during that period, which makes it realizable to analyze the relationship between the two variables and can provide important insights. Therefore, the political field will incorporate non-technocratic discussions at the level of the Board of Governors. In other words, the intrusion of political interests on the Bank's technocracy (Roach, 2006).

Politicization is operationally defined as increased salience of competing political preferences at the level of the member states and the Board of Governors. In the first case, the three main meetings of the Board of Governors that will be discussed show the extent to which an issue is politicized. In the second case, the extraordinary meeting of the Board of Governors as well as intra-organizational communications will be analyzed. The difficulty or inability to reach consensus and the repetition of standpoint of certain governors indicate the level of politicization in all cases. The shortcoming of analyzing consensus seeking during meetings is that this requires reliance on the Bank's sources which are published in another source. Additionally, it does not take into account politicization outside of Board meetings.

Therefore, an additional indicator: the repetitive voicing of competing preferences, is added to in order to incorporate intra-organizational communications.

Autonomy

In many scholarly works regarding delegation and principal-agent problems, autonomy is not explicitly defined (Guzman, 2011; Cortell & Peterson, 2006; Lake & McCubbins, 2006). However, the conceptualization of autonomy can be derived from their arguments. Broadly meaning 'independent action'; independent from the principal. Darren et al. (2006) add that it must be a range of available independent action to the agent. This means that when the preferences of the principal and the agent converge, compliance by the agent does not necessarily indicate the absence of autonomy. Conversely, non-compliance of the agent always indicates autonomy. In order to measure this, however, both the preference of the principal and of the agent need to be known empirically or theoretically.

The indicators for autonomy are twofold. Regarding the issue of resource mobilization and the the clash of the president and the Board, autonomy is indicated by an instance in which the former president of the AfDB, Kwame Fordwor, and his team of staff pursue their preferences in the form of an attempt to persuade one or more principals to act according to their preference. In other words, the operationalization is focused on agency slippage. Regarding the issue of staff, Vaubel (2006) argues that the expansion of staff and the increase in salary are indicators of autonomy, for IOs are self-interested entities. If, therefore, staff expansions are disproportionally high in relation to the growth of the institution as determined by other indicators, autonomous behavior is observed. As Barnett & Finnemore (1989) argued, "the problem with applying principal-agent analysis to the study of IOs is that it requires a priori theoretical specification of what IOs want" (p. 705). Aside from Vaubel's (2006) theoretical conceptualization of autonomy, it would be an irresponsible stretch to relate the preference of the executive of the AfDB to what IOs want in general. Fordwor's personal account of his presidency contains his own vision for the AfDB. Management's preference on staff expansion has been researched by English & Mule (1996), and the theoretical framework of Vaubel will be used to fortify the identified preference of management. Since both the preferences of management and the preferences of the member states are known, any potential disjuncture between the two can be observed. The politicization of preferences of the member states would make the bargaining process susceptible to the influence of the agent. An act of persuasion on the part of the agent in this scenario is an act of autonomy made possible by the increased salience of political preferences. Disproportionally high staff increases indicate autonomy, but do not unveil a particular act of autonomy, however.

Methodology

Cases

The methodology used to answer the question to what extent politicization influences the level of autonomy of the AfDB, as stated in the introduction, is a qualitative research where three separate case studies of issue areas in the Bank varying on the level of politicization will be analyzed. This allows for a within-case study (Della Porta & Keating, 2008). The cases show increased autonomy in situations where part of the theory of PA does not predict it. In this respect, the cases are deviant (Bennett & Elman, 2007). However, another part of the theory does predict increased autonomy, but misses the importance of politicization. The first case regards resource mobilization during the Fordwor presidency. The second regards the clash between the president and the Board during the same presidential period, and the third regards the issue of staff expansion. The reason for the choice of the 1976-1979 presidential period, as briefly touched upon in the introduction, is that this period was critical to the admission of non-regional states in 1982 and was dominated by the issues of resource mobilization and the relationship between the president and the Board. Within this period, both non-politicized and politicized events took place. The case of resource mobilization was politicized from the very start at the Kinshasa Meeting. However, the issue of the relationship between the Board and the president started off as relatively depoliticized i.e., the member states were not politically involved. It progressed into a politicized issue and this affected the range of independent action of both the president and the directors in this case. The issue of staff expansion, contrary to both other issues, has always remained relatively depoliticized. Remarkably so, because staff has been a widely debated issue in the Bank. Although the case selection provides an environment in which the relationship of politicization and autonomy can be observed, it also has some limitations. Namely, the partial ability of the agent to set the agenda can interfere with the expected causal mechanism of the two variables. An issue that has not been put on the agenda cannot be politicized and it is therefore possible for the agent to help facilitate a situation in which issues become more or less likely to be politicized. However, the agent cannot forcibly politicize the preferences of its principals, for the politicization is determined by the dynamics of the relationships amongst principals and the perceived importance of the issue on which they form their preferences and not by the fact that the issue is discussed *an sich*. In short, within the case of the AfDB, three events that vary on the independent variable will be analyzed in order to better understand the dynamics of the principal-agent relationship within the Bank and in particular the level of autonomy of the agent. It may be recalled that the PA theory predicts two contradicting outcomes regarding the influence of politicization on autonomy. 1) Since the salience of preferences of the member states regarding an issue increases, it is expected that they do not want their preferences to be undermined and will therefore constrain the agent. 2) Heterogeneity in preferences is expected to grant the agent more autonomy, because disagreement on the agent's actions will be likely, provided that these heterogeneous preferences are indeed of high importance in a given situation.

Sources

As a result of the poor documentation of the Bank's activities until quite recently (Lawrence, 2007), the main sources for this research are secondary and consist of the personal account of Kwame Fordwor, several descriptive books that cover the early years of the existence of the Bank, several articles about the role of the Bank and possible issues, and studies on the performance of the Bank. In addition to these sources, the relevant and available Bank documents will be used. Despite the debatable credibility of personal accounts (Bryman, 2012), Fordwor's account is still a useful source. Firstly, there are Bank documents such as resolutions and communications published in their entirety within the book, which are not publicly available through the Bank's database. Although it is unlikely that any of these documents have been altered, it cannot be fully excluded. Secondly, although one of the purposes of the book was, in his own words, a 'personal defense' (Fordwor, 1981, p. xiii), the fact that he tries to defend his actions is not of importance to the research question. The fact that he engaged in those actions, however, is of importance. These attempts to justify his actions therefore do not pose a significant threat to the validity of the research. Although he denied some accusations by the Board regarding integrity issues, he thoroughly described many instances of autonomous action regarding his efforts to persuade the governors. Moreover, the agent's preference is given in this case, which makes it possible to observe any agency slippage. Furthermore, a detailed first-hand account of the inner workings of a multilateral development bank such as the AfDB provides a unique insight into the dynamics of such an institution. However, the limitations posed by the lack of available primary documentation should not be ignored.

Analysis of Cases

Resource Mobilization

The origins of the competing preferences in this case were that of African control versus increased resources. While some member states accepted the idea of allowing non-regional states to become members of the Bank, others opposed this idea on the grounds of losing control of the Bank. It was feared that non-regional states would draw in new criteria to the lending process that were thus far excluded by the Bank's policies, such as exerting political on borrowing states through governance (Bøås, 1998). It should be noted that before 1982, the Bank aimed at utilizing the resources at its disposal to facilitate its development financing (Agumadu, 1981). Resources were to be mobilized inside and outside of Africa (Mubiru, 1964). How, and how much of those resources were to be mobilized was not specified, for this depended on the approved plan of action by the Board of Governors.

During the Kinshasa Meeting in 1976, Kwame Fordwor won the presidential election with 50.66% of the votes (Mingst, 1990). Before his assumption of duty, the governors discussed the opening-up of the Bank's capital stock as a result of an increasing capital gap. This initiated an increased salience in competing preferences among the member states and their governors. Due to steadfast disagreement, no consensus could be reached and the matter was put to a vote. Those in favor of opening-up the Bank's capital stock to non-regional states lost with a mere 18.01% versus 58.70. The rest formally abstained or did not participate in the vote (Fordwor, 1981, pp. 57-58). It is true that the question of opening-up was not new, however the approved five-year plan required extra resources to cover the gap and to be able to increase the Bank's lending targets. The Bank relied on little resources, but the mobilization of resources was not a politicized issue until the Kinshasa Meeting. The accepted five-year plan which required more resources than available, could have been rejected by the Board of Governors. Instead, it was accepted (Fordwor, 1981), inevitably leading to the contradiction of wanting to enhance the Bank's role in Africa's development, while not allowing lending states to add to the capital of the Bank by purchasing shares. The outcome of the vote paved the way for those against the opening-up of the capital stock to put forward and adopt the Kinshasa Resolution. The core of this resolution was the instruction to the president to take the necessary steps to facilitate resource mobilization to the exclusion of non-regional states (Fordwor, 1981, p. 90).[1]

However, mostly all states that were approached ruled out the possibility of extending grants and sufficient concessionary loans to the Bank. the main reason for this was the fact that non-regional states were not allowed to be represented in the Bank and could therefore not monitor or influence the spending of these grants and soft loans; they had no voting rights (Barnes, 1984). They would not be able to justify spending on the Bank before their parliaments due to the absence of any bargaining power within the Bank (Putnam, 1988). Concessionary loans had amounted to a total of 12 million over a time period of 13 years, which was good for a mere two projects (Fordwor, 1981). From the outset, it would have been unlikely that this amount was going to increase dramatically. Many of the Arab states decided to engage in bilateral development aid and pledged minimal amounts to the ADF, the soft-loan window of the Bank Group (Fordwor, 1981).

An additional reason for lack of funds in this period was the struggle of many member states to contribute to the AfDB due to the 1970s oil shocks (Lawrence, 2007). This explains why Fordwor did not suggest a General Capital Increase at the time, for it would be futile to ask member and thus borrowing states to increase their contributions. However, management was not merely seeking to secure capital in accordance with the Kinshasa resolution. Fordwor "felt it his duty to try again" (Fordwor, 1981, p. 91). Therefore, in addition to simply asking foreign heads of states for grants, concessionary loans and direct loans, management decided to extensively report on the search for resource mobilization as follows:

[1] See appendix document 1a

> *"[...] we came to the conclusion that we could inoffensively steer the governors to look at this option once more by asking them for leave to study it in depth and report to them. [...] We would profit by the same exercise to draw up a feasibility study of how it could be done [...]"* (Fordwor, 1981, p. 97).

This study resulted in another debate of the issue among member states during the Port Louis Meeting. However, this time, again after a vote, they came to a different conclusion. Namely that this time the instruction was given to the president to consult closely with the Board while continuing the study on permanent resource mobilization while maintaining the African character of the Bank[2]. Interestingly, where the first resolution spoke of consultation with the governors if necessary, the second resolution spoke of 'close consultation with the Board of Directors'. This indicates that at least some governors did not trust management to conduct the study on its own. The ambiguity of the term 'African character' made it possible for management to also focus on non-regional inclusion. At the same time, management could not exclude regional member's contributions either. However, when Nigeria was unable to lend to the Bank the president said the following:

> *"[...] it fortified us in our belief that the resource problem could only be solved from outside, and it confirmed us in our determination to advocate this unequivocally"* (Fordwor, 1981, p. 102).

The definition of the term 'African character' was discussed with the ministers of finance of both regional and non-regional states to enquire about their views. Ultimately, however, the ambiguity of the term granted management the autonomy to fill it in. Before the next meeting of governors; the Libreville Meeting, management paid the Ivorian governor a visit to try to persuade him to advocate the opening-up of the Bank before he would come to open the meeting, which he did. In addition:

> *"We suggested that it would go down better if he invited all the governors to a preliminary private audience in the palace an hour before the ceremony so that he could stress to them the need for the opening up"* (Fordwor, 1981, p. 114).

[2] See appendix document 1b

Furthermore, booklets were created and supplied to each member state capital, as well as each professional staff member in order for them to sell the idea of opening-up when discussing it with their home states. At the top management level, Fordwor sought to mobilize political support:

> *"Those ministers and heads of state who would see us we went directly to see. We encouraged our supporters and they in turn gave us courage and lent their assistance to us by contacting our more difficult members in the special language of African political dialogue"* (Fordwor, 1981, p. 118)

One of the more difficult members was indeed Algeria. The overall narrative regarding the opening-up campaign was that of us-versus-them. Us being management and professional staff and them being the member states which did not share their preference:

> *"If we managed to persuade the majority, they would respect its views. This was a challenge we were thankful to accept"* (Fordwor, 1981, p. 118).

During the Libreville Meeting, the principle of opening-up the capital stock was accepted by consensus[3]. The members that supported this before the issue was debated at this meeting were of the opinion that the Bank could be structured in such a way that regional members would maintain control by having the majority of shares (Barnes, 1984). However, a handful of influential states, such as Algeria, still publicly held a strong stance against the resolution. Therefore, Fordwor decided to try to present the West African states as a consolidated block at ECOWAS in favor of opening-up the Bank's capital stock so that the opponents that were left regardless of the consensus would be deterred from engaging in obstructive behavior:

> *"[…] as regards my request to get his minister of finance and planning to raise the matter at ECOWAS ministerial meeting in order that the issue will be discussed at the heads of state level, he was agreeable to do so. He was also going to engage in some quiet diplomacy to see to it that Algeria did not go ahead with their plans"* (Fordwor, 1981, p. 178).

[3] See appendix document 1c

In sum, the very politicization of the issue of resource mobilization in the forms of three successive meetings dominated by the issue and member states reiterating the fact that they opposed the idea of opening-up, facilitated the acts of persuasion undertaken by management, which held the opinion that the capital stock should be opened to non-regional states. Instead of facilitating self-interested agency slack, the salient heterogeneity of preferences facilitated influence of the agent on the outcome of the collective preference, since one of the two possible preferences in this case was held by the agent himself. Management reported on the necessity for an in depth study on permanent resource mobilization and stressed the reevaluation of opening-up (Fordwor, 1981). The outcome of this was an ambiguous term which made it possible to influence member states further. In the second sitting of the Libreville Meeting, the principle of opening-up was accepted.[4]

l'Affaire Fordwor

During the struggle with respect to the opening-up of the Bank, the President undoubtedly played an active role in favor of opening-up. Some of his actions were condemned by the Board, which, in a communication to the president stated that these 'unilateral actions' were unacceptable and that the president should not be a 'major player' in determining the Bank's direction (Board of Directors in Fordwor, 1981). Aside from this, the Board expressed other grievances regarding the president's integrity. Clashes between the Board and the president were not uncommon in the Bank (Adams & Davis, 1996). However, this clash resulted in an organizational impasse.

Fordwor himself claims that political motives with respect to reelection of directors resulted in the Board undermining him (Fordwor, 1981). The high possibility for bias of both Fordwor and the directors combined with a lack of actual evidence does not allow for any conclusions regarding the actual reason why Fordwor was eventually put on indefinite open leave. However, his effort to prevent this from happening further denotes the politicization-autonomy dynamic. In the previous case, the governors were susceptible to persuasion because their competing preferences became increasingly salient. In this case, however, a transition from depoliticization to politicization takes place and the effect this had on

[4] See appendix document 1c

Fordwor's power to persuade becomes visible. Disputes between the Board and the president have occurred frequently since the Bank's inception as a result of accusations against management by the Board (Mingst, 1996), and vice versa (Adams & Davis, 1996). Both President Fordwor and N'Diaye, who held office from 1980 to 1995, have had authority related issues with the Board (Adams & Davis, 1996). In a communication, the directors expressed their dissatisfaction with the actions of the president and the role he played in resource mobilization. In particular, they denounced his 'unilateral actions' such as the opening of a de facto foreign office, foreign visits without consulting the Board, and his active role in the opening-up campaign. Seven of the nine directors signed the communication, while two was absent (Board of Directors in Fordwor, 1981). Fordwor replied to the allegations, admitting to taking some actions without the Board's approval while convinced that he was not required to do so according to the charter. With respect to other matters he denied allegations completely. The Board eventually passed a resolution in which they terminated Fordwor's presidency and installed an acting president (Board of Governors in Fordwor, 1981). At no time leading up to and shortly after the decision of the directors was Fordwor able to engage in persuasion of governors as a result of the issue not being politicized, neither at the level of the Board of Directors, nor at the level of the Board of Governors. When examining the eventual resolution regarding this dispute (11-79[5]), which the Board of Governors passed, it is evident that many governors were unaware of the severity of the issue for the most part and therefore their preferences regarding the matter did not become salient. The Board of Governors has nullified several decisions of the Board regarding Fordwor and the authority of the Board:

> *"[The Board of Governors DECIDES:] To declare null and void the decision of the Board of Directors dated 28 June 1979 appointing Mr. Francis O. O. Sogunro as Acting President of the Bank;*
>
> *[...] Not to renew the term of the present Directors at the end of their statutory term"* (Board of Governors in Fordwor, 1981, pp. 326-327).

Resolution 11-79 shows that, despite the dispute between the directors and the president, the directors could not autonomously pursue their own preference sustainably. When other actors

[5] See appendix document 2a for the detailed resolution

became aware of this impasse, the Bureau of the Board of Governors suggested to convene a meeting of the Board of Governors to discuss the issue, which some governors firmly opposed (Fordwor, 1981). The directors argued that a meeting of the Board of Governors to review the issue would not be necessary, considering the legality of their decision to terminate the term of the incumbent president under Article 36, which stated that the Board of Directors may elect and dismiss the president. Some member states agreed with this position, while others agreed with an extraordinary meeting of governors on the legal basis that the meeting in which the Board passed their resolution, the chairman was absent, rendering the meeting invalid (Fordwor, 1981). The question of whether the meeting was necessary essentially reflected the preferences that the governors had with respect to Fordwor's presidency and the authority of the Board; the member states that did not want to convene did not oppose the decision by the Board and vice versa. When the impasse became apparent to the governors, Fordwor along with the chairman of the Board firstly attempted to persuade them of organizing a meeting with the Board to debate the issue:

> *"My task was to ensure that it took place. This was the last thing the directors wanted"* (Fordwor, 1981, p. 297).
>
> *"The Ivorian minister […] was requested [by the chairman] to get his Algerian, Libyan, and Nigerian counterparts to persuade their governors to come"* (Fordwor, 1981, p. 304)

This meeting was advantageous to the president, because it was his only chance at getting the decision made by the Board reversed, provided that enough governors would show up and register to secure a quorum. It should be noted that the politicization of the issue was not caused by the president himself, for the increased salience of the competing preferences of the governors occurred before the acts of persuasion to actually convene; the president did not initiate organizing a meeting of the Board of Governors. During the investigation of the Bureau of the Board of Governors, management sent out telexes to the governors about the dispute with the directors, resulting in a number of them wanting to convene under Article 29(3) which states that the governors can at any time revoke authority delegated to the Board (AfDB, 2011). However, not every Governor agreed with the desirability to apply Article 29(3) to Article 36. The meeting eventually took place in Abidjan and did not run smoothly; it had been adjourned several times, indicating the difficulty of reaching agreement. The time frame between the acceptance of enough governors to convene and the actual meetings themselves was too narrow to attempt to persuade every governor. Fordwor therefore decided to incorporate in his speech the compromise of an independent body reviewing the issue while he would be put on temporary leave in order to appease some of the opposition in case the matter was put to a vote (Fordwor, 1981, p. 311). The issue of time, as well as the argument of Fordwor that actively engaging the governors may come across as an attempt at exerting influence, limited him in his range of autonomous action. The latter reason, however, was a personal choice rather than a situational limitation.

In short, the clash of the two organizational bodies could not be resolved unless a sufficient number of governors convened in a meeting. The governors only became aware of the severity of the issue when the Board formally terminated Fordwor's presidency, resulting in confusion with respect to the authority. Some governors wanted to discuss the matter in Abidjan, while others did not. For not acting would disadvantage Fordwor, he decided to inform every governor of what exactly was happening and attempted to persuade them to convene a meeting. This was made possible by their preferences becoming politicized. When said meeting did take place, a compromise was reached which included the termination of Fordwor's duty as well as the nullification of several Board decisions. This is not to suggest that Fordwor did not have increased autonomy during the time after the issue had reached the governors and their preferences exceeded the technical domain

Staff Expansion

The staff of the Bank has been an issue area in which a wide range of differing opinions have been expressed. The bodies which were set up to examine the governance of the Bank turned to the lowest actors in the chain of delegation in order to assess effectiveness and efficiency (English & Mule, 1996). Interestingly, functions of different staff positions, relationships between staff in terms of accountability, recruitment and overall mismanagement have been the main areas of concern regarding staff over the decades (Fordwor, 1981; Adams & Davis, 1996; Hafsi & Le Louarn, n.d., Mingst, 1990; Boakye, 2015). Despite the fact that staff size in particular has been a reoccurring issue, it has not received as much attention from scholars or the member states.

In accordance with Vaubel's (2006) argument that the main preferences of an IO are survival and self-gain, the effect of politicization on staff increases will be analyzed. It should come as no surprise that the AfDB has had considerably less staff than other regional investment banks or the African division of the World Bank considering its size of operations. Scholars have made differing observations regarding the desirability of staff increases. Barnes (1984) noted the large increase in staff from 1974 to 1979 from 258 to 606 and linked this to the inefficiency of the Bank. On the one hand, the administrative costs in relation to the Bank's financing operations is larger than that of the International Bank for Reconstruction and Development (IBRD), the International Development Agency (IDA) and the CDC Group. On the other hand, purely looking at the staff increase in relation to the increase in loan disbursements, staff expansion has been disproportionally low from 1974 through 1986 (Mingst, 1990, p. 10). Additionally, from 1987 through 1991, the number of staff remained around 1100, while loan approvals grew by around 60% (English & Mule, 1996, p. 52). These numbers have become more proportional, while the approval growth from 1993 to 2014 has been roughly 153%, staff growth from 1995 to 2014 has been approximately 158% (AfDB, 2014; English & Mule, 1996). However, staff expansion has never been disproportionally high in the history of the Bank. Following Vaubel's (2006) indicator of staff increase for autonomy considering its self-interest, it is evident that management did not have autonomy with regard to this policy area. Management has frequently requested staff increases, which have consistently been rejected by the Board. Especially the non-regional members strongly opposed these requests. The Board argued that management should first make more efficient use of human resources that were already available before hiring more staff and thus increasing operational costs on the short term (English & Mule, 1996).

Considering the fact that ultimately all power is vested in the Board of Governors, they are able to overrule any decision made by the Board during times when a particular issue is politicized or when the Board of Governors collectively deem actions taken by the directors as undesirable with respect to the interest of the Bank; they retain full authority over anything that is delegated to the Board (AfDB, 2011). As shown in the case regarding resource mobilization, the governors all took a political stance. Contrary to that is the issue of staff increases, which remained delegated to the directors who did not have strikingly competing preferences (English & Mule, 1996). Despite the fact that there was at least some preference heterogeneity (English & Mule, 1996; Adams & Davis, 1996), their preferences were not politicized. As seen in the previous cases, when an issue becomes more politicized, the Board of Governors and the member states become more involved regardless of their ordinary function. Since the preferences of the principals were not repetitively expressed and disagreement of the magnitude of the previous two cases did not occur, management did not have the opportunity to try to persuade them to act according to their own preference.

In conclusion, the disproportionately low staff expansion rate in relation to growth in loan approvals until the mid 1990s and proportionate expansion rate from that point onwards, indicates the heavily limited ability for management to pursue their preference. The change in proportionality since the mid 1990s could have been a result of the ‘Knox Report’ heavily criticizing management, staff positions and expenditures (Hafsi & Le Louarn, 1996), increasing the salience of the governors’ preferences. However, it cannot be excluded that this minimal change could be a result of technical decisions.

Discussion

The in depth analysis of the three cases each show the implications they have for the existing theory of PA. As the contribution to the theory by Darren et al. (2006) predicted for the AfDB, agents can use their autonomy to influence the future decisions of their principals. Like they argued, the distribution of voting power undoubtedly played a role in the AfDB in the sense that it is not dominated by one member. However, the increased autonomy as seen in the first two cases was not merely a result of heterogeneity without hegemon as Copelovitch (2010) argued. Instead, the extent to which these heterogeneous political preferences are salient is key to understanding the increased autonomy of the agent. The persuasion of governors and outside actors to mobilize support and deter opposition would not have been a viable option in situations where the principals are not highly politically involved. The reason for this can be derived from the third case; management did not have a principal to persuade, because none of their preferences had become politicized. No principal could have been deterred from acting against the preference of the agent, because the preferences of other principals could not be mobilized against the ones who most firmly opposed the preference of the agent. A summary of results is presented below, which shows that the second case is the most nuanced with respect to the predicted causality. The reasons for this are other variables such as time, access and perception which influenced the dependent variable.

	Level of politicization	Level of autonomy
Resource mobilization	High	High
Dispute between president and Board	Moderate/high	Moderate
Staff expansion	Low	Low

Conclusion and Reflection

Taking all the findings into account, a clear relationship can be observed between politicization and autonomous behavior. The degree to which management was able to engage in persuasion depended on the increased salience of the preferences of the governors and their home governments. Therefore, preference heterogeneity is not a sufficient precondition for autonomy. Instead, the degree to which these preferences become salient plays a key role in the extent to which an agent can exert autonomy. The dispute between the president and the Board has revealed constraints on the degree to which persuasion was possible; such as limited time and access to principals. The findings of this thesis cannot be generalized to all cases of IOs, for the additional influencing factors mentioned above indicate that politicization is not a sufficient precondition for autonomy either. What these findings do add to PA literature, however, is that the salience of heterogeneous preferences, rather than heterogeneous preferences *an sich*, need not be overlooked when analyzing agency behavior, since politicization has shown to be a key factor. Furthermore, the increased salience of competing preferences does not merely increase the agent's autonomy because the principals are in disagreement with regard to what measures to take; it also increases the agent's autonomy because it renders the principals more susceptible to persuasion. The two mechanisms are not mutually exclusive, however. These findings contribute to the theoretic framework through which principal-agent relationships in IOs are understood. Politicization can have lasting effects on an IO when the agent uses this to influence its principals. An inherent shortcoming of the case of staff expansion is self-interest of the agent. Where

Vaubel's indicator of staff expansion was based on this assumption, the first case was not evidently characterized by self-interest. This a priori preference was fortified by the fact that the agent's preference was also known, but the first case indicates that self-interest is not universally applicable. Additionally, Fordwor's individual character cannot simply be ignored. It cannot be excluded that, he would not have engaged in persuasion, had he not been dedicated to try to open-up the Bank's capital stock. Similarly, he could have resigned after the controversy. He chose not to, whereas his elected successor resigned after similar clashes with the Board (Adams & Davis, 1996). Therefore, avenues for further research include repetition in other IOs in order to account for individual leadership and institutional culture, with the aim of potentially developing a more generalizable framework.

References

Adams, P., & Davis, A. (1996). On the rocks: The African Development Bank struggles to stay afloat. *Multinational Monitor, 17*(7 8), 30.

African Development Bank Group (2011). *Agreement Establishing the African Development Bank*. Retrieved from: https://www.afdb.org/fileadmin/uploads/afdb/Documents/Legal-Documents/Agreement%20Establishing%20the%20ADB%20final%202011.pdf

African Development Bank Group (2014). *Annual Report 2014*. Retrieved from: https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Annual_Report_2014_-Full.pdf

African Development Bank, & African Development Fund. (2016). *Boards of Governors: Official record*. Retrieved from: https://www.afdb.org/fileadmin/uploads/afdb/Documents/Boards-Documents/AM_2016_-_The_Official_Record_.pdf

Agumadu, L. (1981). *Issues involving the African Development Bank and its activities to 1979*. (Master's thesis, University of North Texas). Retrieved from: https://digital.library.unt.edu/ark:/67531/metadc503875/m1/7/

Barnes, Craig Scott. (1984). The African Development Bank's role in promoting regional integration in the economic community of West African states. *Boston College Third World Law Journal, 4*(2), 151-182.

Barnett, M. N., & Finnemore, M. (1999). The politics, power, and pathologies of international organizations. *International organization, 53*(04), 699-732.

Bennett, A., & Elman, C. (2007). Case study methods in the international relations subfield. *Comparative Political Studies, 40*(2), 170-195.

Boakye, L. G. (2015). *The Underlying Reasons Why International Development Projects (IDPs) Fail: The Case of African Development Bank (AfDB)-Funded Projects.* (Master's thesis, University of Sydney). Retrieved from: https://ses.library.usyd.edu.au/handle/2123/14138

Bøås, M. (1998). Governance as multilateral development bank policy: The cases of the African development bank and the Asian development bank. *The European Journal of Development Research, 10*(2), 117-134.

Bryman, A. (2012). *Social research methods*. Oxford university press.

Christiansen, T. (1997). Tensions of European governance: politicized bureaucracy and multiple accountability in the European Commission. *Journal of European Public Policy, 4*(1), 73-90.

Copelovitch, M. S. (2010). Master or servant? Common agency and the political economy of IMF lending. *International Studies Quarterly, 54*(1), 49-77.

Della Porta, D., & Keating, M. (Eds.). (2008). *Approaches and methodologies in the social sciences: A pluralist perspective.* Cambridge University Press.

English, E. P., & Mule, H. M. (1996). *The African Development Bank*. Lynne Rienner Publishers.

Fordwor, K. D. (1981). *The African Development Bank: problems of international cooperation*. Elsevier.

Guzman, A. (2013). International organizations and the Frankenstein problem. *European Journal of International Law, 24*(4), 999-1025.

Hafsi, T., & Le Louarn, J. (n.d.). *The African Development Bank: Hope for African development.* Montreal: Ecole des HEC.

Hawkins, D. G., Lake, D. A., Nielson, D. L., & Tierney, M. J. (Eds.). (2006). *Delegation and agency in international organizations*. Cambridge University Press.

Kiewiet, D. R., & McCubbins, M. D. (1991). *The logic of delegation*. University of Chicago Press.

Krasner, S. (1981). Power structures and regional development banks. *International Organization, 35*(2), 303-328.

Krasner, S. D. (1983). *International regimes.* Cornell University Press.

Koremenos, B., Lipson, C., & Snidal, D. (2001). The rational design of international institutions. *International organization, 55*(04), 761-799.

Lawrence, S. (2007). Examining the African Development Bank: A primer for NGOs. Bank Information Center. Retrieved from: http://www.sarpn.org/documents/d0002529/ADB_NGOs_May2007.pdf

Lipson, C. (1984). International cooperation in economic and security affairs. *World Politics, 37*(01), 1-23.

Mingst, K. A. (1990). *Politics and the African development bank*. University Press of Kentucky.

Mubiru, J. (1964). The African Development Bank. *The Journal of Modern African Studies, 2*(3), 442-443.

Putnam, R. D. (1988). Diplomacy and domestic politics: the logic of two-level games. *International organization, 42*(03), 427-460.

Rittberger, V., & Mayer, P. (Eds.). (1993). *Regime theory and international relations*. Oxford: Clarendon Press.

Roach, S. C. (2006). *Politicizing the International Criminal Court: The convergence of politics, ethics, and law*. Lanham, MR: Rowman & Littlefield Publishers.

Stone, R. W. (2011). *Controlling institutions: International organizations and the global economy.* Cambridge University Press.

Tirole, J. (1994). The internal organization of government. *Oxford Economic Papers, 46*(1), 1-29.

Udo, A. J. (1975). *The African Development Bank and the Development Process in Africa*. (Master's thesis, Western Michigan University). Retrieved from: [Hamline University proxy]

Vaubel, R. (1986). A public choice approach to international organization. *Public Choice, 51*(1), 39-57.

Vaubel, R. (1996). Bureaucracy at the IMF and the World Bank: A Comparison of the Evidence. *The World Economy, 19*(2), 195-210.

Vaubel, R. (2006). Principal-agent problems in international organizations. *The Review of International Organizations, 1*(2), 125-138.

Zürn, M., Binder, M., & Ecker-Ehrhardt, M. (2012). International authority and its politicization. *International Theory, 4*(01), 69-106.

Appendix

The purpose of this appendix is to present the full documents of the Board of Governors which contribute to the analysis of the cases of resource mobilization and the institutional impasse leading to the termination of President Fordwor's term. The resolutions are presented in chronological order with respect to time as well as case order in the thesis.

1a: Resolution Kinshasa:

THE BOARD OF GOVERNORS

Resolution 14-76

Concerning the mobilization of resources for the African Development Bank

THE BOARD OF GOVERNORS,

HAVING REGARD to Article 5 of the Agreement Establishing the African Development Bank;

HAVING REGARD to the Report of the Board of Directors (document ADB/BG/XII/5/Corr.1);

CONSIDERING the need to ensure that the Bank has sufficient capital resources to develop its operational activities;

CONSIDERING the limited financial resources of the African countries due to the current economic situation,

RESOLVES to instruct the President to take all steps, if necessary in consultation with the Governors, with a view of fostering the mobilization of resources to the exclusion of participation by non-African countries (AfDB in Fordwor, 1981, p. 90).

1b: Resolution Port Louis

BOARD OF GOVERNORS

Resolution 07-77

Concerning the mobilization of Resources for the Bank

THE BOARD OF GOVERNORS,

HAVING REGARD to Articles 2(c) and 5 of the Agreement establishing the African Development Bank;

HAVING REGARD to the report of the Board of Directors (document ADB/BG/XII/5 of 8 April 1977);

CONSIDERING the need to ensure that the Bank has sufficient capital resources to develop its operational activities;

CONSIDERING the limited resources of the African countries;

CONSIDERING the positive developments in the work of the Development Committee of the World Bank and the International Monetary Fund;

INSTRUCTS the President, in close consultation with the Board of Directors, to resume the study on the mobilisation of resources with a view of examining various possibilities for increasing the resources of the Bank on a permanent basis, while maintaining the African character of the Bank;

REQUESTS the president, in close consultation with the Board of Directors, to embark on this study without delay and to present a report to the Board of Governors by 31 January 1978 at the latest (AfDB in Fordwor, 1981, p. 97).

1c: Resolution Libreville

BOAD OF GOVERNORS

Resolution 02-78

<u>Concerning the Mobilization of Resources for the Bank</u>

(adopted at the closed sitting held on 1 May 1978)

THE BOARD OF GOVERNORS,

HAVING REGARD to the Agreement establishing the African Development Bank, in particular Articles 1, 2, 3, 5, 6, 29 and 60 thereof;

HAVING REGARD to its Resolution 07-77 adopted at the 3rd Plenary Session of its 13th Annual Meeting on 5 May 1977 in Mauritius on MOBILIZATION OF RESOURCES;

HAVING TAKEN NOTE of the Report presented by the President of the Bank after close consultation with the Board of Directors, entitled "MOBILIZATION OF RESOURCES FOR THE BANK 1977-1986 (January 1978);

HAVING carefully studies the recommendations of the said Report;

CONSCIOUS of the expanding role which the Bank has to play in the Mobilization of Resources outside Africa to supplement those already mobilized within Africa, especially with respect to subscription to the capital stock of the Bank;

TAKING NOTE of the remarkable results obtained within and outside the African continent as a result of multilateral cooperation between regional, sub-regional and national development banks;

ACCEPTS the principle of opening the capital stock of the Bank to subscription by non-regional States on the basis of the principles set out in the Annex to this resolution;

CALLS UPON all States desirous of giving substantial assistance to the African continent in its economic and social development to augment the assistance they have already given to the African States by making an effective response to this invitation to subscribe to the capital stock of the Bank;

REQUESTS the President of the Bank, in close consultation with the Board of Directors, to initiate consultations with all willing non-African States with a view of inviting them to subscribe to the capital stock of the Bank on the basis, inter alia, of the principles set out in the Annex;

REQUESTS the President of the Bank, in close consultation with the Board of Directors:

(a) To study all the legal and administrative implications attendant on the opening of the capital stock of the Bank to non-regional participation;

(b) To present to the Board of Governors not later than 28 February 1979 a definitive report on the said consultations with non-regional States on their subscriptions to the capital stock of the Bank and on the amendments that would have to be made to the Bank Agreement and its Rules and Regulations for the purpose of enabling its capital stock to be so opened, on the conditions compatible with the maintenance of the African character of the Institution (see Annex).

ANNEX

By the "maintenance of the African character of the Institution", the Board of Governors understands the maintenance of the following principles and conditions for the admission of non-African States into membership of the Bank, namely:

(1) That the leadership of the Bank should always remain in the hands of regional members; in particular, that the President of the Bank will always be a national of a regional state, and a minimum condition of his appointment should be majority support from regional members.

(2) That the Bank shall confine its loan operations to the African continent as defined in the Agreement, and that the Bank's Headquarters would always be located in Africa.

(3) That voting power shall be distributed in such a way that regional members would have a majority of 66 2/3% of the total number of votes.

(4) That decisions on the policies of the Bank should be made subject to a majority of 51% votes.

(5) That the quorum of meetings of the Board of Governors should be constituted by the attendance of members holding not less than 66 2/3% of the total number of votes, including 35% of regional votes.

(6) That the Board of Directors shall consist of 12 members, 9 of whom shall represent regional members and 3 non-regional members.

(7) That recruitment policy would always be formulated in such a way as to preserve the regional character of the organization.

(8) That the admission of non-regional States to membership of the Bank should not result in a substitution for their contributions and subscriptions to the Fund's resources of their subscriptions to the capital stock of the Bank.

(9) That non-regional membership will in no way entail a modification of the Bank's established policy of using only economic criteria for the formulation of its loan policies (AfDB in Fordwor, 1981, pp. 121-123).

2a: Resolution Abidjan during the Extraordinary Meeting

BOARD OF GOVERNORS

Resolution 11-79

Concerning measures to restore the normal functioning of the African Development Bank

(Adopted at the Extraordinary Meeting held in Abidjan from 23-26 July 1979)

THE BOARD OF GOVERNORS,

1. Having regard to Articles 4; 29(1) and (3); 31; 32; 33; 34; 35(2) and (3); and 37 of the Agreement establishing the African Development Bank (the Bank Agreement), and to their Resolutions No. 16-76 of 7th May 1976 (adopted at Kinshasa) and No. 8-79 of 17th May 1979 (adopted in Abidjan);

2. AFTER considering all the problems relating to the situation prevailing within the African Development Bank as set out in the Report of the Bureau of the Board of Governors on the ADB crisis (Doc. ADB/BG/EXTRA/79/01/3) submitted to the Board of Governors;

3. MINDFUL of the prime necessity of guaranteeing the stability and smooth functioning of the Bank and of ensuring close and fruitful cooperation between all its organs;

4. DESIROUS of ensuring as speedily as possible the normal functioning of the Bank;

5. MINDFUL of preserving, on the one hand, the higher interests of the Bank and, on the other hand, the unity of the African continent;

6. DESIDES;

    1. To pay tribute to Dr. Kwame Donkor Fordwor for his great contribution to the development of the Bank's activities;

    2. To put Dr. Kwame D. Fordwor on indefinite open leave;

    3. To declare null and void the decision of the Board of Directors dated 28 June 1979 appointing Mr. Francis O. O. Sogunro as Acting President of the Bank;

    4. To appoint Mr. G. E. Gondwe as Acting President of the Bank as of 26 July 1979 until the next Annual Meeting of the Board of Governors in May 1980 and to call upon the Board of Directors to confirm him in his new functions on the understanding that he may not be a candidate for the Presidency of the Bank on the expiration of his interim term of office;

    5. To entrust the Acting President solely with the conducting of th day-to-day affairs, while any action of political nature shall be the direct responsibility of the Chairman of the Board of Governors during the interim period;

    6. To censure the Board of Directors for the hasty manner with which it took the important decision of dismissing the President of the Bank and appointing an Acting President without consulting the Board of Governors which constitutes the supreme organ of the Bank;

    7. Not to renew the term of the present Directors at the end of their statutory term;

    8. To advance to 1 August 1979 the assumption of duty of the Directors elected at the May 1979 Annual Meeting.